

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

OFFICIAL STATEMENT
Dated: April 20, 2022

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$140,085,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

Dated Date: May 1, 2022

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

The Frisco Independent School District Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") are being issued pursuant to the Texas Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, ("Chapter 1371"), an election held in the District on November 6, 2018, and the order ("Bond Order") adopted on March 21, 2022 by the Board of Trustees (the "Board") of the Frisco Independent School District (the "District"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a certificate establishing the pricing terms for the Bonds (the "Pricing Certificate", and together with the Bond Order, the "Order"). The Pricing Certificate was executed by the Pricing Officer on April 20, 2022, which completed the sale of the Bonds. 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 guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2022 until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. Principal and interest of the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses, and the purchase of necessary sites for school buildings, and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS - Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover Page)

The Bonds are offered for delivery when, as and if issued, and received by the 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 May 12, 2022.

RBC CAPITAL MARKETS

PIPER SANDLER & CO.

RAYMOND JAMES

WELLS FARGO SECURITIES

\$140,085,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

MATURITY SCHEDULE
BASE CUSIP NO: 35880C⁽¹⁾

\$99,400,000 Serial Bonds

Maturity Date <u>2/15</u>	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No.⁽¹⁾
2023	\$4,045,000	5.00%	1.91%	W42
2024	3,705,000	5.00	2.21	W59
2025	3,355,000	5.00	2.36	W67
2026	2,980,000	5.00	2.44	W75
2027	3,135,000	5.00	2.49	W83
2028	3,290,000	5.00	2.57	W91
2029	3,465,000	5.00	2.65	X25
2030	3,640,000	5.00	2.74	X33
2031	3,825,000	5.00	2.80	X41
2032	4,020,000	5.00	2.86	X58
2033	4,230,000	5.00	2.92 ⁽²⁾	X66
2034	4,405,000	3.35	3.28 ⁽²⁾	X74
2035	4,555,000	3.45	3.38 ⁽²⁾	X82
2036	4,720,000	3.50	3.49 ⁽²⁾	X90
2037	30,995,000	3.50	3.58	Y24
2038	2,785,000	3.65	3.62 ⁽²⁾	Y32
2039	2,890,000	3.65	3.64 ⁽²⁾	Y40
2040	3,000,000	3.70	3.66 ⁽²⁾	Y57
2041	3,115,000	4.00	3.43 ⁽²⁾	Y65
2042	3,245,000	4.00	3.45 ⁽²⁾	Y73

(Interest to accrue from the Dated Date)

\$40,685,000 Term Bonds

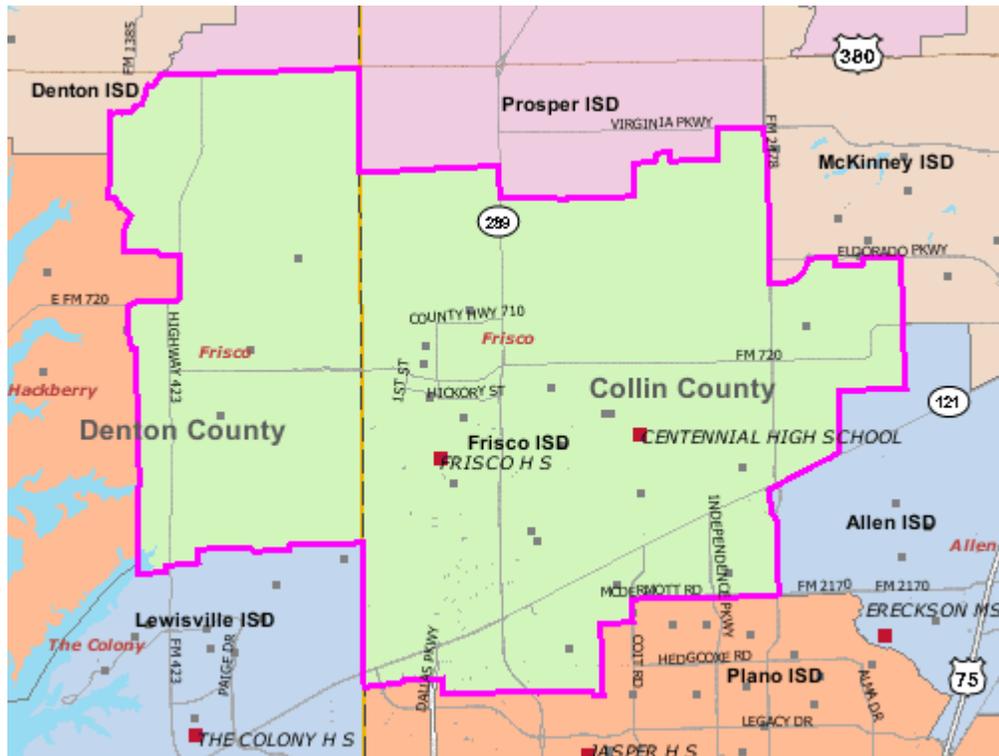
\$18,315,000 4.000% Term Bond due February 15, 2047 – Price 103.763 (yield 3.54%) CUSIP Suffix No. Y81⁽¹⁾⁽²⁾
\$22,370,000 4.000% Term Bond due February 15, 2052 – Price 102.599 (yield 3.68%) CUSIP Suffix No. Y99⁽¹⁾⁽²⁾

(Interest to accrue from the Dated Date)

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(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2032, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

LOCATION OF FRISCO INDEPENDENT SCHOOL DISTRICT



FRISCO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Term Expires</u>	<u>Length of Service</u>	<u>Occupation</u>
Rene Archambault, President	2024	4 Years	Deputy Director
John Classe, Vice President	2024	8 Years	Financial Planner
Chad Rudy, Secretary	2022	7 Years	Investment Advisor
Dynette Davis, Member	2023	2 Years	Educator and Entrepreneur
Debbie Gillespie, Member	2023	11 Years	Community/School Volunteer
Natalie Hebert, Member	2022	3 Years	Community/School Volunteer
Gopal Ponangi, Member	2022	3 Years	Senior Manager

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>
Dr. Mike Waldrip	Superintendent	40 Years
Kenny Chandler	Deputy Superintendent of Schools	38 Years
Dr. Todd Fouche	Deputy Superintendent for Business & Operations	19 Years
Melissa Fouche	Chief Technology Officer	28 Years
Dr. Wes Cunningham	Chief Academic Officer	29 Years
Dr. Pam Linton	Chief Human Resources Officer	32 Years
Cory McClendon	Chief Leadership Officer	23 Years
Amanda McCune	Chief Communications Officer	6 Years
Erin Miller	Chief Student Services Officer	26 Years
Kimberly Smith	Chief Financial Officer	14 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:

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Chief Financial Officer
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(469) 633-6000

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SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1470
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

The 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 responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The 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 District's Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") are being issued in the principal amount of \$140,085,000 pursuant to the Texas Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on November 6, 2018, and the order (the "Bond Order") adopted on March 21, 2022 by the Board. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a certificate establishing the pricing terms of the Bonds (the "Pricing Certificate", and together with the Bond Order, the "Order"). The Pricing Certificate was executed by the Pricing Officer on April 20, 2022, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses, and the purchase of necessary sites for school buildings, and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose")
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM.")
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 further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Redemption	The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS – Optional Redemption." and "THE BONDS – Mandatory Sinking Fund Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's current underlying, unenhanced ratings, including the Bonds, are "Aa1" by Moody's and "AA+" by S&P, respectively. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to occur on or about May 12, 2022.

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Frisco Independent School District (the "District"), a political subdivision of the State of Texas located in Collin and Denton Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2022 (the "Bonds").

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

There follows in this Official Statement descriptions of the Bonds and the order adopted by the Board of Trustees of the District (the "Board") on March 21, 2022 authorizing the issuance of the Bonds (the "Bond Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Frisco Independent School District, 5515 Ohio, Frisco, Texas 75035 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and reopening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions. Notwithstanding the above, Executive Order GA-36 provides for public schools to continue to follow policies regarding the wearing of face coverings to the extent reflected in current guidance by TEA, until June 4, 2021. However, Executive Order GA-36 required TEA to revise its guidance such that, effective 11:59 p.m. on June 4, 2021, no student, teacher, parent, or other staff member or visitor may be required to wear a face covering. TEA has since updated its guidance in accordance with Executive Order GA-36. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The 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 fully quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may 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.

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 \$140,085,000 pursuant to the Texas Constitution and general laws of the State of Texas (the "State"), particularly Section 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on November 6, 2018, and the Bond Order. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a certificate establishing the pricing terms of the Bonds (the "Pricing Certificate", and together with the Bond Order, the "Order"). The Pricing Certificate was executed by the Pricing Officer on April 20, 2022, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses, and the purchase of necessary sites for school buildings, and (ii) pay the costs of issuing the Bonds.

General Description

The Bonds are dated May 1, 2022 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on August 15, 2022, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

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

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

Optional Redemption

The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Mandatory Sinking Fund Redemption

In addition to the optional redemption provision described above, the Bonds maturing on February 15 in each of the years 2047 and 2052 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

Term Bonds <u>February 15, 2047</u>		Term Bonds <u>February 15, 2052</u>	
<u>Date</u> <u>(2/15)</u>	<u>Amount</u>	<u>Date</u> <u>(2/15)</u>	<u>Amount</u>
2043	\$3,375,000	2048	\$4,125,000
2044	3,515,000	2049	4,290,000
2045	3,660,000	2050	4,465,000
2046	3,805,000	2051	4,650,000
2047*	3,960,000	2052*	4,840,000

*Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Bond Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such Stated Maturity which, at least forty-five (45) days prior to the mandatory redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, thereof, and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption and DTC Notices

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

SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

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

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

Security

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

Permanent School Fund Guarantee

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

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

Legality

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

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

Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of

such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Bonds 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 Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Sources and Uses of Funds

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

Sources	
Par Amount of Bonds	\$ 140,085,000.00
Net Premium	6,098,980.70
Accrued Interest on Bonds	175,363.76
Total Sources of Funds	\$ <u>146,359,344.46</u>
Uses	
Deposit to Construction Fund	\$ 145,000,000.00
Costs of Issuance	454,703.88
Underwriters' Discount	729,276.82
Deposit to Interest and Sinking Fund	175,363.76
Total Uses of Funds	\$ <u>146,359,344.46</u>

REGISTERED OWNERS' REMEDIES

The Bond Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion 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, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this

section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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 is governed by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds

and to charter district bonds are referred to herein as the “School District Bond Guarantee Program” and the “Charter District Bond Guarantee Program,” respectively.

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

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232” or “the bill”) was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (“the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, but other authorized changes are expected to be implemented in phases, generally from the first quarter of calendar year 2022 through the end of calendar year 2023. See “Management Transition to the PSF Corporation” for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created with a \$2,000,000 appropriation by the Texas Legislature (the “Legislature”) in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as “charter districts” by the Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See “The Charter District Bond Guarantee Program.”

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

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

Audited financial information for the SBOE financial portfolios of the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The SLB’s land and real assets investment operations, which are part of the PSF as described below, are included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2021, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the federal Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2021 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2021 and for a description of the financial results of the PSF for the year ended August 31, 2021, the most recent year for which audited financial information regarding the Fund is available. The 2021 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2021 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the “Investment Policy”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities

Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for ongoing changes in the management structure of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

Management and Administration of the Fund

The following discussion describes the legal and management structure of the Fund prior to full implementation of SB 1232, which has begun and is expected to continue in phases over an approximately two year period. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

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

The Total Return Constitutional Amendment shifted administrative costs of the Fund from the ASF to the PSF, providing that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), stating that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

The SBOE/PSF investment staff and the SBOE's investment consultant for the Fund are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

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

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

Texas law assigns to the SLB the ability to control of the Fund's land and mineral rights and make investments in real assets. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner). The SLB manages the proceeds of the land and mineral rights that are administered by the GLO on behalf of the Fund. The SLB is governed by a five member board, the membership of which consists of the Land Commissioner, who sits as the chairman of the board, and four citizen members appointed by the Governor. The SLB and is generally authorized to invest in the following asset classes:

- Discretionary real assets investments consisting of externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and associated cash;
- Sovereign and other lands, being the lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments; and,
- Mineral interests associated with Fund lands.

At August 31, 2021, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

In 2019, the Texas Legislature enacted legislation that required an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other legislation enacted in 2019 included a bill that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. That legislation also provided for the SBOE to administer and invest the Liquid

Account and required the TEA, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. That study (the "PSF Distribution Study"), dated August 31, 2020, is available at <https://tea.texas.gov/sites/default/files/TEA-Distribution-Study.pdf>.

Management Transition to the PSF Corporation

In accordance with SB 1232, at its November 2021 board meeting, the SBOE approved the articles of formation of the PSF Corporation. The articles were filed on December 1, 2021, thus effecting the creation of the PSF Corporation. SB 1232 authorizes the SBOE to delegate investment authority over the PSF and the Charter District Reserve Fund to the PSF Corporation. The bill also provides that the PSF Corporation, the SBOE and TEA must coordinate to determine the PSF Corporation's role in the operation and management of the Guarantee Program to ensure the proper and efficient operation of the program.

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at <https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232>. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As a result, the full implementation of SB 1232 will necessarily evolve over time with the timing of certain aspects of its implementation yet to be determined.

As allowed by SB 1232, the PSF Corporation has been created as a special-purpose governmental corporation and instrumentality of the State which is entitled to sovereign immunity. The PSF Corporation is to be governed by nine-member board of directors (the "Board"), consisting of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management; with one of the appointees being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

At the inaugural meeting of the Board in January 2022, the Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation. The interim chief executive officer will report to the Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the Board but are subject to approval by the SBOE.

Notwithstanding the management transition for the Fund from the SBOE to the PSF Corporation, the provisions of the Texas Constitution that formerly applied to the SBOE's management will continue to provide a framework for the management of the Fund. In particular, the Prudent Person Standard is applicable to the PSF Corporation, and the Total Return Constitutional Amendment will govern distributions from the PSF to the ASF by the SBOE. A separate constitutional provision allowing distributions from the PSF to the ASF that is currently used by the SLB was also granted to the PSF Corporation. When determining any amount to distribute, the PSF Corporation may consider distributions made by the SBOE. In addition, the Fund will continue to be managed as a perpetual endowment for the benefit of citizens of the State.

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB will no longer be authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and direct real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals. Tentatively, the transfer of SLB assets to the management of the PSF Corporation is expected to occur in late 2022 or early 2023, but exceptions could be made for specific investments.

In connection with the transfer of SLB's investment funds to the PSF Corporation, the PSF Corporation will also determine when the Liquid Account can be abolished, and any remaining balance transferred to the PSF managed by the PSF Corporation.

Not less than once each year, the Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws.

As required by State law, during the 87th Regular Session the LBB issued a fiscal note on SB 1232. The fiscal note stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill could not be determined during the legislative session. However, the fiscal note stated that TEA and the GLO projected that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. No assurances can be given as to future investment results for the Fund.

The State general appropriations act for fiscal years 2022-23 required TEA (and GLO) to submit a plan to the LBB describing the steps required to implement SB 1232, and the plan was submitted on September 1, 2021. The plan included a description of appropriated funds and full time equivalent employees ("FTEs") to be transferred to PSF Corporation and identified costs to accrue to TEA as a result of such transfers. The plan identified a cost range of approximately \$8,000,000 to \$11,000,000 required in connection with the establishment of the PSF Corporation. During the Summer or Fall of 2022, an appropriation request is expected to be made by the chief executive officer of the PSF Corporation acting in cooperation with the Board to LBB in preparation for the 2024-2025 State biennium.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividend income produced by Fund investments flowed into the ASF, where they were distributed to local school districts and open-enrollment charter schools based on average daily attendance, any net gains from investments of the Fund were reflected in the value of the PSF, and costs of administering the PSF were allocated to the ASF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a 'total-return-based' formula instead of the 'current-income-based' formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-

0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

On November 8, 2011, a referendum was held in the State at which voters of the State approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF and authorized the SLB to make direct transfers to the ASF, as described below.

The November 8, 2011 referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets was already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately \$2 billion, no new resources were provided for deposit to the Fund. As described under “The Total Return Constitutional Amendment” the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

The constitutional amendments approved on November 8, 2011, also provided authority to the GLO or another entity (described in statute as the SLB) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO or SLB was limited to \$300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to \$600 million each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

The following table shows amounts distributed to the ASF from the portions of the Fund administered by the SBOE (the “PSF(SBOE)”) and the SLB (the “PSF(SLB)”).

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
PSF(SBOE) Distribution	\$1,021	\$1,021	\$839	\$839	\$1,056	\$1,056	\$1,236	\$1,236	\$1,102	\$1,102
PSF(SLB) Distribution	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$300	\$600	\$600 ²
Per Student Distribution	\$221	\$281	\$175	\$173	\$215	\$212	\$247	\$306	\$347	\$341

¹ In millions of dollars. Source: PSF Annual Report for year ended August 31, 2021.

² In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2020, the SBOE approved a projected \$3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$875 million for the biennium.

Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even numbered year to be applicable for the following biennium.

<u>State Fiscal Biennium</u>	<u>2008-09</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>
<u>SBOE Distribution Rate¹</u>	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%

¹ Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF.

See “Management Transition to the PSF Corporation” for a discussion of planned changes in the management of the Fund that may impact distributions to the ASF.

Asset Allocation of Fund Portfolios

With respect to the management of the Fund’s financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in July 2020. The Fund’s Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset

classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in July 2020, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account (the Liquid Account asset allocation was most recently revised in November 2021). The next scheduled review of the PSF(SBOE) asset allocation is June 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

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With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in July 2020. The Fund's Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in July 2020, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account. The next scheduled review of the PSF(SBOE) asset allocation is July 2022. See "2021 Legislation – SB 1232" for a discussion of proposed changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

PSF Strategic Asset Allocations

	<u>PSF Total</u>	<u>PSF(SBOE)</u>	<u>PSF(SLB)</u>	<u>Liquid Account</u>
Equity Total	47%	52%	0%	60%
Public Equity Total	34%	37%	0%	60%
Large Cap US Equity	13%	14%	0%	30%
Small/Mid Cap US Equity	5%	6%	0%	7%
International Equities	13%	14%	0%	23%
Emerging Markets Equity	2%	3%	0%	0%
Private Equity	13%	15%	0%	0%
Fixed Income Total	27%	25%	0%	38%
Core Bonds	11%	12%	0%	10%
High Yield	2%	3%	0%	0%
Emerging Markets Debt	6%	7%	0%	0%
Treasuries	2%	3%	0%	0%
TIPS	3%	0%	0%	5%
Short Duration	2%	0%	0%	23%
Alternative Investments Total	25%	22%	100%	0%
Absolute Return	6%	7%	0%	0%
Real Estate	12%	11%	33%	0%
Real Return	1%	4%	0%	0%
Energy	3%	0%	35%	0%
Infrastructure	3%	0%	32%	0%
Emerging Manager Program	0%	1%	0%	0%
Cash	2%	0%	0%	2%

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

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SBOE)¹

Fair Value (in millions) August 31, 2021 and 2020				
<u>ASSET CLASS</u>	<u>August 31, 2021</u>	<u>August 31, 2020</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
EQUITY				
Domestic Small Cap	\$ 2,597.3	\$ 2,005.8	\$ 591.5	29.5%
Domestic Large Cap	<u>6,218.7</u>	<u>5,106.3</u>	<u>1,112.4</u>	<u>21.8%</u>
Total Domestic Equity	8,816.0	7,112.1	1,703.9	24.0%

International Equity	8,062.1	6,380.9	1,681.2	26.3%
TOTAL EQUITY	16,878.1	13,493.0	3,385.1	25.1%
FIXED INCOME				
Domestic Fixed Income	4,853.1	4,232.6	620.5	14.7%
U.S. Treasuries	1,243.3	918.7	324.6	35.3%
Emerging Market Debt	2,683.7	2,450.7	233.0	9.5%
TOTAL FIXED INCOME	8,780.1	7,602.0	1,178.1	15.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,546.0	3,517.2	28.8	0.8%
Real Estate	3,706.0	3,102.1	603.9	19.5%
Private Equity	7,724.6	4,761.5	2,963.1	62.2%
Risk Parity	-	1,164.9	(1,164.9)	-100.0%
Real Return	1,675.5	2,047.4	(371.9)	-18.2%
TOT ALT INVESTMENTS	16,652.1	14,593.1	2,059.0	14.1%
UNALLOCATED CASH	262.9	122.9	140.0	113.9%
TOTAL PSF(SBOE) INVESTMENTS	\$ 42,573.2	\$ 35,811.0	\$ 6,762.2	18.9%

Source: PSF Annual Report for year ended August 31, 2021.

¹ The investments shown in the table above at August 31, 2021 do not fully reflect the changes made to the PSF Strategic Asset Allocation in 2020, as those changes were still being phased in at the end of the fiscal year.

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously included in the PSF valuation but was held and invested by the State Comptroller. In July 2020, the SBOE adopted an asset allocation policy for the Liquid Account and that policy was revised in November 2021 (the current allocation is as shown in the table "PSF Strategic Asset Allocations" above). As so amended, the Liquid Account asset allocation is expected to be fully implemented in the first calendar quarter of calendar year 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2021.

Liquid Account Fair Value at August 31, 2021¹

Fair Value (in millions) August 31, 2021 and 2020

ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	\$228.3	-	\$228.3	N/A
Domestic Large Cap	578.6	-	578.6	N/A
Total Domestic Equity	806.9	-	806.9	N/A
International Equity	392.6	-	392.6	N/A
TOTAL EQUITY	1,199.5	-	1,199.5	N/A
Fixed Income				
Short-Term Fixed Income	1,074.8	\$1,597.3	(522.5)	-32.7%
Core Bonds	413.1	-	413.1	N/A
TIPS	213.9	-	213.9	N/A
TOTAL FIXED INCOME	1,701.8	1,597.3	104.5	6.5%
Unallocated Cash	1,420.5	2,453.3	(1,032.8)	-42.1%
Total Liquid Account Investments	\$4,321.8	\$4,050.6	\$271.2	6.7%

¹ In millions of dollars.

Source: PSF Annual Report for year ended August 31, 2021.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SLB)

Fair Value (in millions) August 31, 2021 and 2020

Asset Class	As of 8-31-21	As of 8-31-20	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				

Externally Managed				
Real Assets Investment Funds ¹				
Energy/Minerals	\$1,707.5	\$1,164.0	\$543.5	46.7%
Infrastructure	1,652.3	1,485.4	166.9	11.2%
Real Estate	<u>1,276.8</u>	<u>1,174.8</u>	<u>102.0</u>	8.7%
Internally Managed Direct				
Real Estate Investments	223.9	219.5	4.4	2.0%
Total Discretionary				
Real Assets Investments	4,860.5	4,043.7	816.8	20.2%
Dom. Equity Rec'd as In-Kind Distribution	1.7	0.9	0.8	88.9%
Sovereign and Other Lands	405.4	408.6	(3.2)	-0.8%
Mineral Interests	2,720.4	2,115.4	605	28.6%
Cash at State Treasury ²	<u>699.2</u>	<u>333.8</u>	<u>365.4</u>	109.5%
Total PSF(SLB)				
Investments	\$8,687.2	\$6,902.4	\$1,784.8	25.9%

¹ The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

² Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events and the market impact of domestic and international climate change; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and, PSF operational limitations impacted by Texas law or legislative appropriation. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may affect these factors. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per

average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 and are available at <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 Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of March 2021 (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 6.83%. At February 11, 2022, there were 191 active open-enrollment charter schools in the State and there were 911 charter school campuses active under such charters (though as of such date, 27 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature’s 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the “CDBGP Capacity”), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. The CDBGP Capacity is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program” and “2017 Legislative Changes to the Charter District Bond Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

Since September 2015, the SBOE has periodically voted to change the capacity multiplier as shown in the following table.

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund’s assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. On December 16, 2009, the IRS published Notice 2010-5 (the “IRS Notice”) stating that the IRS would issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provided that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

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

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the “Final IRS Regulations”). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009, multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was \$23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately \$117.3 billion.

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Capacity Limit increased from \$128,247,002,583 on August 31, 2020 to \$135,449,634,408 on August 31, 2021 (but at such date the IRS Limit (\$117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Education Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2021, the Charter District Reserve Fund contained \$72,968,033, which represented approximately 2.1% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

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

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district,

however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Results of the PSF operations through the fiscal year ended August 31, 2021 and at other periodic points in time are set forth herein or incorporated herein by reference. Fund management is of the view that since the onset of the pandemic the Fund has performed generally in accordance with its portfolio benchmarks and with returns generally seen in the national and international investment markets in which the Fund is invested (see "Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021").

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of December 2021, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

For information on the September 2020 special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see "The Total Return Constitutional Amendment."

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2017	\$31,870,581,428	\$41,438,672,573
2018	33,860,358,647	44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021 ⁽²⁾	38,699,045,012	55,581,401,632

⁽¹⁾ SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

⁽²⁾ At August 31, 2021, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately \$13.4 million, \$183.7 million, \$4,655.9 million, \$4.7 million, and \$699.2 million, respectively, and market values of approximately \$2,720.4 million, \$629.3 million, \$4,636.6 million, \$1.8 million, and \$699.2 million, respectively. At December 31, 2021, the PSF had a book value of \$39,841,061,222 and a market value of \$56,168,194,806. December 31, 2021 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount ⁽¹⁾
2017	\$74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	92,259,161,922 ⁽²⁾

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

⁽²⁾ At August 31, 2021 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$144,196,223,433, of which \$48,937,061,511 represents interest to be paid. As shown in the table above, at August 31, 2021, there were \$95,259,161,922 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of \$117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2021, 6.49% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2021, the amount of outstanding bond guarantees represented 82.68% of the Capacity Limit (which is currently the IRS Limit). December 31, 2021 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Fiscal Year	School District Bonds		Charter District Bonds		Totals	
	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2017	3,253	\$72,884,480,023	40	\$1,381,610,000	3,293	\$74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021 ⁽²⁾	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922

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

⁽²⁾ At December 31, 2021 (based on unaudited data, which is subject to adjustment), there were \$96,973,094,043 of bonds guaranteed under the Guarantee Program, representing 3,520 school district issues, aggregating \$97,006,213,263 in principal amount and 89 charter district issues, aggregating \$3,408,646,000 in principal amount. At December 31, 2021, the CDBG Capacity was \$7,612,220,802 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021

The following discussion is derived from the Annual Report for the year ended August 31, 2021, including the Message of the Executive Administrator of the Fund and the Management’s Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2021, the Fund’s land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2021, the Fund balance was \$55.6 billion, an increase of \$8.9 billion from the prior year. This increase is primarily due to overall net increases in value of the asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2021, net of fees, were 22.97%, 10.49% and 9.05%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2021, net of fees, was 4.90% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 12.81%, 1.56%, and 4.18%, respectively.

The market value of the Fund’s assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. See “Comparative Investment Schedule - PSF(SBOE)” for the PSF(SBOE) holdings as of August 31, 2021.

As of August 31, 2021, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of \$5.7 billion and capital commitments to private equity limited partnerships for a total of \$7.5 billion. Unfunded commitments at August 31, 2021, totaled \$2.0 billion in real estate investments and \$2.4 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2021¹

Portfolio	Return	Benchmark Return ²
Total PSF(SBOE) Portfolio	22.97%	20.73%
Domestic Large Cap Equities(SBOE)	31.26	31.17
Domestic Small/Mid Cap Equities(SBOE)	47.88	47.40
International Equities(SBOE)	25.27	24.87
Emerging Market Equity(SBOE)	19.33	21.12
Fixed Income(SBOE)	1.64	-0.08
Treasuries	-7.02	-7.27
Absolute Return(SBOE)	13.84	13.05
Real Estate(SBOE)	12.06	9.34
Private Equity(SBOE)	53.88	43.38
Real Return(SBOE)	16.06	18.08
Emerging Market Debt(SBOE)	5.92	4.14
Liquid Large Cap Equity(SBOE)	43.24	38.19
Liquid Small Cap Equity(SBOE)	61.97	52.07
Liquid International Equity(SBOE)	12.20	12.18
Liquid Short-Term Fixed Income(SBOE)	0.91	0.37
Liquid Core Bonds(SBOE)	-0.07	-0.18
Liquid TIPS(SBOE)	6.09	6.20
Liquid Transition Cash Reserves(SBOE)	0.44	0.08
Liquid Combined(SBOE)	4.90	4.27

¹ Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2021.

² Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2021.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2021, the remaining commitments totaled approximately \$2.24 billion.

For fiscal year 2021, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled \$10.8 billion, an increase of \$8.8 billion from fiscal year 2020 earnings of \$2.0 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2021. In fiscal year 2021, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 42.5% for the fiscal year ending August 31, 2021. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2020 and 2021, the distribution from the SBOE to the ASF totaled \$1.1 billion and \$1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2020 and 2021 totaled \$600 and \$600 million, respectively.

At the end of the 2021 fiscal year, PSF assets guaranteed \$95.3 billion in bonds issued by 880 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,203 school district and charter district bond issues totaling \$220.2 billion in principal amount. During the 2021 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,429. The dollar amount of guaranteed school and charter bond issues outstanding increased by \$4.9 billion or 5.4%. The State Capacity Limit increased by \$7.2 billion, or 5.6%, during fiscal year 2021 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2021 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the Guarantee Program.

Other Events and Disclosures

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

The TEA received an appropriation of \$30.4 million for each of the fiscal years 2020, and 2021.

As of August 31, 2021, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in

accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

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

Compliance with Prior Undertakings

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" from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Texas 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 Texas Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current

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

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

2021 Regular and Special Legislative Sessions

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

When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor’s direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor has called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposes a constitutional amendment increasing the mandatory homestead exemption for school districts from \$25,000 to \$40,000. If approved by the voters at an election to be held on May 7, 2022, the proposed amendment to the Constitution will be effective for one year, being the tax year beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session makes provisions based on the outcome of the constitutional amendment election for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

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

Local Funding for School Districts

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

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2022, the State Compression Percentage is set at 91.34%.

Maximum Compressed Tax Rate

The maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district’s prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established \$0.9134 as the maximum rate and \$0.8220 as the floor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2022-2023 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,007,300,000 for the EDA, IFA, and NIFA.

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

Tier One

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

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

For the 2021-2022 school year, the fast growth allotment weight is 0.45 for districts in the top 40% of school districts for growth, 0.30 for districts in the middle 30% of school districts for growth and 0.15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$270 million for the 2021-2022 school year, \$310 million for the 2022-2023 school year and \$315 million for the 2023-2024 school year.

Tier Two

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

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

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

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 87th Regular Session, the State Legislature appropriated funds in the amount of \$70,000,000 for each fiscal year of the 2022-2023 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Furthermore, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a year school under the formula transition grant exceeds \$400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

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

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 2021-2022 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 2021-22 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 ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district.

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the 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. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. On May 7, 2022 a constitutional referendum is being presented to the voters of the State, to increase the exemption of the appraised value of all homesteads from \$25,000 to \$40,000.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentation 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”). The 87th Texas Legislature did not vote to extend this program, which is now scheduled to expire by its terms effective December 31, 2022.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, \$50.6 million for the 2021 tax year, 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 as Section 45.003, Texas Education Code).

For the 2020 and subsequent tax years, the maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district’s MCR. The District’s MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is \$0.93.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The 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 2021/22 fiscal year, property valued at \$64,048,754 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 2021/2022 tax year is approximately \$2,447,079,920. 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."

EMPLOYEES' RETIREMENT PLAN 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, 2021, 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, 2021, set forth in Appendix D hereto).

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

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P") based upon the Texas Permanent School Fund Guarantee Program. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). The District's underlying, unenhanced ratings, including the Bonds, are "Aa1" and "AA+", respectively by Moody's and S&P. 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 approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. 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", and the third 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 the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereof, as to which no opinion is expressed), "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 is expressed) and such firm is of the opinion that the information relating to the Bonds and the Bond 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

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

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

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

CYBERSECURITY RISK MANAGEMENT

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

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs

of the District to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. 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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

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

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

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

Compliance with Prior Undertakings

During the past five years, 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.

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of \$729,276.82. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

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.

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

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.

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

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

CONCLUDING STATEMENT

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

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 Bond Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Bond Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

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

/s/ Kimberly Smith

Pricing Officer

APPENDIX A
FINANCIAL INFORMATION OF THE DISTRICT

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FRISCO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2021/22 Total Valuation.....	\$ 52,572,881,214
Less Exemptions & Deductions ⁽²⁾ :	
State Homestead Exemption	\$ 1,299,159,777
State Over-65 Exemption	83,956,647
Disabled Exemption	150,892,641
Veterans Exemption	7,939,170
Surviving Spouse Disabled Veteran Exemption	5,054,515
Freeport Exemption	64,048,754
Pollution Control Exemption	3,543,896
Productivity Loss	1,359,268,267
Solar / Wind Exemption	4,573,003
Disaster Damage State Exemption	15,172,896
Homestead Cap Loss	95,763,205
	\$ 3,089,372,771
2021/22 Net Taxable Valuation	\$ 49,483,508,443

⁽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 \$561,382,734 for 2021/22.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding ⁽¹⁾	\$ 2,173,250,696
Plus: The Bonds	140,085,000
Total Unlimited Tax Bonds ⁽¹⁾	2,313,335,696
Less: Interest & Sinking Fund Balance (As of June 30, 2021) ⁽²⁾	(132,382,000)
Net General Obligation Debt	\$ 2,180,953,696
Ratio of Net G.O. Debt to Net Taxable Valuation ⁽³⁾	4.41%
2022 Population Estimate ⁽⁴⁾	320,450
Per Capita Net Taxable Valuation	\$154,419
Per Capita Net G.O. Debt	\$6,806

⁽¹⁾ Excludes interest accreted on outstanding capital appreciation bonds.

⁽²⁾ Source: Frisco ISD Audited Financial Statements.

⁽³⁾ See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2021" in Appendix D for more information relative to the District's outstanding obligations.

⁽⁴⁾ Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net		% Collections ⁽³⁾	
	Taxable Valuation ⁽¹⁾	Tax Rate	Current ⁽⁴⁾ Total ⁽⁴⁾	
			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	99.27%	99.81%
2021/22	49,483,508,443 ⁽²⁾	1.2672	(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 the Official Statement.

TAX RATE DISTRIBUTION ⁽¹⁾

	2017/18	2018/19	2019/20 ⁽²⁾	2020/21	2021/22
Maintenance & Operations	\$1.0400	\$1.1700	\$1.0683	\$1.0402	\$0.9972
Debt Service	\$0.4200	\$0.2700	\$0.2700	\$0.2700	\$0.2700
Total Tax Rate	\$1.4600	\$1.4400	\$1.3383	\$1.3102	\$1.2672

(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	2,149,080,696	4.64%
2021/22	49,483,508,443	2,260,840,227 ⁽³⁾	4.57%

(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, 2021" in Appendix D for more information.

(3) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Collin County	\$ 460,775,000	20.69%	\$ 95,334,348
Collin County CCD	514,470,000	20.69%	106,443,843
Denton County	572,620,000	11.01%	63,045,462
Denton County FWSD # 8-C	38,068,000	99.46%	37,862,433
City of Frisco	509,390,387	89.21%	454,427,164
Town of Little Elm	51,635,115	35.20%	18,175,560
City of McKinney	301,450,000	19.90%	59,988,550
City of Plano	475,530,000	14.38%	68,381,214
Total Overlapping Debt ⁽¹⁾			\$ 903,658,574
Frisco Independent School District ⁽²⁾			2,180,953,696
Total Direct & Overlapping Debt ⁽²⁾			\$ 3,084,612,270
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		6.23%	
Per Capita Direct & Overlapping Debt		\$9,626	

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

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

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

PRINCIPAL TAXPAYERS ⁽¹⁾**2021/22 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
JP Morgan Chase Bank NA	Banking & Finance	\$ 565,051,815	1.14%
Liberty Mutual Plano LLC	Banking & Finance	377,170,909	0.76%
Toyota Motor North America Inc	Automotive	258,002,700	0.52%
Capital One National Association	Banking & Finance	232,887,100	0.47%
Blue Star HQ Inc	Real Estate Development	224,437,922	0.45%
Union Investment Real Estate GMBH	Real Estate Development	152,566,435	0.31%
BPR Shopping Center LP	Real Estate Development	147,472,986	0.30%
Gaedeke Holdings XI LTD	Real Estate Development	121,000,000	0.24%
PPF Amlı Parkwood Boulevard LLC	Real Estate Development	118,407,411	0.24%
Bell Fund VII Frisco Market Center LLC	Real Estate Development	106,000,000	0.21%
		<u>\$ 2,302,997,278</u>	<u>4.65%</u>

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 Amlı 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%
		<u>\$ 2,210,385,838</u>	<u>4.78%</u>

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 Amlı Parkwood Boulevard LLC	Real Estate Development	117,697,158	0.27%
Granite Park NM/GP III LP	Real Estate Development	116,300,000	0.27%
Gaedeke Holdings XI LTD	Real Estate Development	115,301,667	0.27%
		<u>\$ 2,079,553,856</u>	<u>4.78%</u>

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

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ^{(1) (2)}

<u>Category</u>	<u>2021/22</u>	<u>% of Total</u>	<u>2020/21</u>	<u>% of Total</u>	<u>2019/20</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 31,700,467,837	60.30%	\$ 28,858,661,067	58.60%	\$ 27,700,222,652	59.35%
Real, Residential, Multi-Family	5,545,805,013	10.55%	5,143,741,573	10.44%	4,312,749,169	9.24%
Real, Vacant Lots/Tracts	1,019,017,715	1.94%	818,924,974	1.66%	716,778,295	1.54%
Real, Acreage	1,360,286,585	2.59%	1,377,349,895	2.80%	1,555,046,008	3.33%
Real, Farm & Ranch Improvements	88,891,677	0.17%	363,530,881	0.74%	386,943,453	0.83%
Real, Commercial & Industrial	10,479,963,916	19.93%	10,126,029,542	20.56%	9,323,706,887	19.98%
Utilities	346,669,753	0.66%	320,762,579	0.65%	302,354,814	0.65%
Tangible Personal, Commercial	1,470,220,405	2.80%	1,509,492,044	3.07%	1,537,040,764	3.29%
Tangible Personal, Industrial	818,558	0.00%	994,819	0.00%	877,346	0.00%
Tangible Personal, Mobile Homes & Other	516,596	0.00%	412,098	0.00%	415,622	0.00%
Tangible Personal, Residential Inventory	506,849,197	0.96%	672,350,754	1.37%	783,004,960	1.68%
Tangible Personal, Special Inventory	<u>53,373,962</u>	<u>0.10%</u>	<u>53,736,219</u>	<u>0.11%</u>	<u>56,519,910</u>	<u>0.12%</u>
Total Appraised Value	\$ 52,572,881,214	100.00%	\$ 49,245,986,445	100.00%	\$ 46,675,659,880	100.00%
Less:						
Homestead Cap Adjustment	\$ 95,763,205		\$ 39,391,242		\$ 80,754,171	
Productivity Loss	1,359,268,267		1,376,255,377		1,553,825,560	
Exemptions ⁽³⁾	<u>1,634,341,299</u>		<u>1,562,400,565</u>		<u>1,549,263,874</u>	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 3,089,372,771</u>		<u>\$ 2,978,047,184</u>		<u>\$ 3,183,843,605</u>	
Net Taxable Assessed Valuation	\$ 49,483,508,443		\$ 46,267,939,261		\$ 43,491,816,275	

<u>Category</u>	<u>2018/19</u>	<u>% of Total</u>	<u>2017/18</u>	<u>% of Total</u>	<u>2016/17</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 26,446,203,218	60.78%	\$ 24,266,454,955	62.26%	\$ 21,617,912,704	63.33%
Real, Residential, Multi-Family	3,475,935,845	7.99%	2,863,423,379	7.35%	2,308,485,474	6.76%
Real, Vacant Lots/Tracts	592,806,009	1.36%	574,861,150	1.47%	548,452,795	1.61%
Real, Acreage	1,544,597,794	3.55%	1,636,247,637	4.20%	1,677,217,322	4.91%
Real, Farm & Ranch Improvements	534,068,422	1.23%	651,465,813	1.67%	683,537,417	2.00%
Real, Commercial & Industrial	8,646,055,811	19.87%	7,029,248,675	18.04%	5,613,500,147	16.45%
Utilities	257,452,561	0.59%	219,739,241	0.56%	174,364,345	0.51%
Tangible Personal, Commercial	1,273,966,735	2.93%	1,091,948,414	2.80%	982,482,785	2.88%
Tangible Personal, Industrial	832,856	0.00%	689,077	0.00%	682,888	0.00%
Tangible Personal, Mobile Homes & Other	266,728	0.00%	218,505	0.00%	185,706	0.00%
Tangible Personal, Residential Inventory	672,135,531	1.54%	584,458,149	1.50%	472,729,688	1.38%
Tangible Personal, Special Inventory	<u>64,448,618</u>	<u>0.15%</u>	<u>55,290,251</u>	<u>0.14%</u>	<u>54,236,847</u>	<u>0.16%</u>
Total Appraised Value	\$ 43,508,770,128	100.00%	\$ 38,974,045,246	100.00%	\$ 34,133,788,118	100.00%
Less:						
Homestead Cap Adjustment	\$ 173,942,795		\$ 397,838,315		\$ 537,827,543	
Productivity Loss	1,543,114,334		1,634,635,079		1,675,417,699	
Exemptions ⁽³⁾	<u>1,442,226,696</u>		<u>1,371,021,509</u>		<u>1,298,891,842</u>	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 3,159,283,825</u>		<u>\$ 3,403,494,903</u>		<u>\$ 3,512,137,084</u>	
Net Taxable Assessed Valuation	\$ 40,349,486,303		\$ 35,570,550,343		\$ 30,621,651,034	

(1) The Taxable Assessed Valuation includes the Captured Appraised Value of property that is located in the City of Frisco Reinvestment Zone Number One. See "AD VALOREM TAX PROCEDURES - The Property Tax Code as Applied to the District." The Zone was created by the City in accordance with the requirements of Section 403.302(d) of the Texas Government Code. Accordingly, the Commissioner of Education does not include the Captured Appraised Value of property that is located in the Zone in determining the District's property value wealth per student.

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

(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Bonds ⁽²⁾	Plus: The Bonds	Total ^{(1) (2)}	Bonds Unpaid At Fiscal Year End	Percent of Principal Retired
2022	\$ 70,640,469.35	\$ -	\$ 70,640,469.35	\$ 2,260,840,226.50	3.03%
2023	72,361,447.95	4,045,000.00	76,406,447.95	2,184,433,778.55	6.31%
2024	71,552,844.10	3,705,000.00	75,257,844.10	2,109,175,934.45	9.53%
2025	71,817,677.75	3,355,000.00	75,172,677.75	2,034,003,256.70	12.76%
2026	78,574,730.30	2,980,000.00	81,554,730.30	1,952,448,526.40	16.26%
2027	81,961,872.70	3,135,000.00	85,096,872.70	1,867,351,653.70	19.91%
2028	83,580,218.55	3,290,000.00	86,870,218.55	1,780,481,435.15	23.63%
2029	83,367,325.85	3,465,000.00	86,832,325.85	1,693,649,109.30	27.36%
2030	97,845,115.10	3,640,000.00	101,485,115.10	1,592,163,994.20	31.71%
2031	93,502,801.00	3,825,000.00	97,327,801.00	1,494,836,193.20	35.88%
2032	97,528,770.00	4,020,000.00	101,548,770.00	1,393,287,423.20	40.24%
2033	86,909,731.20	4,230,000.00	91,139,731.20	1,302,147,692.00	44.15%
2034	89,942,692.00	4,405,000.00	94,347,692.00	1,207,800,000.00	48.20%
2035	116,890,000.00	4,555,000.00	121,445,000.00	1,086,355,000.00	53.40%
2036	113,735,000.00	4,720,000.00	118,455,000.00	967,900,000.00	58.49%
2037	96,890,000.00	30,995,000.00	127,885,000.00	840,015,000.00	63.97%
2038	104,860,000.00	2,785,000.00	107,645,000.00	732,370,000.00	68.59%
2039	108,315,000.00	2,890,000.00	111,205,000.00	621,165,000.00	73.36%
2040	112,170,000.00	3,000,000.00	115,170,000.00	505,995,000.00	78.30%
2041	115,945,000.00	3,115,000.00	119,060,000.00	386,935,000.00	83.40%
2042	78,490,000.00	3,245,000.00	81,735,000.00	305,200,000.00	86.91%
2043	62,485,000.00	3,375,000.00	65,860,000.00	239,340,000.00	89.73%
2044	51,790,000.00	3,515,000.00	55,305,000.00	184,035,000.00	92.11%
2045	38,275,000.00	3,660,000.00	41,935,000.00	142,100,000.00	93.91%
2046	30,415,000.00	3,805,000.00	34,220,000.00	107,880,000.00	95.37%
2047	21,055,000.00	3,960,000.00	25,015,000.00	82,865,000.00	96.45%
2048	20,140,000.00	4,125,000.00	24,265,000.00	58,600,000.00	97.49%
2049	18,130,000.00	4,290,000.00	22,420,000.00	36,180,000.00	98.45%
2050	11,400,000.00	4,465,000.00	15,865,000.00	20,315,000.00	99.13%
2051	8,800,000.00	4,650,000.00	13,450,000.00	6,865,000.00	99.71%
2052	<u>2,025,000.00</u>	<u>4,840,000.00</u>	<u>6,865,000.00</u>	-	100.00%
Total	<u>\$ 2,191,395,695.85</u>	<u>\$ 140,085,000.00</u>	<u>\$ 2,331,480,695.85</u>		

(1) Debt service for the Bonds is illustrated on the basis of the State's fiscal year end of August 31st, although the District's fiscal year ends on June 30th.

(2) Excludes the accreted value of outstanding capital appreciation bonds.

DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Debt Service ⁽²⁾	Plus: The Bonds ⁽³⁾			Combined Total ^{(1) (2) (3) (4)}
		Principal	Interest	Total	
2022	\$ 154,048,449.89	\$ -	\$ 1,657,984.61	\$ 1,657,984.61	\$ 155,706,434.50
2023	155,873,960.50	4,045,000.00	5,638,052.50	9,683,052.50	165,557,013.00
2024	156,406,935.50	3,705,000.00	5,444,302.50	9,149,302.50	165,556,238.00
2025	156,937,735.50	3,355,000.00	5,267,802.50	8,622,802.50	165,560,538.00
2026	157,470,811.30	2,980,000.00	5,109,427.50	8,089,427.50	165,560,238.80
2027	157,468,795.75	3,135,000.00	4,956,552.50	8,091,552.50	165,560,348.25
2028	157,475,111.87	3,290,000.00	4,795,927.50	8,085,927.50	165,561,039.37
2029	157,467,974.04	3,465,000.00	4,627,052.50	8,092,052.50	165,560,026.54
2030	157,470,055.69	3,640,000.00	4,449,427.50	8,089,427.50	165,559,483.19
2031	157,468,685.29	3,825,000.00	4,262,802.50	8,087,802.50	165,556,487.79
2032	157,471,980.34	4,020,000.00	4,066,677.50	8,086,677.50	165,558,657.84
2033	157,470,316.60	4,230,000.00	3,860,427.50	8,090,427.50	165,560,744.10
2034	157,473,111.95	4,405,000.00	3,680,893.75	8,085,893.75	165,559,005.70
2035	157,472,811.76	4,555,000.00	3,528,536.25	8,083,536.25	165,556,348.01
2036	157,472,414.88	4,720,000.00	3,367,362.50	8,087,362.50	165,559,777.38
2037	131,820,365.06	30,995,000.00	2,742,350.00	33,737,350.00	165,557,715.06
2038	131,822,284.88	2,785,000.00	2,149,111.25	4,934,111.25	136,756,396.13
2039	131,819,478.38	2,890,000.00	2,045,542.50	4,935,542.50	136,755,020.88
2040	131,815,928.21	3,000,000.00	1,937,300.00	4,937,300.00	136,753,228.21
2041	131,818,328.86	3,115,000.00	1,819,500.00	4,934,500.00	136,752,828.86
2042	91,099,026.26	3,245,000.00	1,692,300.00	4,937,300.00	96,036,326.26
2043	72,168,386.26	3,375,000.00	1,559,900.00	4,934,900.00	77,103,286.26
2044	59,003,666.26	3,515,000.00	1,422,100.00	4,937,100.00	63,940,766.26
2045	43,458,194.38	3,660,000.00	1,278,600.00	4,938,600.00	48,396,794.38
2046	34,119,455.63	3,805,000.00	1,129,300.00	4,934,300.00	39,053,755.63
2047	23,603,246.88	3,960,000.00	974,000.00	4,934,000.00	28,537,246.88
2048	21,954,662.51	4,125,000.00	812,300.00	4,937,300.00	26,891,962.51
2049	19,250,562.51	4,290,000.00	644,000.00	4,934,000.00	24,184,562.51
2050	11,896,206.26	4,465,000.00	468,900.00	4,933,900.00	16,830,106.26
2051	8,987,962.51	4,650,000.00	286,600.00	4,936,600.00	13,924,562.51
2052	2,051,578.13	4,840,000.00	96,800.00	4,936,800.00	6,988,378.13
	<u>\$ 3,402,138,483.84</u>	<u>\$ 140,085,000.00</u>	<u>\$ 85,771,833.36</u>	<u>\$ 225,856,833.36</u>	<u>\$ 3,627,995,317.20</u>

(1) Debt service for the Bonds is illustrated on the basis of the State's fiscal year end of August 31st, although the District's fiscal year ends on June 30th.

(2) Includes the accreted value of outstanding capital appreciation bonds.

(3) Includes accrued interest in the amount of \$175,363.76.

(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 2021/22. 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⁾	\$ 165,561,039.37
Projected State Financial Assistance for Debt Service in 2021/22 ⁽²⁾	-
Projected Net Debt Service Requirement	\$ 165,561,039.37
 \$0.33796 Tax Rate @ 99% Collections Produces	 \$ 165,561,039.37
 2021/22 Net Taxable Valuation	 \$ 49,483,508,443

(1) Includes the Bonds.

(2) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2021/22. 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.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the 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 \$125,750,000 of authorized but unissued unlimited ad valorem tax bonds from the November 6, 2018 bond election. The District may issue a portion of the remaining authorized but unissued bonds within the next twelve months. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Beginning Fund Balance	\$ 123,493,141	\$ 133,262,297	\$ 162,807,920	\$ 206,607,695	\$ 235,131,243
Revenues:					
Local and Intermediate Sources	\$ 336,393,833	\$ 387,697,000	\$ 487,450,080	\$ 478,853,977	\$ 484,542,235
State Sources	133,522,734	117,852,445	85,303,754	123,619,347	133,327,814
Federal Sources & Other	2,320,903	2,858,270	6,520,666	4,663,718	5,271,823
Total Revenues	\$ 472,237,470	\$ 508,407,715	\$ 579,274,500	\$ 607,137,042	\$ 623,141,872
Expenditures:					
Instruction	\$ 282,993,597	\$ 285,701,359	\$ 312,362,215	\$ 348,085,246	\$ 366,450,064
Instructional Resources & Media Services	6,557,162	5,698,708	5,987,511	6,311,497	6,540,156
Curriculum & Instructional Staff Development	8,853,065	9,145,472	9,870,038	12,542,301	14,074,093
Instructional Leadership	6,006,327	7,058,674	7,463,056	10,026,450	10,909,165
School Leadership	28,474,277	30,046,554	31,604,561	34,900,930	35,803,103
Guidance, Counseling & Evaluation Services	14,309,802	15,295,267	17,394,606	21,406,422	23,046,457
Social Work Services	275,677	192,909	193,601	207,193	274,222
Health Services	5,386,188	5,572,130	6,203,475	6,576,377	7,202,270
Student (Pupil) Transportation	11,284,361	11,852,424	13,246,684	14,034,400	12,616,229
Food Services	268,820	344,704	28,700	360,577	236,027
Cocurricular/Extracurricular Activities	14,155,340	14,772,611	16,602,196	17,099,452	18,180,811
General Administration	8,223,475	9,182,456	10,994,089	14,112,405	15,929,725
Plant Maintenance and Operations	33,880,207	36,177,131	38,350,138	40,436,585	42,753,295
Security and Monitoring Services	3,568,407	3,527,117	3,741,441	4,770,191	4,893,585
Data Processing Services	5,982,344	7,728,577	7,783,055	7,467,908	8,657,419
Community Services	871,383	871,458	1,013,618	1,128,951	968,707
Other Intergovernmental Charges	2,683,175	3,040,455	3,492,348	3,798,571	3,852,070
Facilities Acquisition and Construction	25,787	-	-	-	-
Contracted Instructional Services Between Schools	-	-	14,017,478	3,152,395	4,177,231
Payments to Juvenile Justice Alternative Ed. Program	67,814	30,118	35,666	30,681	-
Payments to Tax Increment Fund	22,583,104	25,397,908	25,169,882	27,151,041	28,283,215
Total Expenditures	\$ 456,450,312	\$ 471,636,032	\$ 525,554,358	\$ 573,599,573	\$ 604,847,844
Excess (Deficiency) of Revenues over Expenditures	\$ 15,787,158	\$ 36,771,683	\$ 53,720,142	\$ 33,537,469	\$ 18,294,028
Other Resources and (Uses):					
Sale of Real and Personal Property	\$ -	\$ -	\$ 75,538	\$ 57,518	\$ 20,489
Transfer In	16,998	29,940	18,795	32,698	309,791
Insurance Recovery	-	-	-	-	16,266
Transfer Out	(6,035,000)	(7,256,000)	(10,014,700)	(5,104,137)	(4,250,396)
Total Other Resources (Uses)	\$ (6,018,002)	\$ (7,226,060)	\$ (9,920,367)	\$ (5,013,921)	\$ (3,903,850)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 9,769,156	\$ 29,545,623	\$ 43,799,775	\$ 28,523,548	\$ 14,390,178
Ending Fund Balance	\$ 133,262,297	\$ 162,807,920	\$ 206,607,695	\$ 235,131,243	\$ 249,521,421

(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 2021/22 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				
	2017	2018	2019	2020	2021
Revenues:					
Program Revenues:					
Charges for Services	\$ 23,042,938	\$ 24,662,605	\$ 25,252,407	\$ 36,129,968	\$ 15,059,185
Operating Grants and Contributions	38,224,087	(58,806,085)	64,655,694	71,108,796	63,842,316
General Revenues:					
Property Taxes Levied for General Purposes	328,154,575	375,184,044	471,611,015	466,660,821	478,566,522
Property Taxes Levied for Debt Service	124,819,619	142,848,448	104,085,263	112,411,956	118,266,811
State Aid - Formula Grants	115,510,634	98,313,792	64,028,393	97,396,084	104,693,320
Grants and Contributions Not Restricted	2,320,903	2,858,270	6,520,666	4,663,718	5,271,823
Investment Earnings	1,994,950	5,260,009	9,862,834	8,429,226	420,973
Miscellaneous	19,776,576	23,075,918	24,456,995	23,587,596	24,206,014
Total Revenue	\$ 653,844,282	\$ 613,397,001	\$ 770,473,267	\$ 820,388,165	\$ 810,326,964
Expenses:					
Instruction	\$ 325,140,742	\$ 227,342,595	\$ 385,220,355	\$ 444,377,695	\$ 431,632,246
Instruction Resources & Media Services	9,325,687	6,373,309	8,849,546	8,932,969	8,860,354
Curriculum & Staff Development	9,447,290	6,858,766	11,026,050	14,315,808	15,092,758
Instructional Leadership	6,192,970	4,615,947	8,153,468	11,116,828	11,231,262
School Leadership	32,328,267	23,791,263	37,705,167	43,158,588	41,905,984
Guidance, Counseling & Evaluation Services	17,508,585	11,811,319	22,074,050	25,968,948	26,323,164
Social Work Services	279,911	119,107	206,324	227,696	282,024
Health Services	5,496,484	3,702,581	6,590,798	7,215,668	7,524,465
Student Transportation	12,899,257	10,690,822	15,649,573	17,135,255	15,562,096
Food Service	25,477,572	21,130,662	26,438,963	26,200,312	20,696,850
Cocurricular/Extracurricular Activities	19,440,200	17,052,390	23,276,818	22,890,618	23,846,884
General Administration	9,747,588	8,358,009	12,707,266	16,605,179	17,512,837
Plant Maintenance & Operations	46,480,755	47,446,326	54,392,409	60,027,110	71,801,617
Security and Monitoring Services	3,826,564	3,293,454	4,399,063	6,577,228	7,552,762
Data Processing Services	8,927,287	9,372,444	11,961,523	10,906,676	11,445,169
Community Services	1,900,499	1,452,458	2,072,276	2,231,893	1,998,783
Debt Service - Interest on Long-term Debt	79,783,468	77,551,045	82,228,452	79,729,973	67,188,505
Debt Service - Bond Issuance Cost and Fees	2,474,789	691,035	2,143,297	924,809	4,872,571
Contracted Instructional Services Between Schools	-	-	14,017,478	3,152,395	4,177,231
Payments to Juvenile Justice Alternative Ed. Prg.	67,814	30,118	35,666	30,681	-
Other Governmental Charges	2,683,175	3,040,455	3,492,348	3,798,571	3,852,070
Payments to Tax Increment Fund	22,583,104	25,397,908	25,169,882	27,151,041	28,283,215
Total Expenditures	\$ 642,012,008	\$ 510,122,013	\$ 757,810,772	\$ 832,675,941	\$ 821,642,847
Change in Net Assets	\$ 11,832,274	\$ 103,274,988	\$ 12,662,495	\$ (12,287,776)	\$ (11,315,883)
Beginning Net Assets	\$ (258,204,598)	\$ (246,372,324)	\$ (420,319,252)	\$ (407,656,757)	\$ (419,944,533)
Prior Period Adjustment	\$ -	\$ (277,221,916) ⁽²⁾	\$ -	\$ -	\$ -
Ending Net Assets	\$ (246,372,324)	\$ (420,319,252)	\$ (407,656,757)	\$ (419,944,533)	\$ (431,260,416)

(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**

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

GENERAL AND ECONOMIC INFORMATION

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

The District is the fastest growing District in the State of Texas based on a percentage basis, increasing in student population by 10-30 percent annually for the past 12 years. The 2022 population estimate for the District is 321,120 compared to the 2000 population estimate of 34,000. The District's economic base is primarily comprised of commercial and governmental concerns which provide a variety of goods and services. The following table illustrates the leading employers located within the City of Frisco.

<u>Employer</u>	<u>2022 Approximate Number of Employees</u>
Frisco Independent School District	8,088
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 eleven 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 8,088, of which 4,543 are teachers. Approximately 31 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 14.9:1.

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.	Auxiliary
Allen Elementary	760	K-5	811	44.0	3.0	7.0	2.0	5.0
Anderson Elementary	760	K-5	737	45.0	3.0	5.0	2.0	5.0
Ashley Elementary	760	K-5	654	43.0	3.0	8.0	2.0	4.0
Bledsoe Elementary	760	K-5	751	47.0	3.0	9.0	2.0	4.0
Boals Elementary	760	K-5	660	40.0	3.0	9.0	2.0	7.0
Borchardt Elementary	760	K-5	727	42.0	3.0	5.0	2.0	6.0
Bright Elementary	760	K-5	473	39.0	3.0	3.0	3.0	8.0
Carroll Elementary	760	K-5	618	39.0	4.0	7.0	2.0	6.0
Christie Elementary	760	K-5	413	37.0	3.0	11.0	2.0	7.0
Comstock Elementary	760	K-5	670	45.0	3.0	2.0	2.0	5.0
Corbell Elementary	760	K-5	704	45.0	3.0	8.0	2.0	5.0
Curtsinger Elementary	760	K-5	583	38.0	4.0	10.0	2.0	3.0
Elliott Elementary	760	K-5	649	42.0	3.0	10.0	2.0	6.0
Fisher Elementary	760	K-5	538	39.0	3.0	4.0	2.0	5.0
Gunstream Elementary	760	K-5	588	42.0	3.0	12.0	2.0	4.0
Hosp Elementary	760	K-5	674	42.0	3.0	5.0	2.0	5.0
Isbell Elementary	760	K-5	815	45.0	3.0	5.0	2.0	4.0
Liscano Elementary	760	K-5	681	41.0	3.0	7.0	2.0	5.0
McSpedden Elementary	760	K-5	723	46.0	3.0	9.0	2.0	4.0
Miller Elementary	760	K-5	809	48.0	3.0	5.0	2.0	7.0
Mooneyham Elementary	760	K-5	661	43.0	3.0	5.0	2.0	4.0
Newman Elementary	760	K-5	835	46.0	4.0	5.0	2.0	6.0
Nichols Elementary	760	K-5	725	44.0	3.0	3.0	2.0	5.0
Norris Elementary	760	K-5	703	41.0	3.0	9.0	2.0	4.0
Ogle Elementary	760	K-5	725	42.0	3.0	3.0	2.0	7.0
Phillips Elementary	760	K-5	697	44.0	3.0	7.0	2.0	5.0
Pink Elementary	760	K-5	653	43.0	3.0	8.0	2.0	3.0
Purefoy Elementary	760	K-5	549	38.0	3.0	13.0	2.0	6.0
Riddle Elementary	760	K-5	756	44.0	4.0	3.0	2.0	5.0
Robertson Elementary	760	K-5	679	46.0	3.0	3.0	2.0	7.0
Rogers Elementary	760	K-5	577	39.0	3.0	7.0	2.0	5.0
Scott Elementary	760	K-5	672	45.0	3.0	8.0	2.0	3.0
Sem Elementary	760	K-5	723	42.0	3.0	9.0	2.0	4.0
Shawnee Trail Elementary	760	K-5	497	35.0	3.0	14.0	2.0	8.0
Smith Elementary	760	K-5	601	43.0	3.0	8.0	2.0	4.0
Sonntag Elementary	760	K-5	523	39.0	3.0	12.0	2.0	8.0
Sparks Elementary	760	K-5	714	44.0	3.0	5.0	2.0	5.0
Spears Elementary	760	K-5	787	49.0	4.0	4.0	2.0	9.0
Tadlock Elementary	760	K-5	565	39.0	3.0	7.0	2.0	8.0
Talley Elementary	760	K-5	631	37.0	3.0	7.0	2.0	4.0
Taylor Elementary	760	K-5	767	48.0	3.0	8.0	2.0	8.0
Vaughn Elementary	760	K-5	700	41.0	3.0	9.0	2.0	5.0
Clark Middle School	1,000	6-8	888	69.0	6.0	6.0	3.0	7.0
Cobb Middle School	1,000	6-8	895	68.0	4.0	10.0	3.0	7.0
Fowler Middle School	1,000	6-8	963	72.0	4.0	5.0	3.0	7.0
Griffin Middle School	1,000	6-8	786	60.0	4.0	6.0	3.0	7.0
Hunt Middle School	1,000	6-8	882	59.0	5.0	4.0	3.0	8.0
Lawler Middle School	1,000	6-8	954	63.0	4.0	8.0	3.0	7.0
Maus Middle School	1,000	6-8	924	66.0	4.0	5.0	3.0	7.0
Nelson Middle School	1,000	6-8	1,126	66.0	3.0	6.0	3.0	6.0
Pearson Middle School	1,000	6-8	1,021	71.0	4.0	7.0	3.0	6.0
Pioneer Heritage Middle School	1,000	6-8	1,091	70.0	4.0	5.0	3.0	7.0
Roach Middle School	1,000	6-8	930	66.0	4.0	4.0	3.0	8.0
Scoggins Middle School	1,000	6-8	1,109	64.0	5.0	4.0	3.0	7.0
Stafford Middle School	1,000	6-8	952	70.0	4.0	5.0	3.0	7.0
Staley Middle School	800	6-8	580	62.0	5.0	6.0	3.0	8.0
Trent Middle School	1,000	6-8	1,131	77.0	4.0	7.0	3.0	7.0
Vandeventer Middle School	1,000	6-8	919	63.0	4.0	5.0	3.0	8.0
Wester Middle School	1,000	6-8	799	62.0	4.0	9.0	3.0	7.0

<u>School</u>	<u>Capacity</u>	<u>Grades Provided</u>	<u>Current Enrollment</u>	<u>Teachers</u>	<u>Others^(a)</u>	<u>Aides</u>	<u>Admin.</u>	<u>Auxiliary</u>
Centennial High School	2,100	9-12	2,071	141.0	8.0	10.0	6.0	19.0
Emerson High School	2,100	9-12	829	82.0	5.0	5.0	5.0	17.0
Frisco High School	2,100	9-12	1,946	132.0	9.0	13.0	7.0	19.0
Heritage High School	2,100	9-12	2,055	144.0	8.0	10.0	6.0	18.0
Independence High School	2,100	9-12	1,819	132.0	8.0	13.0	6.0	16.0
Lebanon Trail High School	2,100	9-12	2,021	131.0	8.0	10.0	6.0	19.0
Liberty High School	2,100	9-12	1,937	135.0	8.0	10.0	6.0	19.0
Lone Star High School	1,800	9-12	2,257	147.0	8.0	14.0	6.0	19.0
Memorial High School	2,100	9-12	1,976	133.0	8.0	10.0	6.0	18.0
Reedy High School	2,100	9-12	2,302	132.0	8.0	15.0	6.0	19.0
Wakeland High School	2,100	9-12	2,095	132.0	8.0	13.0	6.0	17.0
Career and Technology Center ^(b)	NA	9-12		49.0	5.0	1.0	2.0	6.0
Early Childhood School	1,100	EC	589	40.0	5.0	52.0	3.0	4.0
Student Opportunity Center ^(c)	NA	1-12		26.0	3.0	12.0	3.0	5.0
District Wide				38.0	261.0	23.0	2.0	32.0
Z.T. Acker Special Program Ctr. ^(d)	NA	EC-1		0				
TOTAL	72,620		65,865	4,503.0	563.0	611.0	212.0	596.0

^(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	2021/22	2020/21	2019/20	2018/2019
E.C.	340	470	404	495
PRE-K	944	781	453	434
K	4,041	3,850	3,977	4,020
1	4,181	4,183	4,296	4,250
2	4,455	4,526	4,520	4,353
3	4,738	4,701	4,582	4,521
4	4,928	4,730	4,772	4,718
5	4,978	4,912	4,891	4,834
6	5,217	5,075	5,134	4,979
7	5,212	5,327	5,161	4,891
8	5,523	5,345	5,091	4,871
9	5,694	5,309	5,175	5,145
10	5,260	5,212	5,200	4,671
11	5,147	5,071	4,631	4,316
12	5,207	4,749	4,443	4,083
Total	65,865	64,241	62,730	60,581

AVERAGE DAILY ATTENDANCE

<u>School Year</u>	<u>Attendance</u>
2021-2022	62,954.61
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

SCHOLASTIC ENROLLMENT INCREASE/(DECREASES)

<u>School Year</u>	<u>Enrollment</u>	<u>Amount</u>	<u>Percent (%)</u>
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
2021-22	65,865	1,624	2.53

STUDENT ENROLLMENT PROJECTIONS

Grade	2022/23	2023/24	2024/25	2025/26
EE-PK	1,437	1,457	1,479	1,503
K	3,946	3,923	3,922	3,988
1	4,288	4,234	4,213	4,216
2	4,638	4,544	4,491	4,473
3	4,747	4,892	4,798	4,746
4	5,052	5,018	5,177	5,083
5	5,345	5,290	5,259	5,431
6	5,566	5,653	5,600	5,573
7	5,529	5,757	5,853	5,804
8	5,665	5,734	5,977	6,082
9	5,768	5,991	6,070	6,334
10	5,938	5,855	6,087	6,174
11	5,727	5,891	5,814	6,051
12	5,404	5,887	6,061	5,988
Total	69,050	70,126	70,801	71,446

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 223,509 in 2021, which is a 650% increase over the 2000 census of 33,714. The City’s population is estimated to reach 280,000 by the year 2025.

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

POPULATION TRENDS

	<u>City of Frisco</u>	<u>Collin County</u>
2022 Estimate	223,440	1,125,999
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.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

**FRISCO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$140,085,000**

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

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including 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.

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

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



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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021**

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Annual Comprehensive Financial Report

The Frisco ISD Finance Department is proud to showcase the artwork of Frisco ISD students whose work was honored at the 2021 State High School Visual and Scholastic Arts Event (VASE). Student artwork is featured on the cover as well as throughout the publication.

Cover art:
Joy in Bloom
by Campbell Williams
Independence High School

Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Fiscal Year Ended
June 30, 2021

Prepared by:
Finance Department

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Certificate of the Board

Frisco Independent School District Collin 043-905
Name of School District 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, 2021, at a meeting of the Board of Trustees of such school district on the 8th day of November, 2021.

[Signature]
Signature of Board President
[Signature]
Signature of Board Secretary

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

Introductory Section
(Unaudited)



A Fading Light | Chloe Hicks | Lebanon Trail High School



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

November 8, 2021

To the Citizens of the Frisco Independent School District:

The Annual Comprehensive Financial Report (ACFR) of the Frisco Independent School District ("FISD" or the "District") for the fiscal year ended June 30, 2021, 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's financial position is discussed 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, 2021, 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 students in pre-kindergarten through twelfth grade. The District has campuses in both Collin and Denton Counties in north central Texas (Dallas/Fort Worth metroplex area) and serves the communities of Frisco, Plano, McKinney, and Little Elm.

Frisco Independent School District has experienced substantial growth over the past 30 years, with new students joining us every day from across Texas, the nation, and the world. Many families choose to call Frisco ISD home because of our outstanding reputation for academic excellence, innovative programs, and wealth of extracurricular opportunities and experiences. No other district in the nation has grown faster than Frisco ISD. The District has grown by over 59% in the past decade, from 39,903 students in 2011 to 63,493 students in 2021. The District is expected to continue to grow to around 80,000 students

at build-out. 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, 11 high schools and 3 special program centers. Four additional schools, including a high school, middle school, intermediate school, and elementary school, are planned to open over the next two years. The District currently employs approximately 7,600 full and part-time employees, including almost 4,400 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. At the heart of our success is a student-opportunities model that has guided the District through three decades of explosive enrollment growth. With the support of parents and the community, leaders remain committed to creating small, personalized learning environments. This philosophy drives our day-to-day efforts to understand each child's unique circumstances, their strengths and weaknesses and the role we must play to ensure each student reaches their full potential.

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), International Baccalaureate (IB), and Advanced courses. Dual-credit opportunities are available through partnerships with Collin College and the University of North Texas.

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, 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. FISD also offers a growing number of Schools and Programs of Choice, including the IB Primary Years Programme, Project Lead the Way Launch and Spanish language enrichment at Bright Academy, the IB Diploma Programme at Frisco High School, and the Navy National Defense Cadet

Corps at Lebanon Trail High School. For our littles learners, a free full-day pre-kindergarten program is offered at the Early Childhood School and elementary schools across the District for qualifying families.

Frisco ISD raises the bar for student achievement. Test scores are well above state and national averages and continue to improve. 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

Over the past 20 years, economic development, both commercial and residential, throughout the City of Frisco and neighboring areas has driven new families into Frisco ISD, and as major corporations continue to relocate their headquarters into the Dallas/Fort Worth Area, strong academics and outstanding opportunities for students continue to make Frisco ISD a destination school district for the families moving in. There are approximately 15 square miles of the District left for future development, and our demographers project that development will bring more than 15,000 additional students over the next 15 to 20 years.

The influx of businesses and homeowners has continued to drive up the taxable values of properties within FISD, which have increased 164% over the past decade. The COVID-19 pandemic also had an impact on property values as supply has not been able to keep up with demand. Values increased approximately 6% from fiscal year 2020 to fiscal year 2021.

Approximately 18% of the District's area is still vacant land as of 2021. 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 strong tax base and mix of residential and commercial values is beneficial to FISD. The District's largest taxpayer comprises only 0.94% of the total taxable value of the District, and the total assessed value for all of the top ten taxpayers comprises only 5.29% 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 our ability to meet future financial obligations.

Capital Projects

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. We are nearing the end of that bond program and expect to reach 66,000 students during the 2021-2022 school year. The only remaining project in the 2014 bond program is an elementary school which is not yet slated to be built. As property values have risen, so has the average age of students moving into Frisco ISD, and the need for new facilities has shifted from elementary to secondary schools. In 2018, the citizens of Frisco ISD approved a new \$691 million bond program 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 2025.

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. These joint ventures are paid for by tax revenue collected from a Tax Increment Reinvestment Zone (TIRZ) that was established in 1997 and is comprised of commercial and multi-family residential property in the center of the District. Projects funded with the TIRZ include Dr. Pepper Ballpark, Toyota Stadium, the Comerica Center, the Ford Center, and a municipal golf course that will be home to the PGA of America. The projects provide venues for FISD sports, graduations, and other large district gatherings in addition to internship and mentorship opportunities with the corporate partners who also use the facilities.

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. Stakeholder input is also sought through various forms of community engagement. Long-range planning has proven to be an effective tool for FISD in anticipating, planning, and implementing strategies that allow for growth within the constraints of available revenues without reducing the overall quality of our 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. The growth slowed from 2020 to 2021 due to the COVID-19 pandemic, though. Nationwide, many families, especially those with children in pre-kindergarten through first grade, chose to keep their children at home rather than enroll them in public schools because of the uncertainty of the virus. The majority of school districts across the state actually saw a decline in enrollment even though the population of Texas was still growing. Frisco ISD was one of only two of the state's largest school districts that grew in enrollment during 2021, although we only grew by 788 students (about 1,300 fewer than expected). District management and external demographers predict the return of most of the 1,300 that were anticipated in 2021 but didn't enroll, plus a return to normal growth rates beginning in 2022. Growth for the 2021-2022 school year is projected to be 2,100 students, followed by annual growth of 800 to 1,300 new students each year over the next 5 years.

The state's educational funding formula allows the District to receive additional funding for each new student enrolled, but in order to generate that funding, students must be physically present at school when attendance is taken. The COVID-19 pandemic challenged our education system in myriad ways, and unfortunately our funding mechanism was not spared from those challenges. The Commissioner of Education of the State of Texas used temporary waivers and federal aid to ensure school districts were held harmless for potential funding losses during the 2020-2021 school year that resulted from students attending school online rather than being physically present on campus; but those waivers expired at the end of the 2021 school year, and the pandemic did not. Without a vaccine available to children under 12, many families are still uncomfortable sending their children to school. Our state legislators have been hard at work during the fall of 2021 to ensure that districts continue to receive funding for online programs. Frisco ISD will continue to offer a temporary online program for students in pre-kindergarten through sixth grade until a vaccine becomes widely available for children under 12. We are fortunate to

have access to federal aid through the Elementary and Secondary School Emergency Relief (ESSER) Fund that we can use to help pay for that program and cover any potential gaps in state funding.

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 transaction's 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 annual comprehensive financial report for the fiscal year ended June 30, 2020. 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 ACFR 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 ACFR for the year ended June 30, 2021, which will be submitted for review to both associations, continues to meet the criteria of both ASBO and GFOA's certificate programs.

The District also publishes a Popular Annual Financial Report (PAFR) and received a Popular Annual Financial Reporting Award from the GFOA for that publication in 2019. 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. Due to delays created by the COVID-19 pandemic, we were unable to have the 2020 PAFR reviewed prior to this publication. That report and this one will both be reviewed for award prior to the publication of next year's PAFR.

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, 2021, FISD has earned all 3 of the Transparency Stars for which we are eligible.

Acknowledgments

Despite the challenges of the past year, Frisco ISD remained steadfast in our mission to know every student by name and need. The ongoing support from parents, citizens, business owners, and corporate and non-profit partners allows us to remain a model of excellence.

I would like to thank the Frisco ISD Board of Trustees for their continued trust and prudent financial planning, which allows us to address the needs of our students and staff without hesitation. I would also like to recognize the employees of Frisco ISD. Their cooperative spirit allows us to be successful in planning, implementing, and supporting the District's financial activities. Finally, I would like to acknowledge and thank each member of the FISD Business Office, without whom this publication and our success as a District would not be possible.

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



Kimberly Smith, CPA
Chief Financial Officer

Frisco Independent School District Principal Officers and Advisors

Board of Trustees

Name	Term Expires	Length of Service	Occupation
Rene Archambault, President	2024	3 years	Deputy Director, Southern Methodist University - Guildhall
John Classe, Vice President	2024	7 years	Certified Financial Planner™, Bell Financial Group
Chad Rudy, Secretary	2022	6 years	Certified Financial Planner™, Retirement Investment Advisors, Inc.
Gopal Ponangi	2022	2 years	Senior Manager, Tata Consultancy Services, Dallas
Natalie Hebert	2022	2 years	Certified Texas Teacher and Community and school volunteer
Dynette Davis	2023	1 year	Educator and entrepreneur
Debbie Gillespie	2023	10 years	Community and school volunteer

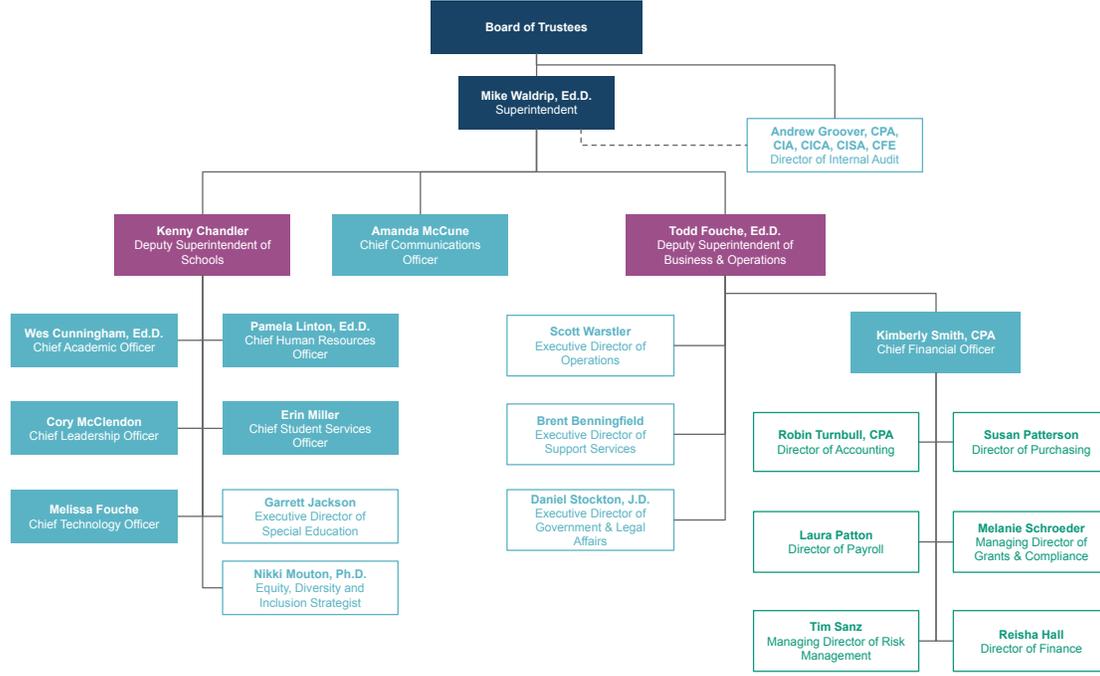
Appointed Officials and Administration

Name	Position	Length of Education Service
Dr. Mike Waldrip	Superintendent	39 years
Dr. Todd Fouché	Deputy Superintendent of Business and Operations	18 years
Kenny Chandler	Deputy Superintendent of Schools	37 years
Dr. Wes Cunningham	Chief Academic Officer	28 years
Amanda McCune	Chief Communications Officer	5 years
Kimberly Smith	Chief Financial Officer	10 years
Dr. Pamela Linton	Chief Human Resources Officer	31 years
Cory McClendon	Chief Leadership Officer	22 years
Erin Miller	Chief Student Services Officer	25 years
Melissa Fouché	Chief Technology Officer	27 years

Consultants And Advisors

Weaver and Tidwell, L.L.P. Independent Auditors	McCall, Parkhurst & Horton, L.L.P. Bond Counsel
SAMCO Capital Markets, Inc. Financial Advisors	First Southwest Asset Management Investment Advisors

Frisco Independent School District Administration and Finance 2021/2022



Financial Section



Leaves Of Gold And Ruby | Anusha Kashyapa | Independence High School



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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2021, 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

CFAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Frisco Independent School District

Emphasis of Matter

As discussed in Note 1 to the basic financial statement, during the year ended June 30, 2021, the District implemented Government Accounting Standards Board Statement No. 84, Fiduciary Activities. Beginning net position for the fiduciary fund has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

Accounting Supplemental Information
Required 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 as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 Board of Trustees of
Frisco Independent School District

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

Other Reporting Required by Government Auditing Standards

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

Dallas, Texas
November 8, 2021

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, 2021. 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 COVID-19 pandemic created a myriad of challenges for public school districts across the country, some of which are discussed later in this section. While the challenges were great, Frisco ISD did not experience significant financial hardship as a result of the pandemic. Student enrollment was lower than projected; our ability to collect certain revenue streams declined slightly; and we generally spent less money than we would have under normal operations.

The General Fund, which is the District's main operating fund, recognized an \$18.3 million surplus for the year despite the COVID-19 pandemic. We adopted a conservative budget for fiscal year 2021 because of the uncertainty created by the pandemic and planned for a \$10.8 million surplus. The additional surplus beyond what was planned is mostly attributable to payments from the state to settle up formula funding from prior fiscal years. 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 \$202.8 million, which represents 31.1% of the fiscal year 2022 adopted budget.

When combined, the total fund balance for all of the District's funds increased by \$129.1 million from the prior year due mainly to the issuance of bonds in the Capital Projects Funds, the proceeds of which were not spent before year-end. We ended the year with a total combined governmental fund balance of \$659.4 million.

The District's overall net position decreased by \$11.3 million from the prior year, resulting in a year-end net position of (\$431.3 million). Of the total net position, (\$380 million) 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 21 new schools opened in the past 10 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. For now, though, we continue to issue new debt to build new facilities.

FISD issued \$595.3 million in new debt during the year. \$252 million was issued to finance projects from the 2014 and 2018 bond programs, and the remainder was used to refund \$345.1 million of outstanding debt at an interest cost savings of more than \$112.8 million.

Overview Of The Financial Statements

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

The government-wide financial statements include the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These reports provide information about the activities of the District as a whole, with a long-term view of the District's property, debt obligations, and other financial matters.

Management's Discussion and Analysis (Unaudited)

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 Scope	Government-Wide (except fiduciary funds)	Governmental Funds	Fiduciary Funds
Required financial statements	Statement of Net Position Statement of Activities	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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Balance sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Type of period-end information reported	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of activities reported	All revenues and expenses during the year, regardless of when cash is received or paid	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
		Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and payment is due during the year or soon thereafter	None (custodial in nature)

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents how the District's net position changed over the course of the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the 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.

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 Net Position and the Statement of Changes in Fiduciary Net Position report all of the District's fiduciary activities and can be found on pages 31 and 32 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 33-61 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. As of June 30, 2021, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$431.3 million.

Table A-2. The District's Net Position

	June 30, 2021	June 30, 2020	Increases / (Decreases)
Assets:			
Current and other assets	\$ 781,031,715	\$ 642,592,614	\$ 138,439,101
Capital assets	1,756,456,248	1,662,742,864	93,713,384
Total Assets	2,537,487,963	2,305,335,478	232,152,485
Deferred outflows of resources	138,968,652	161,910,953	(22,942,301)
Total Assets and Deferred Outflows	\$ 2,676,456,615	\$ 2,467,246,431	\$ 209,210,184
Liabilities:			
Current liabilities	\$ 221,946,311	\$ 201,085,268	\$ 20,861,043
Long-term liabilities	27,964,589,503	2,570,714,928	165,743,575
Total Liabilities	2,958,404,814	2,771,800,196	186,604,618
Deferred inflows of resources	149,312,217	115,390,768	33,921,449
Net Position:			
Net investment in capital assets	(379,976,838)	(373,647,743)	(6,329,095)
Restricted	108,989,379	108,617,859	371,520
Unrestricted	(160,272,957)	(154,914,649)	(5,358,308)
Total Net Position	(431,260,416)	(419,944,533)	(11,315,883)
Total Liabilities, Deferred Inflows and Net Position	\$ 2,676,456,615	\$ 2,467,246,431	\$ 209,210,184

The largest portion of the District's net position is its 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. The District maintains an aggressive debt repayment schedule to ensure payment terms equal or outpace the useful life of the financed assets. However, the majority of the District's capital assets are less than 30 years old, so total debt still exceeds the value of total capital assets, making that investment negative.

An additional portion of the District's net position, \$109.0 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 grew by \$45.6 million more than total liabilities from June 30, 2020 to June 30, 2021, but the District's overall net position decreased by 11.3 million. That decrease was the result of new deferred inflows of resources related to the District's proportionate share of the TRS net OPEB liability.

The total cost of all governmental activities for the fiscal year ended June 30, 2021 was \$821.6 million. Approximately \$78.9 million of those costs were funded by program revenues directly attributable to specific activities. The remaining costs were funded primarily by property taxes and state revenue, which are not attributable to specific programs.

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

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

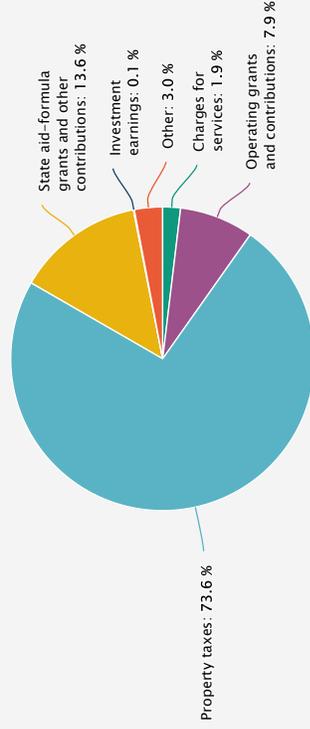
	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Increases / (Decreases)
Revenues:			
Program Revenues:			
Charges for services	\$ 15,059,185	\$ 36,129,968	\$ (21,070,783)
Operating grants and contributions	63,842,316	71,108,796	(7,266,480)
General Revenues:			
Property taxes	596,833,333	579,072,777	17,760,556
State aid - formula grants and other contributions	109,965,143	102,059,802	7,905,341
Investment earnings	420,973	8,429,226	(8,008,253)
Other	24,206,014	23,587,596	618,418
Total Revenues	810,326,964	820,388,165	(10,061,201)
Expenses:			
Instruction	431,632,246	444,377,695	(12,745,449)
Instructional resources and media services	8,860,354	8,932,969	(72,615)
Curriculum and instructional staff development	15,092,758	14,315,808	776,950
Instructional leadership	11,231,262	11,116,828	114,434
School leadership	41,905,984	43,158,588	(1,252,604)
Guidance, counseling and evaluation services	26,323,164	25,968,948	354,216
Social work services	282,024	227,696	54,328
Health services	7,524,465	7,215,668	308,797
Student transportation	15,562,096	17,135,255	(1,573,159)
Food services	20,696,850	26,200,312	(5,503,462)
Extracurricular activities	23,846,884	22,890,618	956,266
General administration	17,512,837	16,605,179	907,658
Facilities maintenance and operations	71,801,617	60,027,110	11,774,507
Security and monitoring services	7,552,762	6,577,228	975,534
Data processing services	11,445,169	10,906,676	538,493
Community services	1,998,783	2,231,893	(233,110)
Debt service - interest on long-term debt	67,188,505	79,729,973	(12,541,468)
Debt service - bond issuance costs and fees	4,872,571	924,809	3,947,762
Contracted instructional services between schools	4,177,231	3,152,395	1,024,836
Payments to juvenile justice alternative education programs		30,681	(30,681)
Payments to tax increment fund	28,283,215	27,151,041	1,132,174
Other intergovernmental charges	3,852,070	3,798,571	53,499
Total Expenses	821,642,847	832,675,941	(11,033,094)
Change in Net Position	(11,315,883)	(12,287,776)	971,893
Beginning Net Position	(419,944,533)	(407,656,757)	(12,287,776)
Ending Net Position	\$ (431,260,416)	\$ (419,944,533)	\$ (11,315,883)

(Continued)

The coronavirus pandemic caused a number of significant changes to our operations for the 2020-2021 school year. Approximately half of our students attended school online rather than in person, and a number of events and activities that would take place during a normal school year were cancelled. As a result, we had fewer expenses in fiscal year 2021 than we did in the previous year. We also received less revenue, though. Student meal charges decreased because we fed all students for free for the majority of the school year. Local income from all sources fell short of even our conservative projections, and the low-interest rate environment put a damper on our ability to generate investment earnings.

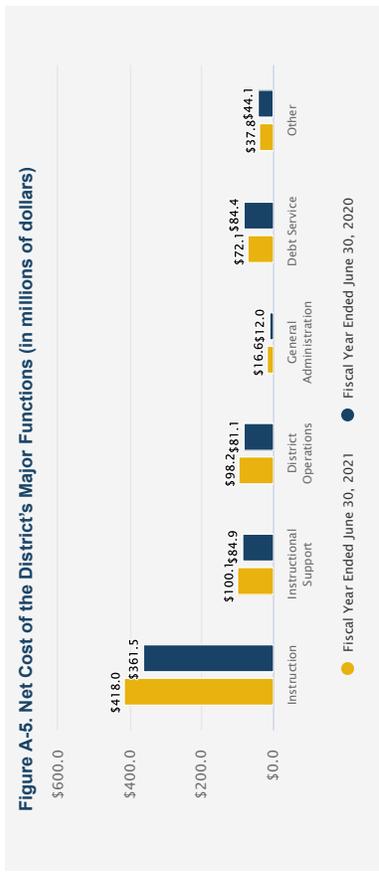
The following Figure A-4 illustrates the District's sources of revenue for the 2021 fiscal year. General revenues provide 90.3% of the funding available to cover the District's annual expenses. The remaining 9.7% of revenues come from operating grants or charges for services specifically attributable to District programs.

Figure A-4. Sources of Revenue for the Fiscal Year Ended June 30, 2021



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, 2021, and June 30, 2020. The net cost reflects the portion funded by local tax dollars, state aid and other miscellaneous general revenues.

(Continued)



Fund Level Financial Analysis

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, 2021, the District's total combined fund balances for governmental funds were \$659.4 million, which represents an increase of \$129.1 million from June 30, 2020. Approximately 30.8%, or \$202.8 million, 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:

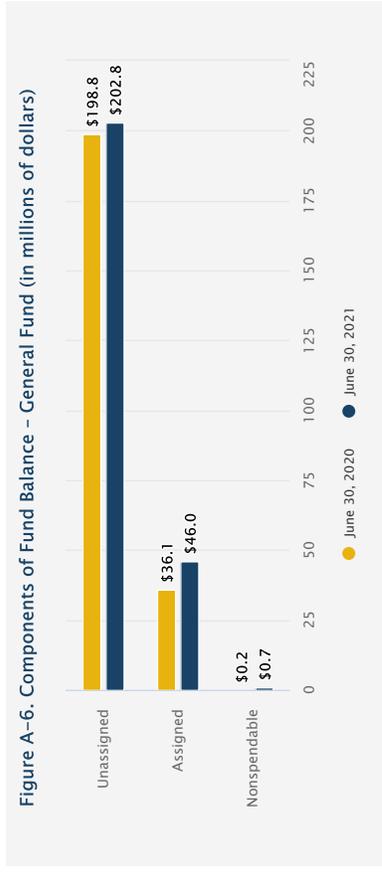
- *Nonspendable* balances of \$740,883 are not in spendable form because they relate to prepaid expenditures.
- *Restricted* balances of \$386,273,468 are either legally required to remain intact or are restricted for particular purposes by a third party.
- *Committed* balances of \$2,706,009 have been committed by the District's Board of Trustees to service programs funded by local grants, awards or contributions.
- *Assigned* balances of \$66,898,617 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 38-39 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, 2021 and 2020.

(Continued)



It is useful to compare unassigned fund balance to total expenditures in the General Fund as a measure of liquidity – to determine the portion of annual operating costs that could be funded without cash inflows. Due to the timing of cash inflows from the state and the property tax collection calendar, the District is cash flow negative for the first 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, 2021 unassigned fund balance represents 31.1% of the subsequent fiscal year's adopted budget.

The General Fund recognized a surplus of \$18.3 million before transfers for fiscal year 2021. We adopted a \$10.8 million surplus budget in order to provide the flexibility to adapt quickly to changing circumstances related to the COVID-19 pandemic. When we began the year, we were uncertain whether the state of Texas would be able to fully fund public education for the school year. We were also uncertain what types of expenditures we might incur related to disease mitigation. The Texas Education Agency was able to use temporary attendance waivers and some federal aid to fully fund public schools during fiscal year 2021 and hold school districts harmless for unanticipated declines in enrollment and attendance.

The state funding formula is also periodically audited for data accuracy, sometimes years after the revenue is actually generated by a school district, and those audits often result in additional revenue for FISD. We received \$4.7 million in state revenue from prior year audits during the 2020-2021 school year on top of our regular funding, accounting for the majority of the extra unplanned surplus.

At the end of the year, we transferred \$4 million out of the General Fund to the Capital Projects Fund to pay for capital expenditures that were not planned for in the bond program, leaving the General Fund with a net increase to fund balance of \$14.4 million. \$14 million of that surplus was then assigned to fund balance for employee compensation. Frisco ISD uses that assigned fund balance to pay retention incentives to employees annually, and \$14 million will pay for another two years of incentives.

(Continued)

Other Governmental Funds

The fund balances of all other governmental funds increased by \$114.7 million from June 30, 2020, to June 30, 2021. The increase in other funds was mainly attributable to bond proceeds received in the Capital Projects Fund that were not spent prior to the end of the fiscal year. The components of fund balance in the District's other governmental funds for the 2020 and 2021 fiscal years are illustrated in Figure A-7.

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 a decrease in fund balance of \$3.2 million because property tax revenue levied for debt service was not enough to cover total debt payments. Frisco ISD intentionally adopted a deficit budget for the Debt Service Fund in order to keep the 2020 debt tax rate at \$0.27. The balance of debt service not covered by property taxes was paid for with Debt Service Fund Balance.
- Non-Major Governmental Funds recognized a net decrease in fund balance of \$1.7 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 \$1.9 million because free meals were served to all students for the majority of the school year. The State Textbook Fund and some other local grant funds carry various immaterial fund balances due to timing of cash flows.

General Fund Budgetary Highlights

The Board of Trustees originally adopted a \$10.8 million surplus for the 2021 fiscal year. As previously discussed, the actual surplus was \$14.4 million

Revenues were greater than originally expected due to payments from the state in settlement of formula funding for prior years. These settlements often occur years after the close of the fiscal year for which the revenue was generated and are the result of audits of property values and other formula inputs.

Expenditures were \$250 thousand less than the originally adopted budget. Budget amendments and adjustments were made over the course of the year for various initiatives and to provide flexibility to make unforeseen purchases, but fewer students on campus coupled with conservative spending and supply chain issues - all caused by the COVID-19 pandemic - led the District to spend less than anticipated during the year. Approximately 15% of campus and department budgets district-wide remained unspent at year-end. Additional budget amendments are made at year-end in anticipation of liabilities that may be owed but not paid by June 30 and to safeguard against overspending at the fund-function level. These year-end adjustments plus unspent campus and department budget money resulted in the final amended budget exceeding actual expenditures by \$23.1 million.

Capital Assets And Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2021 was \$1.76 billion (net of accumulated depreciation). This investment includes land, buildings, building improvements, furniture, equipment, and vehicles and represents a net increase of 5.64% in capital assets over the previous year.

Table A-8. Capital Assets

	As of June 30, 2021	As of June 30, 2020	Increases / (Decreases)
Land	\$ 201,974,868	\$ 201,974,868	\$ -
Buildings	1,834,107,758	1,820,304,285	13,803,473
Furniture and equipment	79,119,874	72,317,412	6,802,462
Construction in progress	200,460,772	75,528,693	124,932,079
Total Capital Assets	2,315,663,272	2,170,125,258	145,538,014
Accumulated depreciation	(559,207,024)	(507,382,394)	(51,824,630)
Net Capital Assets	\$ 1,756,456,248	\$ 1,662,742,864	\$ 93,713,384

The increase in net capital assets is due to the construction of two new high schools and an elementary 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 a 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 strong underlying bond ratings of AA1 from Moody's Investors Service, Inc. and AA+ from S&P Global Ratings. All bonds issued during the year were rated AAA due to the State's Permanent School Fund Guarantee Program. Favorable ratings result in lower debt issuance costs for the District.

At the end of the 2021 fiscal year, the District had total bonded debt outstanding of \$2.48 billion, all of which is considered to be direct tax supported debt. The remainder of the District's long-term obligations include the District's portions of the TRS net pension and OPEB liabilities.

Table A-9. Long-Term Debt

	As of June 30, 2021	As of June 30, 2020	Increases / (Decreases)
Bonds payable	\$ 2,241,292,488	\$ 2,044,020,964	\$ 197,271,524
Accrued interest	74,768,990	71,390,619	3,378,371
Unamortized bond premium	163,259,797	137,120,558	26,139,239
Total Bonded Debt	2,479,321,275	2,252,532,141	226,789,134
District's portion of TRS net pension liability	179,815,951	182,078,056	(8,262,105)
District's portion of TRS net OPEB liability	159,309,242	195,016,124	(35,706,882)
Total Long-Term Liabilities	\$ 2,812,446,468	\$ 2,629,626,321	\$ 182,820,147

Total outstanding long-term liabilities increased by 6.95% from the previous year. The District issued \$595.3 million of new bonds during the year, \$252 million of which were used to finance new construction and other bond program projects. The remainder of the bonds were issued to refinance outstanding debt. Note 7 on pages 47-50 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules, and Note 11 on pages 52-61 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 105 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 2021, Frisco ISD was the 9th largest district in the state of Texas and one of the fastest growing. We were one of only two of the largest districts in the state that grew in enrollment during the 2020-2021 school year. Most other large districts saw a decline in enrollment because families chose to keep their children out of school to protect them from exposure to COVID-19. While we added 788 students during the 2020-2021 school year, that growth was about 1,300 students short of projections. We work with both internal and third party demographers to develop our best estimates of student growth from year to year, but the pandemic caused anomalies that skewed our data and made it difficult to project what the 2021-2022 school year would look like.

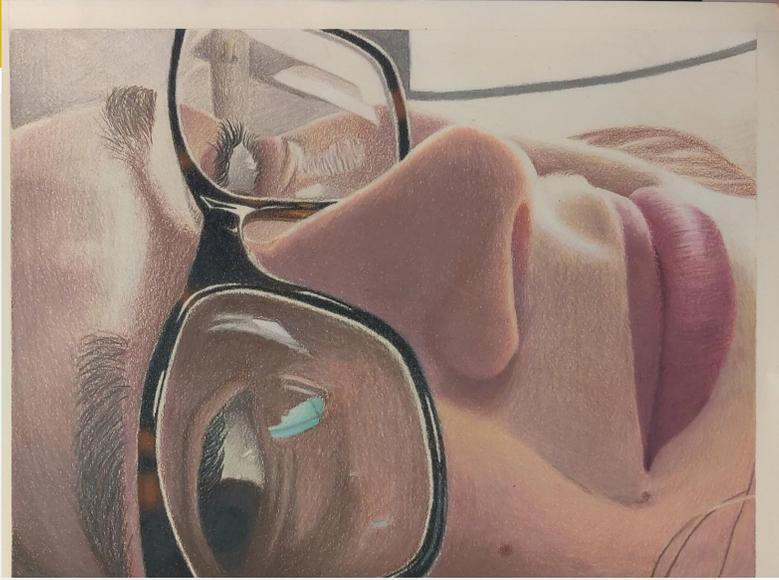
As an added challenge, the state's education funding formula, which is a system of weighted allotments for various populations of students within the district, is driven by both enrollment and attendance. Students must be physically present at school in order to generate funding. While the Texas Education Agency provided waivers to hold school districts harmless for low enrollment and attendance during the 2020-2021 school year, the agency looked to state legislators to determine whether funding for students attending school online could be made available in the future. The 2021-2022 budget was developed conservatively, knowing that the COVID-19 vaccine was not available for children under 12 prior to the start of school, and therefore many families would likely choose an online option for at least a portion of the school year. FISD is providing a temporary online option for prekindergarten through sixth grades until a vaccine becomes widely available for that age group. We expect to use federal aid from the Elementary and Secondary Schools Emergency Relief Fund to help fill in any funding gaps in addition to addressing learning loss and other social or emotional needs exacerbated by the pandemic.

More information about the District's annual budget and economic challenges can be found in the 2022 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 parents, citizens, taxpayers, 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.

Basic Financial Statements



Portrait Of Girl With Glasses | Erin Shanahan | Lone Star High School



Frisco Independent School District
Statement of Net Position
June 30, 2021

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and investments	\$ 755,601,442
1220	Property taxes receivable (delinquent)	6,621,108
1230	Allowance for uncollectible taxes	(1,125,588)
1240	Due from other governments	18,543,329
1250	Accrued interest	75,204
1290	Other receivables, net	575,337
1410	Prepaid Expenses	740,883
1510	Land	201,974,868
1520	Buildings and improvements, net	1,332,614,771
1530	Furniture and equipment, net	21,405,837
1580	Construction in progress	200,460,772
1000	Total Assets	<u>2,537,487,963</u>
	Deferred Outflows of Resources	
1701	Deferred losses on debt refunding transactions	18,438,422
1705	Deferred pension outflows	73,072,499
1710	Deferred OPEB outflows	47,457,731
1700	Total Deferred Outflows of Resources	<u>138,968,652</u>
	Liabilities	
2110	Accounts payable	29,939,152
2113	Retainage payable	9,526,041
2140	Accrued interest payable	27,984,404
2150	Payroll deductions and withholdings	4,658,169
2160	Accrued wages payable	70,584,152
2200	Accrued expenses	2,001,000
2300	Unearned revenues	1,265,428
	Noncurrent Liabilities:	
2501	Due within one year	75,987,965
2502	Due in more than one year	2,403,333,310
2540	Net pension liability	173,815,951
2545	Net OPEB liability	159,309,242
2000	Total Liabilities	<u>2,958,404,814</u>
	Deferred Inflows of Resources	
2601	Deferred gains on debt refunding transactions	424,940
2605	Deferred pension inflows	32,232,081
2610	Deferred OPEB inflows	116,655,196
2600	Total Deferred Inflows of Resources	<u>149,312,217</u>
	Net Position	
3200	Net investment in capital assets	(379,976,838)
	Restricted for:	
3820	Federal and state grant programs	3,649,399
3850	Debt service	105,339,980
3900	Unrestricted	(160,272,957)
3000	Total Net Position	<u>\$ (431,260,416)</u>

The notes to the basic 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, 2021

Data Control Codes	Expenses	Program Revenues			Operating Grants and Contributions	Governmental Activities	Net (Expense)/ Revenue and Changes in Net Position
		1	3	4			
Governmental Activities:							
11 Instruction	\$ 431,632,246	\$ 1,747,694	\$ 34,034,682	\$ (395,849,870)			
12 Instructional resources and media services	8,860,354		398,700	(8,461,654)			
13 Curriculum and instructional staff development	15,092,758		1,419,818	(13,672,940)			
21 Instructional leadership	1,231,262		730,465	(10,500,797)			
23 School leadership	41,905,984		2,450,658	(39,455,326)			
31 Guidance, counseling and evaluation services	26,323,164		4,139,798	(22,183,366)			
32 Social work services	282,024		15,337	(266,687)			
33 Health services	7,524,465		569,461	(6,955,004)			
34 Student transportation	15,562,096		599,643	(14,962,453)			
35 Food services	20,696,850	3,183,576	12,573,089	(4,940,185)			
36 Extracurricular activities	23,846,884	1,694,173	1,440,995	(20,711,716)			
41 General administration	17,512,837		887,917	(16,624,920)			
51 Facilities maintenance and operations	71,801,617	8,433,741	1,414,579	(61,953,297)			
52 Security and monitoring services	7,552,762		1,069,326	(6,483,436)			
53 Data processing services	11,445,169		1,555,864	(9,889,305)			
61 Community services	1,998,783		541,984	(1,456,799)			
72 Debt service - interest on long-term debt	67,188,505			(67,188,505)			
73 Debt service - bond issuance costs and fees	4,872,571			(4,872,571)			
91 Contracted instructional services between schools	4,177,231			(4,177,231)			
95 Payments to juvenile justice alternative education programs							
97 Payments to tax increment fund	28,283,215			(28,283,215)			
99 Other intergovernmental charges	3,852,070			(3,852,070)			
TG Total Governmental Activities	\$ 821,642,847	\$ 15,059,185	\$ 63,842,316	\$ (742,741,346)			

Data Control Codes	General Revenues
Taxes:	
MT Property taxes, levied for general purposes	478,566,522
DT Property taxes, levied for debt service	118,266,811
SF State aid - formula grants	104,693,320
GC Grants and contributions not restricted to specific programs	5,271,823
IE Investment earnings	420,973
MI Miscellaneous local and intermediate revenue	24,206,014
TR Total General Revenues	731,425,463
CN Change in net position	(11,315,883)
NB Net position - beginning	(419,944,533)
NE Net position - ending	\$ (431,260,416)



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

Governmental Funds Financial Statements

Basic Financial Statements | Governmental Funds Financial Statements

Exhibit C-1

Frisco Independent School District Balance Sheet Governmental Funds June 30, 2021

Data Control Codes	10		50		60		98	
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds			
Assets								
1110	Cash and investments	\$ 308,794,163	\$ 132,107,364	\$ 307,076,897	\$ 752,3018	\$ 752,3018	\$ 752,3018	\$ 752,3018
1220	Property taxes receivable (delinquent)	51,491,699	1,471,409					6,621,108
1230	Allowance for uncollectible taxes	(875,449)	(250,139)					(1,125,588)
1240	Due from other governments	13,184,794			5,358,535	5,358,535	18,543,329	18,543,329
1250	Accrued interest	75,204					75,204	75,204
1260	Due from other funds	2,258,011						2,258,011
1290	Other receivables	421,196		40,600	113,541	113,541	575,337	575,337
1410	Prepaid expenditures	737,454			3,429	3,429	740,883	740,883
1000	Total Assets	\$ 329,745,072	\$ 133,228,634	\$ 307,117,497	\$ 13,098,523	\$ 13,098,523	\$ 783,289,726	\$ 783,289,726
Liabilities								
2110	Accounts payable	2,901,978	4,250	26,581,516	451,408	451,408	29,939,152	29,939,152
2113	Retainage payable			9,526,041			9,526,041	9,526,041
2140	Accrued interest payable		148,772				148,772	148,772
2150	Payroll deductions and withholdings	4,658,169					4,658,169	4,658,169
2160	Accrued wages payable	67,836,321			22,478,831	22,478,831	70,894,152	70,894,152
2170	Due to other funds				2,258,011	2,258,011	2,258,011	2,258,011
2200	Accrued expenditures	2,001,000					2,001,000	2,001,000
2300	Unearned revenue	118,182			114,724,6	114,724,6	1,265,428	1,265,428
2000	Total Liabilities	77,515,650	152,972	36,107,557	6,684,496	6,684,496	120,380,675	120,380,675
Deferred Inflows of Resources								
2601	Unavailable property tax revenue	2,708,001	793,662				3,501,663	3,501,663
2600	Total Deferred Inflows of Resources	2,708,001	793,662	-	-	-	3,501,663	3,501,663
Fund Balances								
Nonspendable:								
3430	Prepaid expenditures	737,454			3,429	3,429	740,883	740,883
Restricted for:								
3450	Federal and state grant programs				3,649,399	3,649,399	3,649,399	3,649,399
3470	Capital acquisitions and contractual obligations			250,105,718			250,105,718	250,105,718
3480	Retirement of long-term debt						132,382,000	132,382,000
3490	Local grants, awards and contributions					136,351	136,351	136,351
Committed to:								
3545	Local grants, awards and contributions				2,706,009	2,706,009	2,706,009	2,706,009
Assigned to:								
3560	Claims and judgments	6,000,000					6,000,000	6,000,000
3570	Capital expenditures			4,468,034			4,468,034	4,468,034
3590	Employee compensation	36,838,290		16,456,188			53,294,478	53,294,478
3590	Future expenditures	4,156,105					4,156,105	4,156,105
3600	Unassigned	202,788,572			(116)	(116)	202,788,411	202,788,411
3000	Total Fund Balances	249,521,421	132,382,000	271,009,940	6,494,027	6,494,027	659,407,386	659,407,386
4000	Total Liabilities, Deferred Inflows of Resource and Fund Balances	\$ 329,745,072	\$ 133,228,634	\$ 307,117,497	\$ 13,098,523	\$ 13,098,523	\$ 783,289,726	\$ 783,289,726

The notes to the basic 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, 2021

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 659,407,388

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. 1,756,456,248

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 18,438,422

Deferred gains on debt refunding transactions (424,940)

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 (2,241,292,488)

Accrued interest on the bonds (27,835,682)

Accreted interest on capital appreciation bonds (74,768,990)

Unamortized bond premiums (163,259,797)

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. 3,501,663

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 (173,815,951)

Deferred pension inflows (32,232,081)

Deferred pension outflows 73,072,499

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 (159,309,242)

Deferred OPEB inflows (116,655,196)

Deferred OPEB outflows 47,457,731

Net Position - Governmental Activities (Exhibit A-1) \$ (431,260,416)

The notes to the basic 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, 2021

Data Control Codes	10				50		60		98	
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds					
Revenues	\$ 484,542,235	\$ 140,862,904	\$ 71,830	\$ 4,694,674	\$ 630,171,643					
Local and intermediate sources	133,327,814	1,280,997		5,336,698	139,945,509					
State program revenues	5,271,823			24,157,321	29,429,144					
Federal program revenues	623,141,872	142,143,901	71,830	34,188,693	799,546,296					
Total Revenues										
Expenditures										
Current:										
Instruction	366,450,064		1,180,286	10,883,645	378,513,995					
Instructional resources and media services	6,540,156		17,047	6,072	6,563,275					
Curriculum and instructional staff										
development	14,074,093			691,293	14,765,386					
Instructional leadership	10,909,165			29,586	10,938,751					
School leadership	35,803,103			30,593	35,833,696					
Guidance, counselling and evaluation services	23,046,457			2,615,769	25,662,226					
Social work services	274,222				274,222					
Health services	7,202,270			148,532	7,350,802					
Student transportation	12,616,229				12,616,229					
Food services	236,027			17,498,931	17,734,958					
Extracurricular activities	18,180,811		940,957	667,987	19,789,755					
General administration	15,929,725			26,075	15,955,800					
Facilities maintenance and operations	42,753,295		14,389,562	344,834	57,487,691					
Security and monitoring services	4,893,585			965,004	5,858,589					
Data processing services	8,657,419			1,123,812	9,781,231					
Community services	968,707			744,187	1,712,894					
Debt Service:										
Principal on long-term debt		63,679,472			63,679,472					
Interest on long-term debt		8,172,328			8,172,328					
Bond issuance costs and fees		2,911,454		1,961,117	4,872,571					
Capital Outlay:										
Facilities acquisitions and construction			171,623,163		171,623,163					
Contracted instructional services between schools										
Payments to juvenile justice alternative education programs										
Payments to tax increment fund										
Other intergovernmental charges										
Total Expenditures	604,847,844	148,314,211	190,148,204	35,777,000	979,087,259					
Excess (deficiency) of revenues over (under) expenditures	18,294,028	(6,170,310)	(190,076,374)	(1,588,307)	(179,549,963)					
Other Financing Sources (Uses)										
Refunding bonds issued		343,325,000			343,325,000					
Capital related debt issued (regular bonds)			251,960,000		251,960,000					
Premium on issuance of bonds			46,251,117		46,251,117					
Proceeds from the sale of property				20,489	20,489					
Transfers in	20,489				20,489					
Transfers out	309,791		4,000,000	255,912	755,703					
Insurance Recovery	16,256		7,500,000	(315,307)	16,941					
Payment to refunded bond escrow agent	(4,250,396)				(4,250,396)					
Total Other Financing Sources (Uses)	(3,903,850)	292,939	309,711,117	(59,395)	292,257					
Net change in fund balances	14,390,178	(3,240,917)	119,634,743	(1,647,702)	129,136,302					
Fund balances - beginning	235,131,243	135,622,917	151,375,197	8,141,729	530,271,086					
Fund balances - ending	\$ 249,521,421	\$ 132,382,000	\$ 271,009,940	\$ 6,494,027	\$ 659,407,388					

The notes to the basic 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, 2021

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2) \$ 129,136,302

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 (\$145,657,288) exceeded depreciation (\$51,938,416) in the current period.

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

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

Repayment of long-term debt principal (\$409,560,341) and payments of accrued interest on capital appreciation bonds (\$3,327,363) are expenditures in the governmental funds, but these activities reduce long-term liabilities in the Statement of Activities.

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.

Premiums on bonds (595,285,000)

(67,453,385)

1,950,325

The excess of the reacquisition price of refunded debt over its carrying amount is deferred and amortized in the government-wide financial statements.

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

Amortization of bond premiums 29,767,281

Amortization of deferred gains and losses on refunding transactions (3,280,405)

Accrued interest on capital appreciation bonds (6,705,734)

Change in interest payable 5,192,956

2,294,420

12,257,727

(5,128,423)

(22,749,099)

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 2,294,420

Contributions after the measurement date 2,810,491

Proportionate share of collective OPEB expense 32,521,360

Net proportionate share of deferred OPEB inflows/outflows (34,125,376)

Change in Net Position of Governmental Activities (Exhibit B-1) \$ (11,315,883)



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

Exhibit E-1

Frisco Independent School District
 Statement of Fiduciary Net Position
 Custodial Funds
 June 30, 2021

	Custodial Funds
ASSETS	
Cash and investments	\$ 1,237,886
Total Assets	<u>1,237,886</u>
LIABILITIES	
Accounts payable	25,417
Total Liabilities	<u>25,417</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	1,212,469
Total net position	<u>\$ 1,212,469</u>

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

Exhibit E-2

Frisco Independent School District
 Statement of Changes in Fiduciary Net Position
 Custodial Funds

For the Year Ended June 30, 2021

	Custodial Fund
ADDITIONS	
Donations	\$ 44,626
Miscellaneous additions:	
Student fees	726,441
Fundraisers	21,092
Other	144,668
Total miscellaneous additions	892,201
Total additions	936,827
DEDUCTIONS	
Professional and contracted services:	
Contracted maintenance and repairs	450
Rentals	30,230
Royalties	7,346
Miscellaneous contracted services	119,252
Total professional and contracted services	157,278
Supplies and materials:	
Reading materials	200
Uniforms	11,564
Print shop charges	643
Supplies	514,912
Total supplies and materials	527,319
Other operating costs:	
Student travel	5,037
Dues	97,403
Graduation costs	35,583
Miscellaneous operating costs	236,541
Sales tax	6,796
Donations paid	38,832
Equipment	11,421
Technology equipment	694
Total other operating costs	432,307
Total deductions	1,116,904
Net increase/(decrease) in fiduciary net position	(180,077)
Net position - beginning	-
Cumulative effect of implementation of GASB 84	1,392,546
Net position - beginning, as restated	1,392,546
Net position - ending	\$ 1,212,469

Notes to the Basic Financial Statements



Portrait Of Girl With Large Hat | Nithya Katpally | Centennial High School

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

Note 1. Summary Of Significant Accounting Policies

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets,

current liabilities, deferred inflows of resources, deferred outflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses). Revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are generally recorded when a liability is incurred, if measurable, except for unmaturing 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, 2020, which were not available as of June 30, 2021.

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 using the accrual basis of accounting.

Funds

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

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax

revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses that are not paid through other funds are paid from the General Fund.

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

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

Custodial 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.

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 by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of donation.

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

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

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

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

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

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

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

Other Post-Employment Benefits (OPEB) - The District also records its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas (TRS) TRS-Care Plan. The fiduciary net position of the TRS-Care Plan has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary

net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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

(Continued)

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; the Board may directly assign fund balance for specific purposes. This can be done through adoption and amendment of the budget. As of June 30, 2021, the District has assigned fund balance in the General Fund for the following purposes:

- Claims and judgments – assigned for the coverage of potential legal fees, settlements, and deductibles of certain insurance policies.
- Capital Expenditures – assigned for the expenditure of funds for capital outlay not planned to be paid with bond funds.
- Employee Compensation – assigned for the payment of future employee retention incentives and classroom supplies stipends.
- Future Expenditures – assigned to satisfy outstanding General Fund encumbrances as of the fiscal year end.

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

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

Data Control Codes

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

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the goods or services. For

(Continued)

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, 2021. None of the individual encumbrances reported are considered significant to the financial statements.

New GASB Pronouncement

GASB Statement No. 84, "Fiduciary Activities," was issued in January 2017 and provides guidance to enhance the consistency and comparability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Frisco ISD implemented GASB 84 during the year ended June 30, 2021, and as a result, beginning net position in the custodial fiduciary fund was restated.

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, 2021, the carrying amount of the District's deposits (cash) and outstanding checks was \$ 30,446,241. The combined bank balance was \$ 19,132,998. At June 30, 2021 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, 2021, when combined cash, savings and time deposits amounted to \$ 58,513,339.
- C. The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was \$ 69,938,974.
- D. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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

- Safety of principal and liquidity
- Portfolio diversification
- Allowable investments
- Acceptable risk levels

- Expected rates of return
- Maximum allowable stated maturity of portfolio investments
- Maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio
- Investment staff qualifications and capabilities
- Bid solicitation preferences for certificates of deposit

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

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

- *The Lone Star Investment Pool* is governed by an 11 member board, all of whom are participants in the pool. American Beacon Advisors and BNY Mellon Cash Investment Strategies manage the investment of Lone Star's assets.
- *The TexasTERM Investment Pool*, which offers two portfolios, TexasTERM and TexasDAILY, is governed by a 7 member advisory board made up of experienced local government officials elected by the pool's investors. PFM Asset Management LLC manages the investments of TexasTERM's assets.
- *TexPool* is a public funds pool administered by the State Comptroller of Texas. The portfolio of TexPool is managed by Federated Investors, Inc., and the assets are held in a separate custodial account at the State Street Bank in the name of TexPool.

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

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

• Interest rate risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District 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. Frisco ISD does not have investments valued using Level 3 inputs.

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

The District has the following recurring fair value investments as of June 30, 2021:

- Government agency securities are valued using quoted market prices (Level 1).
- Commercial paper is valued using broker quotes that utilize observable market inputs (Level 2).

Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)

	Value at June 30, 2021	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Cash and Cash Equivalents:				
Bank Deposits	\$ 30,446,241			
Total Cash and Cash Equivalents	\$ 30,446,241			
Investments measured at Amortized Costs:				
TexPool	51,694,755		7.13%	30
Lone Star Investment Pool	502,985,254		69.37%	47
Investments measured at Net Asset Value:				
TexasTERM portfolio – Texas DAILY	20,460,524		2.82%	55
Investments by Fair Value Level:				
US Government Agency Securities:				
U.S. Treasury Notes	20,035,796		2.76%	62
U.S. Treasury Bonds	69,997,877		9.65%	24
Commercial Paper	59,980,995	59,980,995	8.27%	89
Total Investments	725,155,201	90,033,673		
Total Cash and Investments	\$ 755,601,442	\$ 90,033,673		

Investments measured at amortized cost include the Lone Star and TexPool investment pools. In order to meet the criteria to be recorded at amortized cost, investment pools must:

- 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 pools 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, 2021, the District had no investments in the TexasTERM portfolio. \$20,460,524 was invested in the TexasDAILY portfolio. TexasDAILY has received an AAAm rating from S&P, and the TexasTERM portfolio has received a rating of AA+ 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 \$46,267,939,261.

The tax rates levied for the fiscal year ended June 30, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0402 and \$0.2700 per \$100 valuation, respectively, for a total of \$1.3102 per \$100 valuation.

Current year tax collections for the period ended June 30, 2021, were 99.27% of the levy.

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

Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2021, 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, 2021, 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, 2021, for the District's individual major funds and Non-Major Governmental Funds are as follows:

	General Fund	Non-Major Governmental Funds	Total
Due from the State of Texas	\$ 13,077,311	\$	\$ 13,077,311
Due from the Federal Government	\$	5,358,535	5,358,535
Due from Other Governments	107,483	\$	107,483
Total	\$ 13,184,794	\$ 5,358,535	\$ 18,543,329

Note 5. Interfund Transactions

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General fund	\$ 2,258,011	\$ 2,258,011
Non-major governmental funds	\$	\$
Total	\$ 2,258,011	\$ 2,258,011

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, 2021, were liquidated shortly after year-end.

The following is a summary of the District's internal transfers for the fiscal year ended June 30, 2021:

From	To	Amount	Purpose
Non-Major Funds	General Fund	\$ 309,791	COVID-19 expenses paid by ESSER funds
Non-Major Funds	Non-Major Funds	5,516	Restricted Donations Paid from Campus Activity Fund
General Fund	Non-Major Funds	250,396	Various cash flow needs
General Fund	Capital Project Fund	4,000,000	Locally Defined Capital Outlay
Total Transfers		\$ 4,565,703	

Note 6. Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2021, include:

	Beginning Balance	Additions	Retirements/Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 201,974,868	\$	\$	\$ 201,974,868
Construction in progress	75,528,693	138,545,830	13,613,751	200,460,772
	277,503,561	138,545,830	13,613,751	402,435,640
Capital assets being depreciated:				
Buildings and improvements	1,820,304,285	13,803,473		1,834,107,758
Furniture and equipment	72,317,412	6,921,736	119,274	79,119,874
	1,892,621,697	20,725,209	119,274	1,913,227,632
Less: Accumulated depreciation for:				
Buildings and improvements	455,712,516	45,780,471		501,492,987
Furniture and equipment	51,669,878	6,157,945	113,786	57,714,037
	507,382,394	51,938,416	113,786	559,207,024
Total capital assets for governmental activities, net	\$ 1,662,742,864	\$ 107,332,623	\$ 13,619,239	\$ 1,756,456,248

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

Function	Expensed
11 Instruction	\$ 33,320,140
12 Instructional resources and media services	1,850,945
13 Curriculum and instructional staff development	7,943
23 School leadership	3,491,408
34 Student transportation	2,690,590
35 Food services	2,653,810
36 Extracurricular activities	4,232,776
41 General administration	1,221,022
51 Facilities maintenance and operations	1,091,548
52 Security and monitoring services	716,528
53 Data processing services	406,509
61 Community services	255,197
Total depreciation expense	\$ 51,938,416

Construction Commitments

The District was obligated at June 30, 2021, 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 \$48.2 million as of June 30, 2021.

Note 7. Long-Term Debt

A summary of changes in long-term debt for the fiscal year ended June 30, 2021, is as follows:

Description	Original Issue Amount	Interest Rate(s)	Maturity	Balance at June 30, 2020	Issued/Increases	Retired/Refunded	Balance at June 30, 2021	Amount Due Within One Year
Unlimited Tax School Building Bonds:								
Series 2006	\$ 85,000,000	2.75%- 5.25%	8/15/2039	\$ 100,850,000	\$	10,085,000	\$ 8,090,000	\$ 1,345,000
Series 2010	\$ 20,195,000	0.0%	2/15/2027	9,435,000		1,345,000		
Series 2011	\$ 50,000,000	4.625%- 5.00%	8/15/2041	50,000,000		50,000,000		
Series 2013	\$ 90,845,000	3.000%- 5.00%	8/15/2043	82,620,000		19,685,000		2,045,000
Series 2014	\$ 159,795,000	2.000%- 5.00%	8/15/2044	147,225,000		3,470,000		3,645,000
Series 2015A	\$ 68,125,000	2.000%- 5.00%	8/15/2045	61,450,000		1,460,000		1,535,000
Series 2016B	\$ 75,900,000	2.500%- 5.00%	8/15/2046	73,245,000		1,370,000		1,430,000
Series 2018	\$ 49,865,000	3.000%- 5.00%	8/15/2048	48,995,000		915,000		965,000
Series 2021	\$ 83,150,000	2.000%- 5.00%	2/15/2051	\$	83,150,000		83,150,000	1,380,000
Unlimited Tax School Refunding Bonds:								
Series 2010	\$ 26,855,000	4.000%- 4.250%	8/15/2024	5,800,000		5,800,000		
Series 2011	\$ 62,078,491	2.000%- 5.00%	8/15/2030	60,213,491		56,415,000	3,798,491	415,000
Series 2013	\$ 19,040,000	2.000%- 5.00%	7/15/2033	15,570,000		785,000	14,785,000	825,000
Series 2016	\$ 104,555,000	3.000%- 5.00%	8/15/2037	92,190,000		3,845,000	88,345,000	4,025,000
Series 2020	\$ 183,585,000	0.785%- 2.92%	2/15/2041		183,585,000	1,075,000	182,510,000	950,000
Series 2021	\$ 109,310,000	1.481%- 4.00%	2/15/2041		109,310,000	2,985,000	106,325,000	7,000,000
Series 2021A	\$ 37,070,000	1.714%- 5.00%	2/15/2035		37,070,000		37,070,000	250,000
Unlimited Tax School Building & Bonding 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	10,741,441		68,4472	9,599,669	57,422
Series 2011A	\$ 83,981,260	4.000%- 5.00%	8/15/2041	60,345,000		55,620,000	4,725,000	4,725,000
Series 2012	\$ 85,531,867	2.000%- 5.00%	8/15/2041	84,151,867		70,945,000	13,206,867	250,000
Series 2012A	\$ 71,190,000	2.000%- 5.00%	8/15/2041	67,685,000		66,640,000	1,045,000	1,045,000
Series 2012B	\$ 99,545,000	2.000%- 5.00%	8/15/2042	90,235,000		22,765,000	67,470,000	3,900,000
Series 2013	\$ 68,471,992	2.000%- 5.00%	8/15/2043	61,580,000		27,500	61,305,000	280,000
Series 2014	\$ 111,455,000	2.000%- 4.00%	8/15/2044	100,220,000		2,715,000	97,505,000	2,770,000
Series 2015	\$ 193,525,000	0.420%- 5.00%	8/15/2045	123,280,000		5,270,000	118,010,000	6,565,000
Series 2016A	\$ 289,560,000	2.000%- 5.00%	8/15/2046	194,385,000		7,350,000	187,035,000	7,000,000
Series 2017	\$ 206,445,000	2.000%- 5.00%	8/15/2047	200,015,000		6,945,000	193,070,000	6,575,000
Series 2019	\$ 285,990,000	3.000%- 5.00%	8/15/2049	265,990,000		260,555,000	260,555,000	8,350,000
Series 2020	\$ 107,705,000	2.000%- 5.00%	8/15/2050	101,705,000		4,925,000	96,780,000	4,385,000
Series 2021	\$ 182,170,000	3.000%- 4.00%	2/15/2051		182,170,000	1,305,000	180,865,000	2,835,000
CAB Premiums:								
Series 1999				91,223,62			13,997,480	564,339
Series 2002A				1,459,4401		596,921	1,161,610	
Series 2012				1,161,610			8,676,151	666,204
Series 2020					8,905,099	2,8948		
Series 2021					2,841,766		2,841,766	
Total bonds payable				2,044,020,664		409,560,341	2,241,292,488	75,987,965
Accrued interest on capital appreciation bonds				71,390,619		6,705,734	74,768,990	
Unamortized bond premium				13,717,055,8		56,906,520	29,767,281	163,259,797
Total bonded debt				2,252,532,141		469,441,119	2,499,321,275	75,987,965
District's portion of net pension liability				18,207,056		16,424,639	24,686,744	173,815,951
District's portion of net OPEB liability				19,501,6124		9,158,576	44,885,458	159,309,242
Total long-term debt				\$ 2,629,626,321		\$ 695,027,334	\$ 2,812,446,468	\$ 75,987,965

Changes in debt-related deferred outflows and inflows of resources for the fiscal year ended June 30, 2021, were:

	Balance at June 30, 2020	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2021
Deferred loss on refunding transactions	\$ 19,673,642	\$ 2,108,982	\$ 3,344,202	\$ 18,438,422
Deferred gain on refunding transactions	\$ 330,080	\$ 158,657	\$ 63,797	\$ 424,940

During the year the District issued the following bonds:

- \$183,585,000 of Unlimited Tax Refunding Bonds, Taxable Series 2020 with interest rates of 0.0795% to 2.592%. Proceeds were delivered on July 15, 2020. Deposits to escrow agents of \$190,966,393 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded:
 - \$50,000,000 of the District's Unlimited Tax School Building Bonds, Series 2011
 - \$39,495,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series, 2011A
 - \$31,170,000 of the Districts' Unlimited Tax School Refunding Bonds, Series 2011
 - \$62,920,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series 2012

The District's refunding resulted in an economic gain of \$53,525,909 and a book loss of \$962,196 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by \$69,870,287.

- \$182,170,000 of Unlimited Tax School Building and Refunding Bonds, Series 2021 with interest rates of 3.00% to 4.00%. Proceeds were delivered on January 12, 2021. \$168,810,000 (par value) was issued to acquire, construct, renovate and equip school buildings. Deposits to escrow agents of \$14,712,129 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded:
 - \$10,055,000 of the District's Unlimited Tax School Building Bonds, Series 2006
 - \$4,460,000 of the Districts' Unlimited Tax School Refunding Bonds, Series, 2010.

The District's refunding resulted in an economic gain of \$1,435,282 and a book loss of \$19,710 which was fully amortized in this fiscal year. The refunding decreased the District's future debt service requirement by \$1,704,360.

- \$109,310,000 of Unlimited Tax Refunding Bonds, Taxable Series 2021 with interest rates of 1.461% to 4.000%. Proceeds were delivered on January 12, 2021. Deposits to escrow agents of \$116,192,851 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded:
 - \$11,610,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series, 2011A
 - \$24,845,000 of the Districts' Unlimited Tax School Refunding Bonds, Series 2011
 - \$65,655,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series, 2012A
 - \$7,775,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series 2012

The District's refunding resulted in an economic gain of \$25,385,305 and a book gain of \$158,657 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by \$31,346,423.

- \$83,150,000 of Unlimited Tax School Building Bonds, Series 2021 with interest rates of 2.00% to 5.00%, to acquire, construct, renovate and equip school buildings. Proceeds were delivered on June 22, 2021.
- \$37,070,000 of Unlimited Tax Refunding Bonds, Taxable Series 2021A with interest rates of 1.714% to 5.000%. Proceeds were delivered on June 22, 2021. Deposits to escrow agents of \$39,726,503 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded:
 - \$19,350,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series, 2012B
 - \$17,720,000 of the Districts' Unlimited Tax School Refunding Bonds, Series 2013

The District's refunding resulted in an economic gain of \$8,356,168 and a book loss of \$1,127,076 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by \$9,923,133.

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 premiums 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 \$6,705,734, and \$3,327,363 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at June 30, 2021 is \$74,768,990, and total premiums on CABs are \$35,599,369, 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, 2021, \$132,382,000 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, 2021.

In May 2014, voters in the District approved \$775,000,000 of general obligation bonds. As of June 30, 2021, \$26,000,000 of that bond program remains authorized but unissued.

In November 2018, voters in the District approved \$691,000,000 of general obligation bonds. As of June 30, 2021, \$313,750,000 of that bond program remains authorized but unissued.

The following table summarizes the annual debt service requirements of outstanding debt at June 30, 2021, to maturity:

Year ending June 30,	Principal*	Interest	Total
2022	\$ 75,987,965	\$ 82,999,542	\$ 158,987,507
2023	73,674,526	79,229,885	152,904,411
2024	68,914,744	78,540,315	147,455,059
2025	79,397,014	79,732,349	159,129,363
2026	80,138,624	74,311,384	154,450,008
2027-2031	4,453,18,297	337,488,938	782,807,235
2032-2036	475,399,965	280,704,542	756,104,507
2037-2041	557,941,353	135,293,658	693,235,011
2042-2046	294,035,000	41,909,039	335,944,039
2047-2051	90,485,000	67,32,601	97,217,601
Total	\$ 2,241,292,488	\$ 1,196,942,253	\$ 3,438,234,741

*Includes premiums on capital appreciation bonds

Note 8. Unearned Revenue

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

	General Fund	Non-Major Funds	Total
Cell Tower Rentals	5,081		5,081
School lunch deposits		1,147,246	1,147,246
Student fees and charges	113,101		113,101
Total	\$ 118,182	\$ 1,147,246	\$ 1,265,428

Note 9. Revenues From Local and Intermediate Sources

During fiscal year 2021, 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	\$ 476,677,622	\$ 117,819,526			\$ 594,497,148
Penalties, interest and other tax related income	1,634,195	22,982,140			24,616,335
Food sales				3,183,575	3,183,575
Investment income	286,410	61,238	71,220	2,105	420,973
Co-curricular student activities	1,694,173				1,694,173
Shared Services Revenue				129,648	129,648
Facilities rentals	917,475			917,475	917,475
Other miscellaneous revenue	3,332,360		610	1,379,346	4,712,316
Total	\$ 484,542,235	\$ 140,862,904	\$ 71,830	\$ 4,694,674	\$ 630,171,643

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 2021, 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, 2021, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan, which is a statewide health insurance program, or the Texas Schools Health Benefits Program, which is a regional concierge health insurance program. Regardless of the program or plan chosen, 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 Midwest Employers Casualty Company (MECC) for claims exceeding the specific retention of \$350,000. As of June 30, 2021, the District's unpaid claims totaled \$2,001,000, 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 2020 and fiscal year 2021 were:

	2020	2021
Beginning liability	\$ 2,335,000	\$ 2,612,000
Claims and changes in estimates	2,176,000	796,000
Claim payments	(1,899,000)	(1,407,000)
Ending liability	\$ 2,612,000	\$ 2,001,000

Litigation and Contingencies

The District is the defendant in a small number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements. \$1,000,000 of the \$6,000,000 fund balance

assigned for claims and judgments is intended to cover potential legal fees and insurance deductibles for this type of litigation.

State and Federal Programs

The District participates in numerous state and federal funding programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021, 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 workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, when the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-

employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

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.

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	2020	2021
Member	7.70%	7.70%
Non-employer contributing entity (State)	7.50%	7.50%
Employers	7.50%	7.50%
FISD 2021 fiscal year member contributions		\$ 33,295,730
FISD 2021 fiscal year State contributions		\$ 22,936,589
FISD 2021 fiscal year District contributions		\$ 14,530,634

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. The District is required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in plan year 2020, gradually increasing to 2% in plan year 2025.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the State contribution as an employment after retirement surcharge.

Actuarial Assumptions - The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2019 rolled forward to August 31, 2020
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate as of August 2019	2.33%
Inflation	Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Salary increases including inflation	2.30%
Benefit changes during the year	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None
	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, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

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 assumes 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 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, 2020 are summarized below:

Asset Class	Target Allocation ⁽¹⁾	Long-Term Expected Geometric Real Rate of Return ⁽²⁾	Expected Contribution to Long-Term Portfolio Returns
Global Equity	18.00%	3.90%	0.99%
USA			
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70%)	(0.05%)
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	(1.50%)	(0.03%)
Asset Allocation Leverage	(6.00%)	(1.30%)	0.08%
Inflation Expectation			2.00%
Volatility Drag ⁽³⁾			(0.67%)
Total	100.00%		7.33%

(1) Target allocations are based on plan year 2020 policy model.

(2) Capital Market Assumptions come from Aon Hewitt (as of 9/31/2020).

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis - The following schedule presents the District's proportion of the TRS Net Pension Liability using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	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:	\$ 268,021,085	\$ 173,815,951	\$ 97,276,343

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$173,815,951 for its proportionate share of the TRS Net Pension Liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

FISD's proportionate share of the collective net pension liability	\$ 173,815,951
States proportionate share that is associated with FISD	285,365,085
Total	\$ 459,181,036

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 thru August 31, 2020.

At August 31, 2020, the District's proportion of the collective net pension liability was 0.3245380355%, which was a decrease of 0.0257257317% from its proportion measured as of August 31, 2019.

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

For the year ended June 30, 2021, the District recognized pension expenses of \$24,711,869 and contributions paid by the state on-behalf of the District of \$22,936,589.

At June 30, 2021, the District reported its proportionate share of the TRS 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	\$ 317,374	\$ 4,850,742
Changes in actuarial assumptions	40,331,485	17,148,666
Difference between projected and actual investment earnings	3,518,755	
Changes in proportion and differences between District contributions and the proportionate share of contributions	16,647,158	10,232,673
District contributions paid to TRS subsequent to the measurement date	12,257,727	
Total	\$ 73,072,499	\$ 32,232,081

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	
2022	\$ 7,575,073
2023	10,961,635
2024	9,912,425
2025	3,295,677
2026	(2,592,933)
Thereafter	(569,186)
	\$ 28,582,691

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 TRS-Care program was established in 1986 by the

Texas Legislature. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees.

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

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trstexas.gov/TRS%20Documents/cafr_2020.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

Benefits Provided – TRS-Care provides 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic 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 2021	
	Medicare	Non-Medicare
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

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 0.65% 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 or charter school. 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.

Notes to the Basic Financial Statements

	2020	2021
Active Employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
FISD 2021 fiscal year member contributions		\$ 2,226,478
FISD 2021 fiscal year State contributions		\$ 5,297,023
FISD 2021 fiscal year District contributions		\$ 3,351,253

In addition to the employer contributions listed above, there is an additional surcharge all TRS employees are subject to, regardless of whether or not they participate in the TRS-Care OPEB program. When hiring a TRS retiree, employers are required to pay a 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 \$230.8 million in plan year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ended August 31, 2017.

Rates of mortality, retirement, termination, and disability, as well as general inflation, wage inflation, and expected payroll growth assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020.

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

Additional actuarial methods and assumptions include:

Notes to the Basic Financial Statements

Valuation date	August 31, 2019 rolled forward to August 31, 2020
Actuarial cost method	Individual Entry-Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	9.00% for Medicare retirees and 7.30% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal retirement: 65% participation prior to age 65 and 40% after age 65.
Ad hoc post-employment benefit changes	25% of pre-65 retirees are included in the age-adjusted claims costs. None

Discount Rate – A single discount rate of 2.33% was used to measure the Total OPEB Liability. There was a decrease of 0.30% 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 assumes that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Discount Rate Sensitivity Analyses – The following schedule shows the impact on the Net OPEB Liability if the discount rate used was one percentage point lower than and one percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
FISD’s proportionate share of the net OPEB liability:	\$ 191,170,726	\$ 159,309,242	\$ 134,143,243

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs – At June 30, 2021, FISD reported a liability of \$159,309,242 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	\$ 159,309,242
State’s proportionate share that is associated with FISD	214,073,443
Total	\$ 373,382,685

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2019 thru August 31, 2020.

At June 30, 2021, FISD's proportion of the collective Net OPEB Liability was 0.4190747622% which was an increase of 0.0067020177% from June 30, 2020.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
FISD's proportionate share of the net OPEB liability:	\$ 130,135,240	\$ 159,309,242	\$ 198,164,889

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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB liability.
- The ultimate health care trend rate assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

For the year ended June 30, 2021, the District recognized negative OPEB expense of (\$10,223,372) and contributions paid by the state on-behalf of the District of \$5,297,023.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,341,369	\$ 72,908,055
Changes in actuarial assumptions	9,826,068	43,747,141
Difference between projected and actual investment earnings	51,769	
Changes in proportion and differences between District contributions and the proportionate share of contributions	26,428,034	
District contributions paid to TRS subsequent to the measurement date	2,810,491	
Total	\$ 47,457,731	\$ 116,655,196

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, 2022. 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:

Year ended June 30:	
2022	\$ (12,562,316)
2023	(12,569,237)
2024	(12,573,195)
2025	(12,572,111)
2026	(8,316,890)
Thereafter	(13,414,207)
	<u>\$ (72,007,956)</u>

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, 2021, these on-behalf payments were \$1,679,473 and were recorded as equal revenues and expenditures in the General Fund.

**Required
Supplementary
Information
(Unaudited)**



Triptik Of A Doorway Beyond | Ashwin Memorial High School

Exhibit F-1

Frisco Independent School District
Budgetary Comparison Schedule
General Fund

For the Year ended June 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
5700 Local and intermediate sources	\$ 489,086,900	\$ 492,780,600	\$ 484,542,235	\$ (8,238,365)
5800 State program revenues	122,282,500	116,720,426	133,327,814	16,607,388
5900 Federal program revenues	4,500,000	4,500,000	5,271,823	771,823
5020 Total Revenues	615,869,400	614,001,026	623,141,872	9,140,846
Expenditures				
Current:				
0011 Instruction	368,328,053	375,935,050	366,450,064	(9,484,986)
0012 Instructional resources and media services	6,456,288	7,071,254	6,540,156	(531,098)
0013 Curriculum and instructional staff development	14,446,681	14,106,704	14,074,093	(32,611)
0021 Instructional leadership	10,905,886	10,998,850	10,909,165	(89,685)
0023 School leadership	35,062,488	36,106,227	35,803,103	(303,124)
0031 Guidance, counseling and evaluation services	23,233,530	23,233,502	23,046,457	(187,045)
0032 Social work services	291,607	397,725	274,222	(123,503)
0033 Health services	6,895,934	7,541,562	7,202,270	(339,292)
0034 Student transportation	12,060,311	13,666,695	12,616,229	(1,050,466)
0035 Food services		236,774	236,027	(747)
0036 Extracurricular activities	18,251,499	20,007,419	18,180,811	(1,826,608)
0041 General administration	15,544,031	16,667,955	15,929,725	(738,230)
0051 Facilities maintenance and operations	44,319,981	46,156,036	42,753,295	(3,402,741)
0052 Security and monitoring services	4,431,105	5,652,001	4,893,585	(758,416)
0053 Data processing services	8,325,761	8,837,842	8,657,419	(180,423)
0061 Community services	636,470	1,227,538	968,707	(258,831)
Intergovernmental:				
0091 Contracted instructional services between schools	3,971,100	4,902,700	4,177,231	(725,469)
0095 Payments to juvenile justice alternative education programs	50,000	50,000		(50,000)
0097 Payments to tax increment fund	27,112,500	29,377,200	28,283,215	(1,093,985)
0099 Other intergovernmental charges	4,775,000	5,740,205	3,852,070	(1,888,135)
6030 Total Expenditures	605,098,225	627,913,239	604,847,844	(23,065,395)
1100 Excess (deficiency) of revenues over (under) expenditures	10,771,175	(13,912,213)	18,294,028	32,206,241
OTHER FINANCING SOURCES (USES)				
7912 Proceeds from the sale of property			20,489	20,489
7915 Transfers in			309,791	309,791
7956 Insurance recovery			16,266	16,266
8911 Transfers out			(4,250,396)	(4,250,396)
7080 Total Other Financing Sources (Uses)			(3,903,850)	(3,903,850)
1200 Net change in fund balances	10,771,175	(13,912,213)	14,390,178	28,302,391
0100 Fund balances - beginning	235,131,243	235,131,243	235,131,243	
3000 Fund balances - ending	\$ 245,902,418	\$ 221,219,030	\$ 249,521,421	\$ 28,302,391

Frisco Independent School District
Notes To Budgetary Comparison Schedule
For The Year Ended June 30, 2021

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.

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	2020
District's proportion of the net pension liability	0.002314258000	0.002881151000	0.002910236766	0.003137632412	0.003097311248	0.003502637672	0.003245380355
District's proportionate share of the net pension liability	\$ 61,817,031	\$ 101,844,853	\$ 109,973,520	\$ 100,324,581	\$ 170,483,528	\$ 182,078,056	\$ 173,815,951
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	285,365,085
Total	\$ 183,229,343	\$ 265,811,449	\$ 289,355,610	\$ 255,832,308	\$ 419,766,653	\$ 431,361,181	\$ 459,181,036
District's covered payroll ⁽²⁾	\$ 253,369,679	\$ 279,985,062	\$ 304,425,906	\$ 331,387,964	\$ 336,805,214	\$ 376,024,626	\$ 411,742,285
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%	42.21%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%	78.00%	82.17%	73.74%	75.24%	75.54%

⁽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).

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

Fiscal Year:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 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	\$ 14,530,634
Contributions in relation to the contractually required contribution	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	14,530,634
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll ⁽²⁾	\$ 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	\$ 432,411,883
Contributions as a percentage of covered payroll	1.68%	1.82%	2.27%	2.94%	3.04%	3.10%	3.16%	3.15%	3.24%	3.36%

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

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

Fiscal Year:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 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	\$ 3,351,253
Contributions in relation to the contractually required contribution	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	3,351,253
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll ⁽¹⁾	\$ 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	\$ 432,411,883
Contributions as a percentage of covered payroll	0.57%	0.56%	0.57%	0.57%	0.57%	0.57%	0.74%	0.75%	0.77%	0.78%

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

**Frisco Independent School District
Schedule of the District's Proportionate Share
of the Net OPEB Liability
Teacher Retirement System of Texas
For the Last Ten Plan Years⁽¹⁾**

Plan Year:	2017	2018	2019	2020
District's proportion of the net OPEB liability	0.003631283	0.003792676	0.004123727	0.004190748
District's proportionate share of the net OPEB liability	\$ 157,910,868	\$ 189,371,760	\$ 195,016,124	\$ 159,309,242
State's proportionate share associated with the District	271,372,899	300,003,424	259,132,805	214,073,443
Total	\$ 429,283,767	\$ 489,375,184	\$ 454,148,929	\$ 373,382,685
District's covered payroll ⁽²⁾	\$ 331,387,964	\$ 336,805,214	\$ 376,024,626	\$ 411,742,285
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.65%	56.23%	51.86%	38.69%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%	2.66%	4.99%

⁽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).

Other Supplementary Information



I Am Not A Liar | Amelia Harrocks | Reedy High School



Budgetary Comparison Schedule

Exhibit G-1

Frisco Independent School District
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended June 30, 2021

Data Control Codes	Budgeted Amounts			Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
5700	\$ 139,919,000	\$ 139,919,000	\$ 140,862,904	\$	943,904
5800			1,280,997		1,280,997
5020	139,919,000	139,919,000	142,143,901		2,224,901
Expenditures					
Debt Service:					
0071	66,614,000	66,514,000	63,679,472	(2,834,528)	
0072	83,091,000	82,091,000	81,723,285	(367,715)	
0073	1,850,000	2,950,000	2,911,454	(38,546)	
6030	151,555,000	151,555,000	148,314,211	(3,240,789)	
1100	(11,636,000)	(11,636,000)	(6,170,310)	5,465,690	
Other Financing Sources (Uses)					
7901			343,325,000	343,325,000	
7916			21,202,268	21,202,268	
8949			(361,597,875)	(361,597,875)	
7080			2,929,393	2,929,393	
1200	(11,636,000)	(11,636,000)	(3,240,917)	8,395,083	
0100	135,622,917	135,622,917	135,622,917		
3000	123,986,917	123,986,917	132,382,000	8,395,083	

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 FUSD 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.

Instructional Continuity Grant is designed to provide supplemental resources to support improved student outcomes on targeted support and improvement campuses. The purpose of this grant is to increase the capacity of the district to facilitate instructional continuity and distance, remote, and/or virtual learning for identified campuses that have been affected by campus closures due to COVID-19.

Coronavirus Relief Fund is used to account for federal stimulus Coronavirus Relief Funds granted through CARES Act for necessary expenditures incurred due to public health emergency with respect to COVID-19 and to reimburse for expenses related to COVID-19 that were incurred dating back to March 1, 2020.

Education Stabilization Fund is used to account for federal stimulus ESSER II funds granted to LEAs through the CRRSA Act to support an LEA's ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

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.

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.

(Concluded)

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

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

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

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

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

Frisco Independent School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

Data Control Codes	205	211	224	225	226	240	244	255
	Head Start Fund	ESEA, Title I, Part A Fund	IDEA, Part B, Formula Fund	IDEA, Part B, Preschool Fund	IDEA, Part B, Discretionary Fund	Child Nutrition Fund	Career and Technical – Basic Grant Fund	ESEA, Title II, Part A, Fund
Assets								
1110						\$ 4,109,271		
1240		\$ 278,861	\$ 2,344,801	\$ 3,051	\$ 125,681	789,787	\$ 12,363	\$ 74,166
1290						20,041		
1410		780						381
1000	\$ -	\$ 279,641	\$ 2,344,801	\$ 3,051	\$ 125,681	\$ 4,919,099	\$ 12,363	\$ 74,547
Liabilities								
2110		4,041	160,631			137,844	11,932	
2160		22,107	861,524			1,424,015		65,465
2170		253,493	1,322,646	3,051	125,681		431	9,082
2300						1,147,246		
2000	-	279,641	2,344,801	3,051	125,681	2,709,105	12,363	74,547
Fund Balances								
Nonspendable:								
3430		780						381
Restricted for:								
3450						2,209,994		
3490								
Committed to:								
3545								
3600		(780)						(381)
3000	-	-	-	-	-	2,209,994	-	-
4000	\$ -	\$ 279,641	\$ 2,344,801	\$ 3,051	\$ 125,681	\$ 4,919,099	\$ 12,363	\$ 74,547

Frisco Independent School District
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2021

Data Control Codes	263 ESEA, Title III, Part A, Fund	266 ESSER	272 Medicaid Administrative Claiming Fund	276 Instructional Continuity Grant	277 Coronavirus Relief Fund	281 Education Stabilization Fund	289 Sumer School LEP Fund	385 Visually Impaired SSVI Fund	397 Advanced Placement Incentives Fund
Assets									
1110	Cash and investments	\$ 58,768		\$ 95,917			\$ 12,900		\$ 8,239
1240	Due from other governments	618,536	\$ 1,128	27,289	\$ 8,531		21,198		
1290	Other receivables, net								
1410	Prepaid expenditures								
1000	Total Assets	\$ 677,304	\$ 1,128	\$ 123,206	\$ 8,531	\$ -	\$ 34,098	\$ -	\$ 8,239
Liabilities									
2110	Accounts payable	68,626	1,128	711	1,283				
2160	Accrued wages payable	279,612							
2170	Due to other funds	329,066			7,248		31,075		
2300	Unearned revenue								
2000	Total Liabilities	677,304	1,128	711	8,531	-	31,075	-	-
Fund Balances									
Nonspendable:									
3430	Prepaid expenditures								
Restricted for:									
3450	Federal and state grant programs			122,495			3,023		8,239
3490	Local grants, awards and contributions								
Committed to:									
3545	Local grants, awards and contributions								
3600	Unassigned								
3000	Total Fund Balances	-	-	122,495	-	-	3,023	-	8,239
4000	Total Liabilities and Fund Balances	\$ 677,304	\$ 1,128	\$ 123,206	\$ 8,531	\$ -	\$ 34,098	\$ -	\$ 8,239

(Continued)

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Other Supplementary Information | Non-Major Governmental Funds

Frisco Independent School District
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2021

Data Control Codes	410 State Textbook Fund	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	\$ 445,528	\$ 464	\$ 7,191	\$ 2,624,437	\$ 145,741	\$ 7,934	\$ 106,628	\$ 7,623,018
1240	Due from other governments	876,790	\$ 176,353						5,358,535
1290	Other receivables, net				93,500				113,541
1410	Prepaid expenditures				2,268				3,429
1000	Total Assets	\$ 1,322,318	\$ 464	\$ 176,353	\$ 7,191	\$ 2,720,205	\$ 145,741	\$ 7,934	\$ 13,098,523
Liabilities									
2110	Accounts payable	17,249		7,191	14,528	9,390	5,334	11,520	451,408
2160	Accrued wages payable							95,108	2,747,831
2170	Due to other funds		176,238						2,258,011
2300	Unearned revenue								1,147,246
2000	Total Liabilities	17,249	-	176,238	7,191	14,528	9,390	106,628	6,604,496
Fund Balances									
Nonspendable:									
3430	Prepaid expenditures				2,268				3,429
Restricted for:									
3450	Federal and state grant programs	1,305,069	464	115					3,649,399
3490	Local grants, awards and contributions					136,351			136,351
Committed to:									
3545	Local grants, awards and contributions				2,703,409		2,600		2,706,009
3600	Unassigned								(1,161)
3000	Total Fund Balances	1,305,069	464	115	-	2,705,677	136,351	2,600	6,494,027
4000	Total Liabilities and Fund Balances	\$ 1,322,318	\$ 464	\$ 176,353	\$ 7,191	\$ 2,720,205	\$ 145,741	\$ 7,934	\$ 13,098,523

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Frisco Independent School District, Texas - Annual Comprehensive Financial Report 2021

(Concluded)

Other Supplementary Information | Non-Major Governmental Funds

**Frisco Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

Data Control Codes	205	211	224	225	226	240	244	255	
	Head Start Fund	ESEA, Title I, Part A Fund	IDEA-B Formula Fund	IDEA-B Preschool Fund	IDEA-B Discretionary Fund	Child Nutrition Fund	Career and Technical Basic Grant Fund	ESEA, Title II, Part A Fund	
Revenues									
5700	Local and intermediate sources					\$	3,185,674		
5800	State program revenues						102,802		
5900	\$ 2,103	\$ 864,464	\$ 6,826,548	\$ 3,051	\$ 125,681	\$ 12,585,485	\$ 165,361	\$ 430,411	
5020	2,103	864,464	6,826,548	3,051	125,681	15,873,961	165,361	430,411	
Expenditures									
Current:									
0011	2,103	774,142	4,252,395	3,051	125,681		165,361	112,769	
0012									
0013		67,118	44,410					292,213	
0021		150						21,266	
0023		14,619	893					3,445	
0031			2,528,850						
0033									
0035						17,498,931			
0036									
0041									
0051							242,838		
0052									
0053									
0061		8,435						718	
6030	2,103	864,464	6,826,548	3,051	125,681	17,741,769	165,361	430,411	
1100	Excess (deficiency) of revenues over (under) expenditures						(1,867,808)		
Other Financing Sources (Uses)									
7915	Transfers in								
8911	Transfers out								
7080	-	-	-	-	-	-	-	-	
1200	Net change in fund balances						(1,867,808)		
0100	Fund balances - beginning						4,077,802		
3000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,209,994	\$ -	\$ -	

(Continued)

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Other Supplementary Information | Non-Major Governmental Funds

**Frisco Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the Year Ended June 30, 2021**

Data Control Codes	263	266	272	276	277	281	289	385	397
	ESEA, Title III, Part A Fund	ESSER	Medicaid Administrative Claiming Fund	Instructional Continuity Grant	Coronavirus Relief Fund	Education Stabilization Fund	Summer School LEP Fund	Visually Impaired SSVI Fund	Advanced Placement Incentives Fund
Revenues									
5700	Local and intermediate sources								
5800	State program revenues								
5900	\$ 1,089,384	\$ 28,235	\$ 89,737	\$ 16,668	\$ 323,232	\$ 1,465,300	\$ 141,661	\$ 20,840	\$ 36,450
5020	1,089,384	28,235	89,737	16,668	323,232	1,465,300	141,661	20,840	36,450
Expenditures									
Current:									
0011	1,000,379	3,240		16,668	9,433	295,693	32,997	19,955	
0012									
0013	83,330						30,739	885	36,450
0021						8,170			
0023					848				
0031							22,228		
0033		1,400	46,473				100,604		
0035									
0036						15,397			
0041		23,595			3,160				
0051									
0052									
0053						1,123,812			
0061	5,675								
6030	1,089,384	28,235	46,473	16,668	13,441	1,465,300	164,340	20,840	36,450
1100	Excess (deficiency) of revenues over (under) expenditures		43,264		309,791		(22,679)		
Other Financing Sources (Uses)									
7915	Transfers in								
8911	Transfers out								
7080	-	-	-	-	(309,791)	-	-	-	-
1200	Net change in fund balances		43,264		(309,791)		(22,679)		
3000	Fund balances - beginning		79,231				25,702		8,239
3000	\$ -	\$ -	122,495	\$ -	\$ -	\$ -	3,023	\$ -	8,239

(Continued)

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Other Supplementary Information | Non-Major Governmental Funds

Exhibit G-4

Frisco Independent School District
 Budgetary Comparison Schedule
 Child Nutrition Fund
 For the Year Ended June 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
5700 Local and intermediate sources	\$ 17,601,700	\$ 17,601,700	\$ 3,185,674	\$ (14,416,026)
5800 State program revenues	104,950	104,950	102,802	(2,148)
5900 Federal program revenues	7,221,050	7,221,050	12,585,485	5,364,435
5020 Total Revenues	<u>24,927,700</u>	<u>24,927,700</u>	<u>15,873,961</u>	<u>(9,053,739)</u>
Expenditures				
Current:				
0035 Food services	24,675,560	24,792,131	17,498,931	(7,293,200)
0051 Facilities maintenance and operations	252,140	252,140	242,838	(9,302)
6030 Total Expenditures	<u>24,927,700</u>	<u>25,044,271</u>	<u>17,741,769</u>	<u>(7,302,502)</u>
1100 Excess (deficiency) of revenues over (under) expenditures		<u>(116,571)</u>	<u>(1,867,808)</u>	<u>(1,751,237)</u>
1200 Net change in fund balances		<u>(116,571)</u>	<u>(1,867,808)</u>	<u>(1,751,237)</u>
0100 Fund balances - beginning	4,077,802	4,077,802	4,077,802	
3000 Fund balances - ending	<u>\$ 4,077,802</u>	<u>\$ 3,961,231</u>	<u>\$ 2,209,994</u>	<u>\$ (1,751,237)</u>

Frisco Independent School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the Year Ended June 30, 2021

Exhibit G-3

Data Control Codes	410 State Textbook Fund	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	\$ 15,735				\$ 129,648	\$ 683,842	\$ 171,485	\$ 17,475	\$ 4,694,674
5800 State program revenues	4,141,473	\$ 70,000	\$ 965,133						5,336,698
5900 Federal program revenues									24,157,321
5020 Total Revenues	<u>4,157,208</u>	<u>70,000</u>	<u>965,133</u>	<u>129,648</u>	<u>683,842</u>	<u>171,485</u>	<u>17,475</u>	<u>490,815</u>	<u>34,188,693</u>
Expenditures									
Current:									
0011 Instruction	3,961,602	6,845				88,248	13,083		10,883,645
0012 Instructional resources and media services			163			4,117	1,792		6,072
0013 Curriculum and instructional staff development				129,648		6,500			691,293
0021 Instructional leadership									29,586
0023 School leadership						10,788			30,593
0031 Guidance, counselling and evaluation services		62,691				2,000			2,615,769
0033 Health services						55			148,532
0035 Food services									17,498,931
0036 Extracurricular activities					640,753	11,837			667,987
0041 General administration									26,755
0051 Facilities maintenance and operations						101,996			344,834
0052 Security and monitoring services			965,004						965,004
0053 Data processing services									1,123,812
0061 Community services								729,359	744,187
6030 Total Expenditures	<u>3,961,602</u>	<u>69,536</u>	<u>965,167</u>	<u>129,648</u>	<u>640,753</u>	<u>225,541</u>	<u>14,875</u>	<u>729,359</u>	<u>35,777,000</u>
1100 Excess (deficiency) of revenues over (under) expenditures	195,606	464	(34)		43,089	(54,056)	2,600	(238,544)	(1,588,307)
Other Financing Sources (Uses)									
7915 Transfers in					17,368			238,544	255,912
8911 Transfers out						(5,516)			(315,307)
7080 Total Other Financing Sources (Uses)					<u>17,368</u>	<u>(5,516)</u>		<u>238,544</u>	<u>(59,395)</u>
1200 Net change in fund balances	195,606	464	(34)		60,457	(59,572)	2,600		(1,647,702)
3000 Fund balances - beginning	1,109,463		149		2,645,220	195,923			8,141,729
3000 Fund balances - ending	<u>\$ 1,305,069</u>	<u>\$ 464</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 2,705,677</u>	<u>\$ 136,351</u>	<u>\$ 2,600</u>	<u>\$ -</u>	<u>\$ 6,494,027</u>

Frisco Independent School District
 Schedule of Delinquent Taxes Receivable
 As of June 30, 2021

Last Ten Fiscal Years	Tax Rates		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
	Maintenance	Debt Service							
Prior to 2013	Various	Various	Various	\$ (276,747)		\$ 4,317	\$ 1,640	\$ (67,860)	\$ (350,564)
2013	\$ 1.04	\$ 0.42	18,411,182,624	97,051		338	137	11,259	\$ 107,835
2014	\$ 1.04	\$ 0.42	20,072,776,233	150,294		119	48	18,371	\$ 168,498
2015	\$ 1.04	\$ 0.42	23,005,771,528	106,926		19,605	7,917	46,475	\$ 125,879
2016	\$ 1.04	\$ 0.42	26,230,139,504	251,489		21,853	8,825	50,224	\$ 271,035
2017	\$ 1.04	\$ 0.42	30,621,651,034	390,531		427,439	172,619	507,753	\$ 298,226
2018	\$ 1.04	\$ 0.42	35,570,550,343	527,827		257,892	104,149	386,386	\$ 552,172
2019	\$ 1.17	\$ 0.27	40,349,486,303	625,528		89,799	20,723	48,029	\$ 563,035
2020	\$ 1.0683	\$ 0.27	43,491,816,275	3,602,111		611,632	154,582	(2,284,283)	\$ 551,614
2021	\$ 1.0402	\$ 0.27	46,267,939,261		\$ 593,139,299	469,977,653	121,989,969	3,161,701	4,333,378
Totals				\$ 5,475,010	\$ 593,139,299	\$ 471,410,647	\$ 122,460,609	\$ 1,878,055	\$ 6,621,108

Portion of total collections paid into Tax Increment Zone Under Chapter 311, Tax Code \$ 23,165,969

Required TEA
 Schedules

Exhibit J-4

Frisco Independent School District
 Schedule of Use of Funds Report
 Select State Allotment Programs
 For the Year Ended June 30, 2021

Data Codes	1 Responses
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Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, Section 481.04.

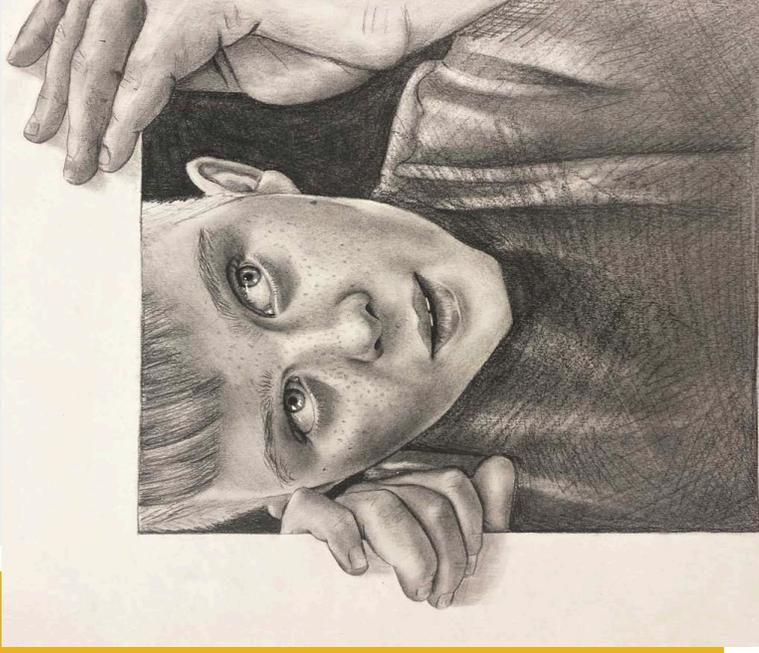
AP1	Did you district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education programs?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 11,624,978
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$ 4,975,026

Section B: Bilingual Education Programs

Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, Section 481.05.

AP1	Did you district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its bilingual education programs?	Yes
AP3	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 2,368,959
AP4	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25,35)	\$ 1,419,037

Statistical Section (Unaudited)



Pencil Portrait Of Boy Reaching | Madison Heydon | Wakeland High School

Statistical Section (Unaudited)

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	91
Revenue Capacity: These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	97
Debt Capacity: These schedules present information to the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	103
Demographic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	107
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	111

Financial Trends

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net Investment in capital assets	\$ (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)	\$ (379,976,838)
Restricted for Federal and State grant programs	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	3,649,399
Restricted for debt services	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	105,339,980
Unrestricted Net Position	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)	(160,272,957)
Total Net Position	\$ (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)	\$ (431,260,416)

Source: Frisco ISD Annual Financial Reports

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities:										
Instruction	\$ 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	\$ 431,632,246
Instructional resources and media services	5,072,392	6,878,260	7,563,264	9,187,036	9,796,673	9,323,687	6,373,309	8,849,546	8,932,969	8,860,354
Curriculum and instructional staff development	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	15,092,258
Instructional leadership	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	11,231,262
School leadership	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	41,905,984
Guidance, counseling and evaluation services	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	26,323,164
Social work services	292,395	343,427	360,371	352,044	361,960	279,911	119,107	206,324	227,696	282,024
Health services	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	7,524,465
Student transportation	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	15,562,096
Food services	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	20,696,850
Extracurricular activities	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	23,846,884
General administration	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	17,512,837
Facilities maintenance and operations	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	71,801,617
Security and monitoring services	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	7,552,762
Data processing services	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	11,445,169
Community services	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	1,998,783
Debt service - interest on long-term debt	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	67,188,505
Debt service - bond issuance costs and fees	784,857	1,034,160	1,288,269	2,511,829	3,318,708	2,474,789	691,035	2,143,297	924,809	4,872,571
Contracted instructional services between schools	1,582,625	1,785,899	1,004,896	1,177,873	217,771			14,017,478	3,152,395	4,177,231
Payments to fiscal agent/member districts of SSA										
Payments to juvenile justice alternative education programs	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666	30,681	28,848,884
Payments to tax increment fund	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	28,283,215
Other intergovernmental charges	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	3,852,070
Total Governmental Activities Expenses	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	821,642,847
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction	206,936	290,231	350,717	396,872	403,481	310,309	733,927	923,344	797,595	1,747,694
Food services	13,077,118	13,685,406	14,494,346	16,242,616	17,583,643	17,491,137	18,376,266	18,335,195	13,180,756	5,183,576
Extracurricular activities	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	1,694,173
Facilities maintenance and operations	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	8,433,741
Operating Grants and Contributions	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	63,842,316
Total Governmental Activities Program Revenues	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	78,901,501
Net (Expense) Revenue	(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)	(742,741,346)

Source: Frisco ISD Annual Financial Reports

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense) Revenue	\$ (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)	\$ (742,741,346)
General Revenues										
Governmental Activities:										
Taxes:										
Property taxes, levied for general purposes	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	478,566,522
Property taxes, levied for debt service	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	118,266,811
State aid - formula grants	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	104,693,320
Grants and contributions not restricted to specific programs	20,083	516,970			2,332,383	2,320,903	2,858,270	6,520,666	4,663,718	5,271,823
Investment earnings	184,963	238,659	98,009	166,062	720,988	1,994,950	5,260,009	9,862,834	8,429,226	420,973
Miscellaneous local and intermediate revenue	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	24,206,014
Total General Revenue	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	731,425,463
Change in net position	(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)	(11,315,883)
Net position - beginning, as adjusted	(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)	(419,944,533)
Net position - ending	\$ (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)	\$ (431,260,416)

Source: Frisco ISD Annual Financial Reports

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	141,684	163,824	264,523	410,917	702,073	905,361	171,510	315,816	200,193	737,454
Assigned					11,058,554	3,750,957	3,665,783	37,077,190	36,077,190	45,994,395
Unreserved /Unassigned	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	202,789,572
Total General Fund	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	249,521,421
All Other Governmental Funds										
Nonspendable			71,910	45,631	64,406	65,712	53,232	59,389	94,680	3,429
Restricted	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	386,273,468
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	2,706,009
Assigned						5,889,126	6,803,546	13,017,077	25,967,844	20,904,222
Unreserved/Unassigned	1,958,933	1,958,933	1,958,933						(9,265)	(1,161)
Total All Other Governmental Funds	80,900,249	129,948,873	178,092,827	228,262,106	206,312,134	183,824,314	214,496,840	334,968,099	295,139,843	409,885,967
Total Governmental Funds	\$ 141,165,268	\$ 202,614,675	\$ 263,257,534	\$ 320,741,212	\$ 329,805,275	\$ 317,086,611	\$ 377,304,760	\$ 541,575,794	\$ 530,271,086	\$ 659,407,388

Source: Frisco ISD Annual Financial Reports

Revenue Capacity

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

Exhibit S-5

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Local and intermediate sources	\$ 286,574,924	\$ 309,077,472	\$ 333,806,178	\$ 381,193,995	\$ 432,689,498	\$ 499,188,264	\$ 573,074,722	\$ 637,277,478	\$ 631,957,895	\$ 630,171,643
State program revenues	115,321,314	129,671,656	133,799,695	133,975,235	161,187,530	139,189,304	123,769,796	94,347,646	131,288,669	139,945,509
Federal program revenues	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	29,429,144
	416,065,638	449,226,731	479,028,896	527,601,725	607,518,429	653,062,098	713,799,344	756,411,849	784,741,603	799,546,296
Current Expenditures:										
Instruction	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	378,513,995
Instructional resources and media services	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	6,563,275
Curriculum and instructional staff development	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	14,765,386
Instructional leadership	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	10,938,751
School leadership	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	35,833,696
Guidance, counseling and evaluation services	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	25,662,226
Social work services	292,295	343,427	360,371	343,027	356,988	275,677	192,909	193,601	207,193	274,222
Health services	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	7,350,802
Student transportation	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	12,616,229
Food services	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	17,734,958
Extracurricular activities	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	19,789,755
General administration	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	15,992,552
Facilities maintenance and operations	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	57,487,691
Security and monitoring services	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	5,858,589
Data processing services	3,209,326	5,146,610	5,307,632	6,206,388	6,138,332	5,982,344	10,321,078	9,112,233	7,597,709	9,781,231
Community services	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	1,712,894
Debt Service:										
Principal on long-term debt	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	63,679,472
Interest on long-term debt	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	81,723,286
Bond issuance costs and fees	555,641	1,034,160	1,288,269	2,511,829	3,518,708	2,474,790	691,035	2,143,297	924,810	4,872,571
Capital Outlay:										
Facilities acquisition and construction	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	171,623,163
Intergovernmental:										
Contracted instructional services between schools	1,582,625	1,785,899	1,004,896	1,177,873	217,771			14,017,478	3,152,395	4,177,231
Payments to fiscal agent/member districts of SSA	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666	30,681	28,283,215
Payments to juvenile justice alternative education programs	15,300,909	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104	25,397,308	25,169,882	27,151,041	28,283,215
Payments tax increment fund	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	3,852,070
Other intergovernmental charges	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	979,087,259
	(73,395,326)	(66,845,963)	(149,191,486)	(214,991,626)	(173,317,747)	(130,166,722)	9,547,298	12,073,260	(104,774,998)	(179,540,963)
Excess (deficiency) of revenues over (under) expenditures										
Other Financing Sources (Uses)										
Capital related debt issued (regular and refunding bonds)	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	595,285,000
Premium on issuance of bonds	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	67,453,385
Sale of real and personal property	2,412	7,464,755	2,253,199	6,916,575	3,884,912			75,538	62,790	20,489
Transfers in	8,958,340	16,486,477	14,511,144	7,774,470	7,119,500	6,051,998	7,285,940	10,033,495	5,136,635	4,565,703
Insurance recovery	(13,241,447)	(16,422,968)	(14,511,144)	(7,774,470)	(7,119,500)	(6,051,998)	(7,285,940)	(10,033,495)	(5,136,635)	(4,565,703)
Transfers out	(103,431,052)	(169,710,776)	(5,155,000)	(50,990,000)	(241,194,517)	(197,534,075)	(143,547,975)	(34,568,630)	(361,597,875)	(4,565,703)
Payment to refunded bond escrow agent	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	308,677,265
	(22,412,444)	59,490,474	60,642,859	59,442,611	9,064,063	(6,218,664)	60,218,149	164,271,034	(11,304,708)	129,136,302
Fund balances - beginning, as adjusted	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
Fund balances - ending	\$ 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	\$ 659,407,388
Debt service as a percentage of non-capital expenditures	20.37%	20.37%	19.18%	18.35%	18.35%	19.64%	20.16%	18.26%	16.91%	16.59%

Source: Frisco ISD Annual Financial Reports

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

Fiscal Year	Actual Value										Less: Exemptions	Total Taxable Value	Total District Rate
	Single Family Property	Multi-Family Property	Vacant Lots Tracts	Acreage (Land Only)	Farm and Ranch Improvements	Commercial & Industrial (Real)	Utilities	Commercial & Industrial (Personal)	Other	Total Assessed Value			
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	736,890,877	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
2021	28,858,661,067	5,143,741,573	818,924,974	1,377,349,895	363,530,881	10,126,029,542	320,762,579	1,509,492,044	727,493,890	49,245,986,445	2,978,047,184	46,267,939,261	\$ 1.3102

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

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

Tax Year	Frisco ISD Direct Rate			Overlapping Rates								
	Maintenance & Operations Rate	Interest & Sinking Rate	Total Direct Rate	City of Frisco	Collin County	Collin County Community College (CCCC)	City of McKinney	City of Plano	Denton County	Town of Little Elm	City of Hackberry	Denton County FWSD
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
2020	1.0402	0.2700	1.3102	0.4466	0.1725	0.0812	0.5086	0.4482	0.2250	0.6497	0.2512	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)

Taxpayer	Business Type	2021		Percentage of Total Taxable Value
		Taxable Value	Percentage of Total Taxable Value	
JP Morgan Chase Bank NA	Banking & Finance	\$ 433,884,153	0.94%	
Liberty Mutual Plano LLC	Banking & Finance	385,270,425	0.83%	
Stonebriar Mall LLC	Shopping Center/Mall	354,194,082	0.77%	
Toyota Motor North America Inc.	Industrial Manufacturing	261,265,214	0.56%	
Capital One National Association	Financial/Banking	237,730,753	0.49%	
Blue Star HQ Inc.	Event Venue	224,713,504	0.49%	
BPR Shopping Center LP	Shopping Center/Mall	156,196,309	0.34%	
Union Investment Real estate GMBH	Office Buildings	152,866,435	0.33%	
PPF AMLI Parkwood Boulevard LLC	Apartments	121,896,962	0.26%	
Gaedeke Holdings XI LTD	Office Buildings	119,362,083	0.26%	
		\$ 2,447,079,920	5.29%	

Taxpayer	Business Type	2012		Percentage of Total Taxable Value
		Taxable Value	Percentage of Total Taxable Value	
Stonebriar Mall LTD	Shopping Center/Mall	\$ 226,514,276	1.32%	
BPR Shopping Center	Shopping Center/Mall	116,000,000	0.67%	
Capital One National Association	Financial/Banking	97,866,518	0.57%	
Tollway/121 Partners LTD	Commercial Land	83,487,355	0.49%	
Tenet Frisco LTD	Medical Clinic	82,472,724	0.48%	
HPT Properties of Texas LTD	Commercial Land	78,149,637	0.45%	
Hall Office Portfolio DB LLC	Commercial Land	52,000,000	0.30%	
Specified Properties LLP	Commercial Land	51,051,750	0.30%	
HR Acquisition of San Antonio LTD	Commercial Land	49,008,267	0.28%	
Virtu Investments LLC	Commercial Land	44,083,259	0.26%	
		\$ 880,633,786	5.12%	

Source: The Municipal Advisory Council of Texas

Exhibit S-9

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

Fiscal Year	Original Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Current Adjusted Levy ⁽¹⁾	Percentage of Adjusted Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	
							Amount
2012	244,363,689	249,748,167	244,576,313	97.93%	5,171,854	249,748,167	100.00%
2013	267,495,493	276,380,519	269,428,955	97.48%	6,951,564	276,380,519	100.00%
2014	288,554,470	297,465,909	289,972,453	97.48%	7,493,456	297,465,909	100.00%
2015	329,808,389	339,859,346	330,473,983	97.24%	9,385,363	339,859,346	100.00%
2016	373,372,859	381,178,959	374,597,170	98.27%	6,581,789	381,178,959	100.00%
2017	427,954,821	442,013,077	437,197,385	98.91%	4,815,692	442,013,077	100.00%
2018	501,897,587	510,596,842	508,013,897	99.49%	2,582,945	510,596,842	100.00%
2019	558,759,088	568,721,224	566,895,873	99.68%	1,825,351	568,721,224	100.00%
2020	558,809,139	573,625,808	572,307,980	99.77%	766,214	573,074,194	99.90%
2021	593,139,299	596,301,000	591,967,622	99.27%		591,967,622	99.27%

⁽¹⁾ Includes penalties and interest and all other adjustments to the levy made in subsequent years.

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



Debt Capacity

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

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
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%
2021	46,267,939,261	2,479,321,275	5.36%	314,935	146,913	7,872	16,751,707,585	14.80%

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

Exhibit S-10

Frisco Independent School District
Estimated Overlapping Debt Statement
June 30, 2021
(Unaudited)

Taxing Body	Amount	Percentage Overlapping ⁽¹⁾	Amount Overlapping
Collin County	\$ 557,730,000	19.08%	\$ 106,414,884
Collin County CCD	524,590,000	19.08%	100,091,772
Denton County	605,905,000	11.25%	68,164,313
Denton County FWSD # 8-C	39,505,000	100.00%	39,505,000
City of Frisco	855,175,000	89.70%	767,091,975
Town of Little Elm	93,940,000	34.11%	32,042,934
City of McKinney	342,810,000	17.52%	60,060,312
City of Plano	507,060,000	12.62%	63,990,972
Subtotal, overlapping debt			1,237,362,162
District gross bonded debt			2,479,321,275
Total direct and overlapping debt			\$ 3,716,683,437
Ratio of net direct and overlapping debt to net taxable valuation			8.03%
Per capita direct and overlapping debt			\$ 7,872.49

Source: Municipal Advisory Council of Texas

⁽¹⁾ The overlapping percentage is based on the ratio of assessed taxable value shared between FISD and the overlapping taxing body to the total assessed value of the overlapping taxing body.

Demographic Information

Exhibit S-12

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

Legal Debt Margin Calculation for the Fiscal Year 2021:	
Taxable Assessed value	\$ 46,267,939,261
Debt limit (10% of assessed value) ⁽¹⁾	4,626,793,926
Total bonded debt	\$ 2,479,321,275
Less reserve for retirement of debt ⁽²⁾	132,382,000
Debt applicable to limit	2,346,939,275
Legal debt margin	\$ 2,279,854,651

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 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	\$ 4,626,793,926
Total net debt applicable to limit	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	2,346,939,275
Legal debt Margin	\$ 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	\$ 2,279,854,651
Total net debt applicable to the limit as a percentage of the debt limit	69.99%	70.97%	74.93%	74.84%	69.77%	66.63%	56.22%	52.15%	48.67%	50.72%

⁽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

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
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%
2021	314,935	16,751,707,585	53,191	4.30%

Sources:
 Estimated population - Municipal Advisory Council of Texas
 Per Capita Personal Income - City of Frisco, Texas
 Unemployment Rate - Population and Survey Analysts data for the City of Frisco, Texas
 Note: There is no mechanism to track unemployment 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)

Employer	2021		
	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	7,618	6.56%	1
City of Frisco	1,628	1.40%	3
T-Mobile	1,000	0.86%	2
Mario Sinacola & Sons Excavating	800	0.69%	4
Conifer	615	0.53%	5
Baylor Medical Center	460	0.40%	6
Fiserv	460	0.40%	7
IKEA Frisco	423	0.36%	8
UT Southwestern/Texas Health Hospital	415	0.36%	9
Baylor Scott & White/Centennial Hospital	400	0.34%	10
	<u>13,819</u>		

Employer	2012		
	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	5,419	8.37%	1
Stonebriar Center Mall	1,500	2.32%	2
City of Frisco	1,140	1.76%	3
Amerisource Bergen Specialty Group	1,100	1.70%	4
Mario Sinacola & Sons Excavating	603	0.93%	5
T-Mobile	525	0.81%	6
Conifer	500	0.77%	7
IKEA Frisco	412	0.64%	8
Oracle USA	409	0.63%	9
Market Street	300	0.46%	10
	<u>11,908</u>		

Source: The City of Frisco and Frisco ISD records



Operating Information

Exhibit S-15
 Frisco Independent School District
 Full-Time-Equivalent District Employees by Identifiable Activities
 Fiscal Year Ended June 30, 2021
 (Unaudited)

	FTE Count	Average Base Pay
Teaching Staff		
Early Education	17.52	\$ 61,138
Pre-Kindergarten	245.36	\$ 60,122
Kindergarten	1,269.23	\$ 60,756
Elementary (Grades 1-6)	911.63	\$ 61,312
Middle School (Grades 6-8)	1,381.35	\$ 62,275
High School (Grades 9-12)	531.44	\$ 58,159
All Grade Levels	4,386.57	\$ 61,003
Support Staff		
Athletics - other than Athletic Director	7.86	\$ 104,861
Audiologist	0.98	\$ 75,132
Business Service Professional	19.00	\$ 86,300
Communications Professional	8.90	\$ 80,096
Custodial - Serves in Professional/Management Role	1.00	\$ 135,164
Educational Diagnostician	58.00	\$ 70,165
Food Service Professional	16.00	\$ 70,430
Internal Auditor	2.00	\$ 99,491
LEA/Comp Info Tech Professional	31.00	\$ 90,750
Legal Services	3.00	\$ 111,190
Librarian	62.52	\$ 65,744
LSSP/Psychologist	32.99	\$ 67,244
Maintenance Serves in Professional/Management Role	3.00	\$ 113,747
Music Therapist	2.95	\$ 57,427
Occupational Therapist	19.53	\$ 67,653
Orientation/Mobility Specialist	2.46	\$ 62,287
Other Camp Exempt Professional Auxiliary	50.22	\$ 65,266
Other LEA Exempt Professional Auxiliary	86.85	\$ 79,709
Physical Therapist	5.92	\$ 72,630
Psychological Associate	2.00	\$ 29,500
Research/Evaluation Professional	2.00	\$ 63,355
School Counselor	137.35	\$ 73,334
Security	73.63	\$ 60,668
Speech Therapist/Speech Language Pathologist	2.00	\$ 119,443
Teacher Facilitator	137.28	\$ 67,220
Transportation	2.00	\$ 64,485
Trauma Officer/Visiting Teacher	2.00	\$ 6,144
	850.25	\$ 70,841
Administrative Staff		
Assistant Principal	132.51	\$ 81,515
Asst./Deputy Superintendent	9.00	\$ 174,293
Athletic Director	4.00	\$ 123,384
Business Manager	1.00	\$ 192,588
Director of Personnel/Human Resources	6.00	\$ 132,452
District Instructional Program Director or Executive Director	60.00	\$ 105,273
Principal	71.82	\$ 105,022
Superintendent	1.00	\$ 329,875
	285.33	\$ 98,272
Paraprofessional Staff/Auxiliary		
Educational Aide	584.99	\$ 26,353
Auxiliary	1,510.57	\$ 30,199
	2,095.56	\$ 49,656
Total	7,617.72	\$ 54,727

Source: Public Education Information Management System (TEA)

Exhibit S-16
 Frisco Independent School District
 Expenditures, Enrollment, and per Pupil Costs
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Operating Expenditures ⁽¹⁾	Enrollment	Cost per Pupil	Student to Teacher Ratio	Percentage of Students Receiving Free or Reduced-price Meals
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%
2021	568,535,328	63,493	8,954	14.5	12.94%

⁽¹⁾Excludes intergovernmental charges.

Source: Frisco ISD Financial Statements

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

Exhibit S-17

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High Schools (Grades 9-12):												
Frisco High												
Site:	45.10 acres	Square Feet	289,866	289,866	289,866	352,978	357,510	357,510	357,510	357,510	357,510	357,510
Opened:	1995	Enrollment	1,688	1,810	1,893	2,139	1,804	1,677	1,521	1,589	1,771	1,832
Centennial High												
Site:	76.48 acres	Square Feet	335,346	335,346	335,346	379,897	370,350	370,350	370,350	370,350	370,350	370,350
Opened:	2000	Enrollment	1,904	2,010	2,156	2,021	2,001	2,026	2,014	1,979	1,991	2,099
Wakeland High												
Site:	71.39 acres	Square Feet	339,716	339,716	339,716	345,646	354,413	354,413	354,413	354,413	354,413	354,413
Opened:	2006	Enrollment	1,639	1,868	1,993	2,199	2,031	2,100	2,188	2,052	2,052	2,110
Liberty High												
Site:	63.33 acres	Square Feet	344,261	344,261	344,261	348,496	346,994	346,994	346,994	346,994	346,994	346,994
Opened:	2007	Enrollment	1,772	2,009	2,203	2,025	2,080	2,052	1,947	1,971	1,898	2,017
Heritage High												
Site:	46.81 acres	Square Feet	355,695	355,695	355,695	356,738	357,001	357,001	357,001	357,001	357,001	357,001
Opened:	2009	Enrollment	1,541	1,753	1,951	1,802	1,904	2,073	2,153	2,003	2,000	2,068
Lone Star High												
Site:	56.32 acres	Square Feet	354,722	354,722	354,722	345,445	352,564	352,564	352,564	352,564	352,564	352,564
Opened:	2010	Enrollment	823	963	1,245	1,379	1,715	1,930	2,130	2,069	2,093	2,140
Independence High												
Site:	63.43 acres	Square Feet	NA	NA	NA	345,969	382,158	382,158	382,158	382,158	382,158	382,158
Opened:	2014	Enrollment	NA	NA	NA	1,168	1,692	1,832	1,934	2,061	2,172	2,275
Reedy High												
Site:	56 acres	Square Feet	NA	NA	NA	NA	390,207	390,207	390,207	390,207	390,207	390,207
Opened:	2015	Enrollment	NA	NA	NA	NA	913	1,344	1,801	1,883	1,938	2,111
Lebanon Trail High												
Site:	69.3 acres	Square Feet	NA	NA	NA	NA	NA	368,260	368,260	368,260	368,260	368,260
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	450	955	1,427	1,880	1,879
Memorial High												
Site:	100.1 acres	Square Feet	NA	387,898	387,898	387,898						
Opened:	2018	Enrollment	NA	1,156	1,650	1,810						

Source: Frisco ISD real property inventory and demographic records

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Statistical Section (Unaudited) | Operating Information

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

Exhibit S-18

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle Schools (Grades 6-8):												
Staley												
Site:	74.87 acres	Square Feet	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330
Opened:	1987	Enrollment	643	675	717	707	715	667	663	651	663	590
Clark												
Site:	36.69 acres	Square Feet	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926
Opened:	2000	Enrollment	826	865	864	853	844	816	777	810	791	853
Pioneer												
Site:	39.99 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2000	Enrollment	701	762	897	1,085	735	824	875	953	984	1,045
Wester												
Site:	20.35 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2002	Enrollment	829	879	902	877	899	1,001	1,029	808	830	802
Griffin												
Site:	31.43 acres	Square Feet	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428
Opened:	2004	Enrollment	598	672	705	855	853	900	867	850	829	817
Roach												
Site:	20.21 acres	Square Feet	138,651	138,651	138,651	138,428	138,428	138,428	138,428	138,428	138,428	138,428
Opened:	2005	Enrollment	691	784	865	855	1,095	770	864	914	971	942
Fowler												
Site:	20.47 acres	Square Feet	138,650	138,650	138,650	138,650	138,651	138,651	138,651	138,651	138,651	138,651
Opened:	2006	Enrollment	1,172	859	890	939	1,060	1,091	1,148	1,046	1,063	1,009
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:	2008	Enrollment	853	586	683	805	938	988	1,011	930	956	1,048
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:	2008	Enrollment	793	928	1,029	1,134	745	818	889	903	930	971
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:	2010	Enrollment	756	817	911	906	954	966	940	911	929	895

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(Continued)

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

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Maus												
Site:	25.00 acres	Square Feet	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2010	Enrollment	491	604	723	831	907	981	981	967	983	909
Hunt												
Site:	32.44 acres	Square Feet	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2010	Enrollment	573	625	698	738	797	833	833	842	874	908
Vandeventer												
Site:	20 acres	Square Feet	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2012	Enrollment	NA	NA	782	891	1,056	1,056	1,056	877	932	906
Pearson												
Site:	25 acres	Square Feet	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2015	Enrollment	NA	NA	NA	NA	616	691	691	878	993	1,017
Trent												
Site:	25.378 acres	Square Feet	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2015	Enrollment	NA	NA	NA	NA	652	786	786	931	962	1,079
Nelson												
Site:	17.781 acres	Square Feet	NA	NA	NA	NA	NA	145,000	145,000	145,000	145,000	145,000
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	653	653	800	956	1,026
Lawler												
Site:	34.34 acres	Square Feet	NA	155,000	155,000	155,000						
Opened:	2018	Enrollment	NA	721	830	929						

Source: Frisco ISD real property inventory and demographic records

(Continued)

Statistical Section (Unaudited) | Operating Information

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

Elementary Schools (Grades K-5):			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rogers												
Site:	9.81 acres	Square Feet	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586
Opened:	1987	Enrollment	662	622	610	557	547	539	528	502	525	569
Curtsinger												
Site:	15.22 acres	Square Feet	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762
Opened:	1995	Enrollment	642	660	813	661	730	812	749	542	596	571
Smith												
Site:	Shared	Square Feet	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922
Opened:	1997	Enrollment	721	694	646	617	602	601	652	634	659	624
Anderson												
Site:	7.99 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	1999	Enrollment	717	688	656	710	714	687	670	724	734	722
Christie												
Site:	8.83 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	1999	Enrollment	730	700	707	640	663	611	568	502	437	373
Shawnee												
Site:	9.51 acres	Square Feet	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977
Opened:	2000	Enrollment	655	614	639	583	589	584	600	509	481	506
Borchardt												
Site:	8.31 acres	Square Feet	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806
Opened:	2001	Enrollment	633	662	725	725	750	716	760	761	778	769
Bright												
Site:	10.36 acres	Square Feet	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591
Opened:	2001	Enrollment	535	536	541	558	494	415	379	527	514	484
Fisher												
Site:	10.00 acres	Square Feet	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327
Opened:	2001	Enrollment	708	658	660	664	667	633	582	566	559	554
Sparks												
Site:	8.00 acres	Square Feet	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399
Opened:	2002	Enrollment	708	658	689	710	728	736	744	762	749	702

(Continued)

Statistical Section (Unaudited) | Operating Information

(Continued)

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

			2012	2013	2014	2015	2016	2017	2018	2019	2021	2021
Spears												
Site:	9.76 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2002	Enrollment	732	716	741	780	770	722	726	692	771	754
Gunstream												
Site:	8.67 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2002	Enrollment	695	705	709	708	721	704	654	656	660	564
Riddle												
Site:	9.38 acres	Square Feet	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572
Opened:	2003	Enrollment	814	756	772	761	749	740	757	737	731	704
Boals												
Site:	8.08 acres	Square Feet	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736
Opened:	2003	Enrollment	810	643	679	715	742	759	688	658	655	640
Isbell												
Site:	12.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2004	Enrollment	782	765	737	684	642	617	709	687	640	670
Pink												
Site:	Shared	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2005	Enrollment	735	710	719	586	543	516	484	552	568	625
Ashley												
Site:	9.15 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2005	Enrollment	687	754	850	828	573	655	674	660	628	598
Bledsoe												
Site:	8.00 acres	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2005	Enrollment	789	705	845	700	749	737	693	695	709	784
Taylor												
Site:	10.70 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	561	615	674	678	652	705	734	725	755	745
Corbell												
Site:	9.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	616	608	675	712	723	742	726	712	677	669

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

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Ogle												
Site:	10.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	643	604	684	647	658	672	682	669	721	727
Sem												
Site:	acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	517	514	679	651	735	810	816	651	639	602
Carroll												
Site:	12.03 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	730	713	729	520	502	452	524	544	585	619
Mooneyham												
Site:	10.55 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	735	792	810	807	775	810	832	672	623	628
Robertson												
Site:	7.69 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	854	736	810	780	861	709	752	738	745	689
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:	2008	Enrollment	829	506	553	553	534	575	599	637	664	631
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:	2008	Enrollment	617	685	783	723	721	685	656	686	668	605
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:	2009	Enrollment	748	614	654	630	623	639	645	574	623	702
Purefoy												
Site:	8.75 acres	Square Feet	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2010	Enrollment	683	713	703	690	650	601	588	528	521	552
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:	2010	Enrollment	586	668	814	696	683	625	604	568	549	567

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(Continued)

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

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Comstock												
Site:	15.09 acres	Square Feet	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2012	Enrollment	NA	442	533	640	741	756	735	704	715	705
Nichols												
Site:	10.95 acres	Square Feet	NA	83,332	83,332	83,332	83,332	83,332	83,332	83,332	83,332	83,332
Opened:	2012	Enrollment	NA	619	717	677	761	463	570	745	825	747
Phillips												
Site:	12.52 acres	Square Feet	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2012	Enrollment	NA	570	804	758	772	645	676	672	692	673
Newman												
Site:	9.43 acres	Square Feet	NA	NA	NA	82,530	82,530	82,530	82,530	82,530	82,530	82,530
Opened:	2014	Enrollment	NA	NA	NA	650	838	762	814	688	736	815
Scott												
Site:	8.56 acres	Square Feet	NA	NA	NA	82,530	82,530	82,530	82,530	82,530	82,530	82,530
Opened:	2014	Enrollment	NA	NA	NA	618	633	694	760	697	693	657
McSpedden												
Site:	17.99 acres	Square Feet	NA	NA	NA	81,118	81,118	81,118	81,118	81,118	81,118	81,118
Opened:	2014	Enrollment	NA	NA	NA	587	652	649	705	599	604	801
Hosp												
Site:	9.05 acres	Square Feet	NA	NA	NA	81,118	81,118	81,118	81,118	81,118	81,118	81,118
Opened:	2014	Enrollment	NA	NA	NA	471	664	685	749	705	682	687
Norris												
Site:	9.254 acres	Square Feet	NA	NA	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2015	Enrollment	NA	NA	NA	NA	580	692	835	445	574	759
Miller												
Site:	9.549 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	545	635	698	751	759
Vaughn												
Site:	9.675 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	510	584	612	701	660

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

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Talley												
Site:	14.64 acres	Square Feet	NA	84,128	84,128	84,128						
Opened:	2018	Enrollment	NA	529	755	589						
Liscano												
Site:	14.61 acres	Square Feet	NA	84,128	84,128	84,128						
Opened:	2018	Enrollment	NA	754	812	713						

Source: Frisco ISD real property inventory and demographic records

Federal Awards Section



Non-Objective Collage | Audrey Bactad | Heritage High School



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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2021.

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
CFAs 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
November 8, 2021



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, 2021. 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, 2021.

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
November 8, 2021

Federal Awards Section | Operating Information

Exhibit K-1

Frisco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			\$ 15,991
Impact Aid-PL 81874	84-041		15,991
Total Direct Programs			15,991
Passed Through Region X ESC:			
ESEA, Title I - Part A - Improving Basic Programs	84-010A	20610101057950	194,066
ESEA, Title I - Part A - Improving Basic Programs	84-010A	21610101057950	670,398
ESEA, Title II - Part A, Teacher and Principal Training and Recruiting	84-567A	20694501057950	342,404
ESEA, Title II - Part A, Teacher and Principal Training and Recruiting	84-567A	21694501057950	88,007
Title III - Part A - Immigrant	84-365A	20671003057950	351,206
Title III - Part A - Immigrant	84-365A	21671003057950	324,456
Title III - Part A - English Language Acquisition	84-365A	20671001057950	144,555
Title III - Part A - English Language Acquisition	84-365A	21671001057950	209,167
Title IV - Part A - Discretionary Student Support and Academic Enrichment	84-424A	206880101057950	60,352
Total passed through Region X ESC			2,444,611
Passed through Texas Education Agency			
Special Education Cluster:			
IDEA B - Part B, Formula	84-027A	206600010439056600	946,762
IDEA B - Part B, Formula	84-027A	216600010439056600	5,659,786
IDEA B - Part B - Preschool	84-173A	206610010439056610	3,051
IDEA B - Part B - Discretionary - Residential	84-027A	216600720439056600	125,681
Total Special Education Cluster (IDEA)			6,935,280
Title I Part C Carl D. Perkins Basic Formula Grant	84-048A	20420006043905	21,788
Perkins V: Strengthening CTE for the 21st Century	84-048A	21420006043905	143,573
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Grant	84-425D	20521001043905	28,235
COVID-19 Prior Purchase Reimbursement Program (PRRP)	84-425D	52102135	1,465,300
COVID-19 Instructional Continuity	84-377A	17610740043905	16,668
LEP Summer School	84-369A	69551902	3,384
Total passed through Texas Education Agency			8,634,226
TOTAL U.S. DEPARTMENT OF EDUCATION			11,094,630
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Education Agency			
Head Start	93-600	06CH010655	2,103
Total passed through Texas Education Agency			2,103
Direct Programs:			
Medicaid Administrative Claiming	93-778		46,473
School Health and Related Services Provider Relief Funds	93-498		100,604
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			149,180
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Department of Human Services:			
National School Lunch Program - Non-cash Assistance (Commodities)	10-555	806780706	1,061,264
Passed through Texas Department of Agriculture:			
*National School Breakfast Program (SNB)	10-553	806780706	1,620,663
*National School Lunch Program (NSLP)	10-555	806780706	9,278,451
USDA Storage and Delivery Fee Reimbursement	10-560	806780706	59,070
*COVID-19 Child Nutrition Emergency Operational Cost (EOC) Reimbursement Program	10-555	806780706	566,037
Total Passed through Texas Department of Agriculture			11,524,221
TOTAL U.S. DEPARTMENT OF AGRICULTURE			12,585,485

(Continued)

Federal Awards Section | Operating Information

Exhibit K-1

Frisco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY			
Passed through Texas Division of Emergency Management:			
COVID-19 Coronavirus Relief Fund			323,232
TOTAL U.S. DEPARTMENT OF THE TREASURY			323,232
*Child Nutrition Cluster			24,152,727
TOTAL U.S. DEPARTMENT OF FEDERAL AWARDS			24,475,959

(Concluded)

Frisco Independent School District Notes To Schedule Of Expenditures Of Federal Awards For The Year Ended June 30, 2021

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 non-cash award. The monetary value of those goods was \$1,061,264 for the year ended June 30, 2021.
5. School Health and Related Services reimbursements of \$5,255,832 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 \$20,585.

(Continued)

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, 2021 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, 2021.

(Concluded)

Frisco Independent School District
Schedule of Findings and Questioned Costs
June 30, 2021

Frisco Independent School District
Schedule of Findings and Questioned Costs – Continued
June 30, 2021

Section 1. Summary of the Auditor's Results

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

Financial Statements

An unmodified opinion was issued on the financial statements.

None

Internal control over financial reporting:

Section 3. Findings and Questioned Costs for Federal Awards

None

Material weakness(es) identified? _____ Yes No

_____ Yes No

Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes None reported

_____ Yes None reported

Noncompliance material to financial statements noted. _____ Yes No

_____ Yes No

Major Federal Programs

Internal control over major federal programs:

_____ Yes No

Material weakness(es) identified? _____ Yes No

_____ Yes No

Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes None reported

_____ Yes 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 No

_____ Yes No

Identification of major federal programs:

Child Nutrition Cluster 10.553, 10.555
Special Education Cluster 84.027A, 84.173A
Title III, Part A 84.365A
ESSER Grants 84.425D

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

_____ Yes No

Auditee qualified as a low-risk auditee. _____ Yes No

_____ Yes No



Our mission is to know
every student
by name and need



Financial Advisory Services
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