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

REMARKETING MEMORANDUM
Dated: July 18, 2023

<u>REMARKETING (NOT A NEW ISSUE)</u>: BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, rendered their opinion based on existing statutes, regulations, published rulings and court decisions as of such date, that interest on the Bonds would be excludable from the "gross income" of the owners thereof for federal income tax purposes and that the Bonds would not be "specified private activity bonds" within the meaning of section 57(a)(5) of the Internal Revenue Code of 1986. As a condition to conversion and remarketing of the Bonds on the conversion date, Bond Counsel to the District will render an opinion to the effect that the conversion will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. Bond Counsel will express no opinion as to any federal, state or local tax consequences pertaining to the acquisition, carrying, ownership or disposition of the Bonds or to any other matters relating to the remarketing.

$49,320,000
PROSPER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2019B

CONVERSION TO TERM RATE PERIOD OF THREE YEARS AT A PER ANNUM TERM RATE OF 4.00%
(PRICED TO YIELD 3.30% TO MANDATORY TENDER DATE)

Original Dated Date: November 1, 2019 — **New Mandatory Tender Date: August 15, 2026**
CUSIP No: 7436002V9 — **Stated Maturity: February 15, 2050**

The Prosper Independent School District is remarketing its Adjustable Rate Unlimited Tax School Building Bonds, Series 2019B (the "Bonds"). The Bonds were initially issued on December 12, 2019 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code, an election held in the District on May 4, 2019, the order adopted by the Board of Trustees (the "Board") on September 16, 2019 (the "Bond Order"), and a pricing certificate executed on November 14, 2019 (the "Pricing Certificate", together with the hereinafter defined Conversion Order and the Bond Order, the "Original Bond Order"). The Bonds are currently outstanding in the Initial Rate Period, bearing interest at the Initial Rate through the August 14, 2023 conclusion of the Initial Interest Period. On August 15, 2023 (the "Conversion Date") all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option.

The Board, pursuant to an order thereby adopted on April 17, 2023 (the "Conversion Order"), (i) authorized the remarketing of tendered Bonds to new holders and conversion of such Bonds to a new Term Rate Period commencing on the Conversion Date and continuing through and including August 14, 2026 (the "New Rate Period") and during which the remarketed Bonds will bear interest at the new Term Rate identified below and (ii) delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed. The Conversion Pricing Certificate was executed by an Authorized Official of the District on July 18, 2023, which completed the remarketing of the Bonds. In addition, the Conversion Order authorized the redemption of Bonds on the Conversion Date, at the District's option and using lawfully available District funds.

The Bonds are currently outstanding in the principal amount of $50,000,000. On August 15, 2023, $50,000,000 will be mandatorily tendered for purchase by the existing holders thereof and the District will redeem $680,000 in principal amount of the Bonds and $49,320,000 will be remarketed and converted to the New Rate Period. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

During the New Rate Period, the Bonds will bear interest at a Term Rate of 4.00%, and such interest shall accrue from the Conversion Date and continue until the end of the New Rate Period (occurring on August 14, 2026). The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2026 (the "New Mandatory Tender Date"), which is the day immediately succeeding the last day of the New Rate Period; provided, however that the actual mandatory tender for purchase shall occur on August 17, 2026, which is the first business day after expiration of the New Rate Period. Interest on the Bonds in the New Rate Period will cease to accrue after the August 14, 2026 expiration of the New Rate Period. During the New Rate Period, interest on the Bonds is payable initially on February 15, 2024, and thereafter on each August 15 and February 15 through and including the New Mandatory Tender Date. The definitive Bonds have been registered and delivered to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "BOOK-ENTRY- ONLY SYSTEM" herein). U.S. Bank Trust Company, National Association, Dallas, Texas serves as Paying Agent/Registrar and Tender Agent for the Bonds.

All tenders of Bonds on the New Mandatory Tender Date must be made to the Tender Agent at its designated office in Dallas, Texas. In the Order, the District has covenanted to identify and enter into a contract with a new remarketing agent for the Bonds prior to the commencement of the remarketing period applicable to the Bonds prior to the conclusion of the New Rate Period. Bonds tendered for purchase on the New Mandatory Tender Date will be bought from the proceeds derived from the remarketing of such Bonds, if any; provided, however, that should the date for tender of the Bonds occur on an Interest Payment Date, the accrued interest portion of the Purchase Price is to be paid by the District.

In the event that all of the Bonds are not remarketed to new purchasers on the New Mandatory Tender Date, neither the acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the related notice of mandatory tender will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, the Bonds shall bear interest at the "Stepped Rate" for the duration of the Stepped Rate Period. The Stepped Rate for the Bonds remarketed to the New Rate Period is a per annum rate of 7.00% (see "THE BONDS — Determination of Interest Rates; Rate Mode Changes" and "– Tender Provisions" herein).

The Bonds were initially delivered on December 12, 2019, and were approved by the Attorney General of the State of Texas and the approval of certain legal matters by the District's then-acting bond counsel. In connection with the remarketing of the Bonds, certain legal matters will be passed upon for the District by its Bond Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds will be available for delivery through the facilities of DTC following payment of the Purchase Price thereof on August 15, 2023.

FHN FINANCIAL CAPITAL MARKETS
as Remarketing Agent

$49,320,000
PROSPER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2019B

MATURITY SCHEDULE
CUSIP No.: 7436002V9[1]

Stated Maturity[2]	New Rate Conversion Date	Last Day of New Rate Period	Mandatory Tender Date[3]	Term Rate	Initial Yield[4]	Stepped Rate
February 15, 2050	August 15, 2023	August 14, 2026	August 15, 2026	4.00%	3.30%	7.00%

[1] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Remarketing Agent or their agents or counsel assume responsibility for the accuracy of such numbers.*

[2] *Subject to scheduled mandatory redemption. See "THE BONDS – Redemption – Scheduled Mandatory Redemption" herein.*

[3] *The actual mandatory tender for purchase shall occur on August 17, 2026, which is the first business day after expiration of the New Rate Period. Interest on the Bonds in the New Rate Period will cease to accrue after the August 14, 2026 expiration of the New Rate Period.*

[4] *Initial yield calculated from New Rate Conversion Date to Mandatory Tender Date.*

PROSPER INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Holly Ferguson	Superintendent	22 Years	14 Years
Dr. Greg Bradley	Deputy Superintendent	20 Years	9 Years
Dr. Kyle Penn	Deputy Superintendent - Finance	15 Years	1 Year
Michele Seese	Chief Financial Officer	18 Years	2 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Hankins, Eastup, Deaton, Tonn & Seay, Denton, Texas	Certified Public Accountants

For additional information, contact:

Dr. Kyle Penn
Chief Financial Officer
Prosper ISD
605 East Seventh Street
Prosper, Texas 75078
(469) 219-2000

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

USE OF INFORMATION IN REMARKETING MEMORANDUM

This Remarketing Memorandum, 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 Remarketing Memorandum, and, if given or made, such other information or representations must not be relied upon.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in the Remarketing Memorandum pursuant to its respective responsibilities to investors under the federal securities laws, but the Remarketing Agent 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 Remarketing Agent. This Remarketing Memorandum 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 Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking” and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Texas Education Agency’s (“TEA”) and the District's undertakings to provide certain information on a continuing basis.

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

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT 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 REMARKETING AGENT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS REMARKETING MEMORANDUM 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 REMARKETING MEMORANDUM 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 Remarketing Memorandum 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 REMARKETING MEMORANDUM, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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SELECTED DATA FROM THE REMARKETING MEMORANDUM

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

The District The Prosper 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.

New Rate Period The Bonds are currently outstanding in the Initial Rate Period, expiring on August 14, 2023 and during which they bear interest at the Initial Rate. On August 15, 2023 (the "Conversion Date"), all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option. On the Conversion Date, Bonds not redeemed will be converted to a new Term Rate Period, commencing on such Conversion Date and concluding on August 14, 2026 (such Term Rate Period, the "New Rate Period") and bearing interest at a Term Rate of 4.00%, and remarketed to new holders. The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2026 (hereinafter defined and referred to as the "Mandatory Tender Date"); provided, however that the actual mandatory tender for purchase shall occur on August 17, 2026, which is the first business day after expiration of the New Rate Period. Interest on the Bonds in the New Rate Period will cease to accrue after the August 14, 2026 expiration of the New Rate Period.

On the Mandatory Tender Date, the Bonds are subject to mandatory tender, without the right of retention by the holders thereof, at which time the District expects to convert such tendered Bonds to a new Rate Period or Periods and remarket them to new purchasers.

Failure to Remarket In the event that all of the Bonds are not converted into one or more Rate Periods and remarketed to new purchasers on such Mandatory Tender Date, neither the then-acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the mandatory tender notice will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Original Bond Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate" of 7.00% per annum for the duration of the Stepped Rate Period (see "THE BONDS - Determination of Interest Rates; Rate Mode Changes" and "– Tender Provisions" herein)

Paying Agent/Registrar and Tender Agent The Paying Agent/Registrar and Tender Agent for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas.

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.

Redemption The Bonds will be subject to mandatory tender for purchase, without the right of retention by the holders thereof, on the Mandatory Tender Date, which shall occur on August 15, 2023. In the event that all of the Bonds are not remarketed to new purchasers on the Mandatory Tender Date, neither the Remarketing Agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the mandatory tender will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, the Bonds shall bear interest at the "Stepped Rate" for the duration of the Stepped Rate Period (as defined herein). The Stepped Rate is defined in the Order as a per annum rate of 7.00% (see "THE BONDS — Determination of Interest Rates; Rate Mode Changes" and "– Tender Provisions" herein).

Permanent School Fund Guarantee The Bonds are guaranteed by the corpus of the Permanent School Fund Guarantee Program of Texas. However, the Permanent School Fund guarantee is not effective with respect to the payment of the Purchase Price of tendered Bonds. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Ratings The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)

Tax Matters and Legal Opinion In connection with the remarketing of the Bonds that is the subject of this Remarketing Memorandum, Bond Counsel has delivered its opinion that 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 including the alternative minimum tax on corporations. (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.

INTRODUCTORY STATEMENT

This Remarketing Memorandum, including Appendices A, B and D, has been prepared by the Prosper Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Collin and Denton Counties, Texas, in connection with the offering by the District of its Adjustable Rate Unlimited Tax School Building Bonds, Series 2019B (the "Bonds").

All financial and other information presented in this Remarketing Memorandum 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 Remarketing Memorandum descriptions of the Bonds and the order adopted on September 16, 2019 by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds (such order, together with the hereinafter defined Conversion Order, the "Order" or the "Original 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 Prosper Independent School District, 605 East Seventh Street, Prosper, Texas 75078 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 Remarketing Memorandum speaks only as of its date, and the information contained herein is subject to change. A copy of this Final Remarketing Memorandum 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.

This Remarketing Memorandum does not describe the terms and provisions of the Bonds or the Original Bond Order as they relate to the Bonds following the expiration of the New Rate Period (defined herein) except as described herein in connection with the mandatory tender for purchase following the last day of the New Rate Period (to actually occur on the first business day after such last day). See "THE BONDS – Tender Provisions." Upon mandatory tender for purchase of the Bonds as described herein, the Bonds are expected to be remarketed. At the time of such remarketing, a new offering document or supplement to this Remarketing Memorandum will be prepared for such remarketing of the Bonds.

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Original Bond Order.

THE BONDS ARE SUBJECT TO CONVERSION TO OTHER INTEREST MODES AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE ORIGINAL BOND ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH BONDS. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE PERIOD (INCLUDING ANY THAT ARE SUBSEQUENT TO THE NEW RATE PERIOD THAT IS THE SUBJECT OF THIS REMARKETING MEMORANDUM). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS REMARKETING MEMORANDUM FOR INFORMATION CONCERNING ANY OTHER INTEREST RATE PERIOD FOR THE BONDS OTHER THAN THE BONDS IN THE NEW RATE PERIOD.

THE BONDS

Authorization and Purpose

The Bonds were initially issued on December 12, 2019 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, and Chapter 1371, Texas Government Code, as amended, an election held in the District on May 4, 2019 (the "Election") and the Original Bond Order dated September 16, 2019, and the Pricing Certificate executed November 14, 2019. Proceeds from the sale of the Bonds were used for the purpose of (i) construction, renovation, acquisition and equipment of school buildings in the District, including the purchase of new school buses and the purchase of necessary sites for school buildings, and (ii) paying the costs of issuing the Bonds.

Security for Payment

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. Payment of the scheduled debt service on (but not the Purchase Price of) the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined). (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

The Bonds are absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended); provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

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

Current Rate Period, Conversion and Remarketing

The Bonds are variable rate, multi-modal obligations, currently outstanding in the Initial Rate Period that expires on August 14, 2023 (which period, from the Bonds' date of initial delivery to such date of expiration is referred to herein as the "Current Rate Period"). Upon expiration of the Current Rate Period, the Bonds are subject to mandatory tender for purchase, without right of retention by the owners thereof and, upon tender, will be remarketed into a new Term Rate Period, commencing on August 15, 2023 and concluding on August 14, 2026 (such period, the "New Rate Period"), pursuant to the applicable terms of the Original Bond Order and the terms of an order adopted by the Board on April 17, 2023 (the "Conversion Order"). The Conversion Order delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed. The Conversion Pricing Certificate was executed by an Authorized Official on July 18, 2023, which completed the remarketing of the Bonds.

On August 15, 2023 (the "Conversion Date"), all outstanding Bonds in the Current Rate Period, as stated above, are subject to mandatory tender for purchase, without the right of retention by the owners thereof.

The Bonds are currently outstanding in the principal amount of $50,000,000. On August 15, 2023, $50,000,000 will be mandatorily tendered for purchase by the existing holders thereof and the District will redeem $680,000 in principal amount of the Bonds and $49,320,000 will be remarketed and converted to the New Rate Period. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

New Rate Period

On the Conversion Date, the Bonds tendered for purchase and not optionally redeemed will be converted to the New Rate Period. The Bonds will bear interest during the New Rate Period at a Term Rate of 4.00%, which Term Rate will be effective from and including the Conversion Date and shall remain in effect through and including the last day of the New Rate Period (which is August 14, 2026). Pursuant to the terms of the Original Bond Order, the Term Rate on the Bonds is established by the Remarketing Agent (defined herein) for the New Rate Period.

General Description

Authorized Denominations. The Bonds are being remarketed in the New Rate Period in principal denominations of $5,000 or integral multiples thereof.

Calculation of Interest; Interest Payment Dates. Interest accrued on the Bonds during the New Rate Period will be paid on each February 15 and August 15 commencing February 15, 2024 (and continuing through August 15, 2026). Interest on the Bonds in a Stepped Rate Period will be payable on each February 15 and August 15 during such period and on the day such Bonds are converted from the Stepped Rate Period to a different Rate Period (as defined herein).

Interest Payment Methods. While the Bonds bear interest at a Term Rate, interest will be paid by check, sent by first class mail, to the owner of record on the Record Date or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the owner.

Book-Entry System of Registration and Payment. The Bonds were issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York ("DTC"). Use of the DTC Book-Entry-Only System will affect the timing and receipt of payment of interest on and principal of the Bonds. (See "THE BONDS – Book-Entry-Only System".)

Paying Agent/Registrar. U.S. Bank Trust Company, National Association, Dallas, Texas currently serves as the Paying Agent/Registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted in the Order to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees 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.

Tender Agent. U.S. Bank Trust Company, National Association, Dallas, Texas currently serves as the tender agent (the "Tender Agent") for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to U.S. Bank Trust Company, National Association, Dallas, Texas, Attn: Mr. Brian Jensen, 13737 Noel Road, Suite 800, Dallas, Texas 75240. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to 13737 Noel Road, Suite 800, Dallas, Texas 75240.

Remarketing Agent and Remarketing Agreement. FHN Capital Markets has been appointed to serve as the remarketing agent (the "Remarketing Agent") for the Bonds. FHN Capital Markets may be removed as Remarketing Agent and a successor may be appointed in accordance with the Order and the Remarketing Agreement between the Remarketing Agent and the District. The office of FHN Capital Markets for purposes of its duties as Remarketing Agent, is 920 Memorial City Way, 11th Floor, Houston, Texas 77024.

Payment Record. The District has never defaulted with respect to the payment of its bonded indebtedness.

Determination of Interest Rates; Rate Mode Changes

New Rate Period. The Bonds will bear interest at the Term Rate of 4.00%, from the Conversion Date through and including August 14, 2026. The Interest Payment Dates during the New Rate Period will be February 15 and August 15, commencing on February 15, 2024 and continuing through August 15, 2026. Following the New Rate Period, the Bonds will bear interest at a Term Rate as determined by the Remarketing Agent, unless changed by the District in the manner as described below.

Rate Mode Changes after New Rate Period. On the day immediately following the last day of the New Rate Period (referred to herein as the "Mandatory Tender Date"), which shall occur on August 15, 2026, the Bonds are subject to mandatory tender for purchase, without right of retention by the holders thereof, and are to be converted from the New Term Rate Period to one or more different Rate Periods established under the Order; provided, however, that actual settlement of mandatorily tendered Bonds shall occur on the first business day to occur after the expiration of the New Rate Period. Interest on the Bonds in the New Rate Period shall nevertheless cease to accrue as of the expiration of the New Rate Period (and no effectiveness of a Stepped Rate shall occur from expiration of the New Rate Period to actual settlement of mandatory tender on the next occurring business day, assuming that the Bonds subject to mandatory tender on such date have been successfully remarketed). See "– Tender Provisions – Mandatory Tender." The "Rate Periods" established under the Order include a term rate period and fixed rate period. The Order does not obligate the District to obtain a standby bond purchase agreement, liquidity facility, or similar agreement (each, a "Liquidity Facility") providing liquidity support for the Bonds upon the conversion thereof from the New Rate Period to a different term rate period or a fixed rate period. Any Liquidity Facility obtained by the District in connection with the conversion of the Bonds following the New Rate Period will not be available to pay any portion of the Purchase Price of the Bonds on the Mandatory Tender Date.

The District may elect to convert the Bonds on the Mandatory Tender Date from the New Rate Period to one or more Rate Periods by notice given to the Paying Agent/Registrar and certain other notice parties at least 45 days prior to the Mandatory Tender Date. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled. Not less than 30 days prior to the such conversion, the Paying Agent/Registrar shall send a written notice of the conversion and the mandatory tender for the Bonds to the registered owners thereof. See "– Tender Provisions – Mandatory Tender." While the Bonds are in book-entry form, registered to DTC, such notice will be given only to DTC.

Conversion of the Bonds to the New Rate Period and any conversion to a new interest period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the Paying Agent/Registrar and the Remarketing Agent prior to the applicable conversion date to the effect that the conversion will not adversely affect the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and is in compliance with State law.

While in a Term Rate mode, Bonds may be converted to a different interest rate mode only at the expiration of a Term Rate period.

Any Owner of Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. During each Rate Period after the New Rate Period, the rate of interest on the Bonds will be the rate that the Remarketing Agent determines, in conjunction with the District and under prevailing market conditions on the date of such determination, would result in the market value of the Bonds being not less than 100% of the principal amount thereof.

In no event will the interest rate borne by the Bonds exceed the "Highest Rate", which (as provided in the Order) is the lesser of 8.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Tender Provisions

No Optional Tender. During the New Rate Period, the Bonds are not benefitted by a Liquidity Facility nor is one currently contemplated to be entered into in the future. The Bonds are not subject to optional tender at the election of the holders thereof for purchase during the New Rate Period.

Mandatory Tender. The Bonds are required to be tendered for purchase to the Tender Agent on the day immediately succeeding conclusion of the New Rate Period for the Bonds, without right of retention by holders thereof, and, if not successfully remarketed at the end of the New Rate Period, while the Bonds bear interest at the Stepped Rate, upon at least one day's prior notice.

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds. Payment of such Purchase Price is not guaranteed by the Permanent School Fund Guarantee.

Effects of Failed Remarketing. In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, (which, for Bonds in the New Rate Period is August 17, 2026, being the first business day to occur after the scheduled August 15, 2026 Mandatory Tender Date), the District or the Remarketing Agent shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Original Bond Order or the Bonds, the mandatory tender notice will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Term Rate period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Order provides that the Stepped Rate means a rate per annum equal to 7.00%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Bond that the Owner has not elected to continue to own after a mandatory purchase date and that is not tendered on the mandatory purchase date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory purchase date. Thereafter, the Owner of such Bond will not be entitled to any payment other than the Purchase Price for such Bond from money held by the Tender Agent for such payment, and such Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the mandatory purchase date, the Tender Agent will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Remarketing and Purchase. The Remarketing Agent is required, at a minimum, to use its best efforts to sell such Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming mandatory tender date or as quickly as possible thereafter.

The Purchase Price of Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase will be consummated.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to the expiration of the New Rate Period; provided, however, the Bonds are subject to optional redemption on the Mandatory Tender Date and on any date when the Bonds bear interest at the Stepped Rate.

Extraordinary Optional Redemption. Upon the occurrence of an Extraordinary Event, the Bonds are subject to redemption prior to Stated Maturity, at the option of the District, on any date, in whole but not in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to such date of redemption.

The term "Extraordinary Event" shall mean the occurrence of (i) passage of legislation by either house of the United States Congress, the effect of which (if enrolled) would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or (ii) the execution by the President of the United States of an executive order that imposes, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds.

Upon the occurrence of an Extraordinary Event, the District anticipates issuing tax-exempt refunding bonds prior to the effective date of such legislation and exercising the right to redeem and refund the Bonds with the proceeds of the refunding bonds.

Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption prior to stated maturity as follows:

Mandatory Redemption

Date	Amount
February 15, 2044	$5,070,000
February 15, 2045	5,185,000
February 15, 2046	5,295,000
February 15, 2047	6,880,000
February 15, 2048	8,165,000
February 15, 2049	8,995,000
February 15, 2050	9,730,000

The principal amount of Bonds 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 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofor credited against a mandatory redemption requirement.

Notice of Redemption. The Paying Agent/Registrar is required to cause notice of any redemption of Bonds to be mailed to each owner of Bonds to be redeemed at the respective addresses appearing in the registration books for the Bonds at least 30 days prior to the redemption date when Bonds bear interest at the Stepped Rate at the Term Rate (including during the New Rate Period). All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived, as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on such Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding. A notice of mandatory tender delivered in connection with the remarketing of any outstanding Bonds shall also serve as notice of redemption if any such Bonds will be redeemed on a Conversion Date.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provision. The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will 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 Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Legality

The Bonds were initially delivered on December 12, 2019 and were approved as to legality by the Attorney General of the State of Texas and the approval of certain legal matters by the District's bond counsel. McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel, will approve certain legal matters relating to the conversion and remarketing of the Bonds described herein. (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

The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount, thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition or rescission.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or, (2) Defeasance Securities (defined below) that 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) and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District permits the District to waive sovereign immunity in the proceedings authorizing its bonds. In connection with the issuance and subsequential remarketing of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the 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 (defined below) 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 Remarketing Memorandum. The District, the Financial Advisor and the Remarketing Agent believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Remarketing Agent 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 Remarketing Memorandum. 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.

The Depository Trust Company, New York, New York (“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 Remarketing Agent believe to be reliable, but none of the District, the Financial Advisor or the Remarketing Agent take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Remarketing Memorandum

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

REGISTRATION, TRANSFER AND EXCHANGE

Successor Paying Agent/Registrar

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank, 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.

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 ("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

Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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 payment of the Bonds is guaranteed by the corpus of the Permanent School Fund of the State of Texas. However, the Permanent School Fund guarantee is not effective with respect to the payment of the Purchase Price of the mandatorily tendered Bonds. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

2021 Regular and Special Legislative Sessions

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

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

2023 Regular and Any Special Legislative Sessions

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

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

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

SB 2 was signed into law by the Governor on July 22, 2023.

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

Local Funding for School Districts

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

State Compression Percentage

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

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the “MCR”) is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district’s prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,007,300,000 for the EDA, IFA, and NIFA.

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

Tier One

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

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

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

Tier Two

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

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

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

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

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

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

Tax Rate and Funding Equity

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

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

For the 2022-2023 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the collective responsibility of the 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 $40,000 exemption (as described below) of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

Additional legislation concerning the required homestead exemption was passed in the 2nd Special Session of the 88th Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Regular and Any Special Legislative Sessions" herein.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

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

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that 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 expired by its terms effective December 31, 2022.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, $50.6 million for the 2021 tax year, $52,978,200 for the 2022 tax year, $57,216,456 for the 2023 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on February 7, 2004 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

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, the 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 for Payment").

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 were initially issued as "new money bonds" and as a result, were at such time subject to the $0.50 threshold tax rate test. In connection with prior bond issues and in connection with the initial issuance of the Bonds, the District has used projected property values to satisfy this threshold test and has used up to $9.53 million of Tier One funds in demonstrating compliance with the $0.50 threshold debt service 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

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

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

The District does not grant a local exemption of 20% of the market value of all residence homesteads.

The District has not granted a local option, additional exemption for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

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

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

The District's taxes are collected by Collin County Tax Office.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has not granted any tax abatements.

The District has not taken action to tax "goods-in-transit".

The District has granted the freeport exemption.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2022, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note 11. Defined Benefit Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 12. Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

As a result of its participation in TRS and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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

At the time of their initial issuance, the Bonds were rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch.

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

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

At the time of the initial issuance of the Bonds, the District furnished to the underwriters thereof a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving opinion of the District's bond counsel. McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel to the District will, at the time of the settlement of the remarketing of the Bonds into the New Rate Period, deliver its opinion that the interest on the Bonds, as remarketed, 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 matters described under "TAX MATTERS" herein. See "THE BONDS – Determination of Interest Rates; Rate Mode Changes" identifying circumstances in which the opinion of a nationally recognized bond counsel is required as a condition for an interest rate mode conversion.

Bond Counsel has been engaged to represent the District in connection with the conversion of the Bonds from the current Term Rate Period to the New Rate Period. Though it represents the Financial Advisor and the Remarketing Agent from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the conversion of the Bonds from the current Term Rate Period to the New Rate Period. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Remarketing Memorandum, 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 for the information included under the subcaption "Redemption – DTC Redemption Provision" and under the subcaptions "Permanent School Fund Guarantee" and "Payment Record," as to which no opinion is expressed), "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance with Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Remarketing Memorandum under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "LEGAL MATTERS" (except the last sentence of the second paragraph thereof), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. In connection with the conversion of the Bonds to the New Rate Period, certain legal matters will be passed upon for the Remarketing Agent by its counsel, Norton Rose Fulbright US LLP, Dallas,Texas.

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

At the time of the original delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, rendered its opinion that, as of the date thereof, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds is excludable from the "gross income" of the owners thereof for federal income tax purposes and (2) the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). As a condition to conversion and remarketing of the Bonds on the conversion date, McCall, Parkhurst & Horton L.L.P. will render an opinion to the effect that the conversion will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. See "Appendix C---Form of Legal Opinion of Bond Counsel." Except as stated above, Bond Counsel to the District has expressed and will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds, including any opinion relating to the status of the Bonds, as of the conversion date, as obligations described in section 103 of the Code.

In rendering its opinion, Bond Counsel to the District relied upon (i) information furnished by the District with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, the construction, use and management of the project financed with the proceeds of the Bonds and in the case of the opinion to be rendered on the conversion date the use of proceeds of and the property to be refinanced by the Bonds, and (ii) covenants of the District with respect to arbitrage, the application of the proceeds received from the issuance and sale of the Bonds and certain other matters. Failure to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of 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 property financed with proceeds of the Bonds. No assurances can be given as to whether or not 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.

Collateral Federal Income Tax Consequences

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

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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 Internal Revenue Service. 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 foreign investors, 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.

INVESTMENT POLICIES

Investments

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

Legal Investments

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), 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.

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

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

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

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

Investment Policies

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

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

Additional Provisions

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

Current Investments

As of November 30, 2022, the District had approximately $66,567,205 (unaudited) invested in TexPool, $232,007,170 (unaudited) invested in Lone Star, $11,099,888 (unaudited) invested in Texas Range, $31,678,410 (unaudited) invested in Texas FIT Investment Pool (all of which operate as money market equivalents) and $64,354,537 (unaudited) invested at the local banks. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission 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 United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Remarketing Memorandum. 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 Remarketing Agent 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 Remarketing Agent's 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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 Remarketing Memorandum. 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 Remarketing Memorandum. 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 Remarketing Memorandum. The Financial Advisor has reviewed the information in this Remarketing Memorandum 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 Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure obligations of the TEA, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the MSRB's Electronic Municipal Market Access 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 Remarketing Memorandum in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. 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.

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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

The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the 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 remarketing of the Bonds, the District will provide the Remarketing Agent with a certificate to the effect that except as disclosed in the Remarketing Memorandum, 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 Remarketing Memorandum, 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 Remarketing Memorandum 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 Remarketing Memorandum would prove to be accurate.

REMARKETING

The Remarketing Agent has agreed, subject to certain customary conditions, to purchase the Bonds at a price offered to the public producing the initial yield, as shown on the cover page hereof, less a Remarketing Agent's discount of $170,469.65, and no accrued interest. The Remarketing Agent' obligations are subject to certain conditions precedent, and the Remarketing Agent 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 Remarketing Agent.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in this Remarketing Memorandum pursuant to its responsibilities to investors under the federal securities laws but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

CONCLUDING STATEMENT

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

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

The Order also approved the form and content of this Remarketing Memorandum and any addenda, supplement or amendment thereto and authorized its further use in the remarketing of the Bonds by the Remarketing Agent.

/s/ Dr. Kyle Penn

Pricing Officer

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APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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PROSPER INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2022/23 Total Valuation……………………		$ 22,173,331,051
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 839,817,478	
State Over-65 Exemption	30,694,458	
Disabled Exemption	208,179,778	
Veterans Exemption	5,509,000	
Surviving Spouse Disabled Veteran Exemption	2,536,249	
Surviving Spouse Killed in Action Exemption	490,246	
Freeport Exemption	20,252,474	
Pollution Control Exemption Loss	3,416,222	
Solar Exemption Loss	607,408	
Productivity Loss	2,128,589,164	
Homestead Cap Loss	2,314,784,101	
	$ 5,554,876,578	
2022/23 Net Taxable Valuation ……………………		$ 16,618,454,473
2023/24 Preliminary Net Taxable Valuation [3] ……………………		$ 22,269,970,547

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" herein.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $210,988,079 for 2022/23.
(3) Source: Preliminary Values from the Collin and Denton Central Appraisal Districts as of May 2023.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 1,536,630,240
Plus: The Bonds		49,320,000
Total Unlimited Tax Bonds [1]		1,585,950,240
Less: Interest & Sinking Fund Balance (As of August 31, 2022) [2]		(16,076,388)
Net General Obligation Debt		$ 1,569,873,852
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	7.05%	
2023 Population Estimate [4]	90,625	
Per Capita Net Taxable Valuation	$245,738	
Per Capita Net G.O. Debt	$17,323	

(1) Excludes interest accreted on outstanding capital appreciation bonds. Excludes the Principal on the Adjustable Rate Unlimited Tax School Building Bonds, Series 2019B.
(2) Source: Prosper ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" and the "Audited Financial Report Fiscal Year Ended August 31, 2022" herein for more information relative to the District's long-term obligations other than unlimited tax bonds.
(4) Source: Prosper ISD Demographer Estimate.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [5] Current [6]	Total [6]
2006/07	$ 1,005,087,844 [1]	$ 1.8000 [7]	97.34%	98.22%
2007/08	1,371,178,569 [1]	1.6700 [7]	96.54%	99.49%
2008/09	1,664,637,580 [1]	1.6700	97.65%	100.62%
2009/10	1,712,619,260 [1]	1.6400	98.83%	100.89%
2010/11	1,770,818,404 [1]	1.6300	99.34%	100.36%
2011/12	1,882,533,805 [1]	1.6700	99.00%	98.29%
2012/13	2,082,890,013 [1]	1.6700	99.23%	99.42%
2013/14	2,423,441,929 [1]	1.6700	99.09%	99.43%
2014/15	3,026,355,950 [1]	1.6700	98.95%	99.35%
2015/16	3,824,546,090 [1] [3]	1.6700	99.40%	99.61%
2016/17	5,018,991,621 [1] [3]	1.6700	99.74%	101.41%
2017/18	6,609,955,668 [1] [3]	1.6700	99.76%	100.00%
2018/19	8,349,057,984 [1] [3]	1.6700	99.55%	99.44%
2019/20	9,852,214,992 [1] [3]	1.5684 [8]	99.59%	100.54%
2020/21	11,088,095,442 [1] [3]	1.4927	99.72%	99.36%
2021/22	13,050,023,256 [1] [3]	1.4603	99.68%	99.78%
2022/23	16,618,454,473 [1] [4]	1.4429	(In Process of Collection)	
2023/24	22,269,970,547 [2] [4]			

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.
(2) Source: Preliminary Values from the Collin and Denton Central Appraisal Districts as of May 2023.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(5) Source: Prosper ISD Audited Financial Statements.
(6) Excludes penalties and interest.
(7) 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" herein.
(8) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts" herein.

TAX RATE DISTRIBUTION (1)

	2018/19	2019/20 (2)	2020/21	2021/22	2022/23
Maintenance & Operations	$1.1700	$1.0684	$0.9927	$0.9603	$0.9429
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.6700	$1.5684	$1.4927	$1.4603	$1.4429

(1) On November 6, 2007, 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	$ 1,005,087,844	$ 84,078,459	8.37%
2007/08	1,371,178,569	154,362,198	11.26%
2008/09	1,664,637,580	239,014,032	14.36%
2009/10	1,712,619,260	237,386,762	13.86%
2010/11	1,770,818,404	236,869,318	13.38%
2011/12	1,882,533,805	235,315,486	12.50%
2012/13	2,082,890,013	233,531,557	11.21%
2013/14	2,423,441,929	267,875,581	11.05%
2014/15	3,026,355,950	270,181,146	8.93%
2015/16	3,824,546,090	336,760,691	8.81%
2016/17	5,018,991,621	446,148,641	8.89%
2017/18	6,609,955,668	616,329,002	9.32%
2018/19	8,349,057,984	784,243,637	9.39%
2019/20	9,852,214,992	924,423,391	9.38%
2020/21	11,088,095,442	955,880,164	8.62%
2021/22	13,050,023,256	1,365,089,138	10.46%
2022/23	16,618,454,473 (3)	1,585,950,240 (5)	9.54% (5)
2023/24	22,269,970,547 (4)	1,554,697,968 (5)	6.98% (5)

(1) At fiscal year end. Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" and see the "Audited Financial Report Fiscal Year Ended August 31, 2022" herein for more information.
(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) Source: Preliminary Values from the Collin and Denton Central Appraisal Districts as of May 2023.
(5) Includes the Bonds as remarketed into their New Rate Period.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Celina, City of	$ 176,780,000	48.49%	$ 85,720,622
Collin Co	478,430,000	7.19%	34,399,117
Collin Co CCD	498,565,000	7.19%	35,846,824
Collin Co MUD #1	121,690,000	89.21%	108,559,649
Denton Co	658,960,000	1.83%	12,058,968
Elm Ridge WC&ID of Denton Co	126,930,000	33.83%	42,940,419
Frisco, City of	463,095,044	3.94%	18,245,945
McKinney, City of	335,895,000	9.99%	33,555,911
Prosper, Town of	143,188,938	95.06%	136,115,404
Total Overlapping Debt (1)			$ 507,442,858
Prosper Independent School District (2)			1,569,873,852
Total Direct & Overlapping Debt (2)			$ 2,077,316,710
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		9.33%	
Per Capita Direct & Overlapping Debt		$22,922	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds as remarketed into their New Rate Period. Excludes the 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]

2022/23 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
380 & 289 LP	Shopping Center/Mall	$ 126,808,737	0.76%
First Texas Homes Inc	Home Builder	80,344,344	0.48%
WMCI Dallas VI LLC	Apartments	76,814,894	0.46%
GOP #2 LLC	Commercial	67,790,369	0.41%
DD Bluestem LLC	Apartments	65,000,000	0.39%
Orion Prosper Lakes LLC	Apartments	59,406,378	0.36%
DD Preston Road LLC	Apartments	56,062,588	0.34%
Frisco Rockhill Apartments LP	Apartments	54,363,384	0.33%
Star Business Park LLC	Wholesale Supplier/Distribution Center	52,263,425	0.31%
Oncor Electric Delivery Company	Electric Utility	48,665,892	0.29%
		$ 687,520,011	4.14%

2021/22 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
380 & 289 LP	Shopping Center/Mall	$ 80,909,694	0.62%
GOP #2 LLC	Commercial	71,210,749	0.55%
WMCI Dallas VI LLC	Apartments	68,470,000	0.52%
DD Bluestem LLC	Apartments	57,000,000	0.44%
DD Preston Road LLC	Apartments	50,000,000	0.38%
First Texas Homes Inc	Home Builder	47,042,252	0.36%
Oncor Electric Delivery Company	Electric Utility	42,600,600	0.33%
Dallas Cowboys Merchandising	Wholesale Supplier/Distribution Center	42,391,108	0.32%
Orion Prosper Lakes LLC	Apartments	41,708,821	0.32%
Star Business Park DCM LLC	Wholesale Supplier/Distribution Center	35,697,419	0.27%
		$ 537,030,643	4.12%

2020/21 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
380 & 289 LP	Shopping Center/Mall	$ 81,913,266	0.74%
WMCI Dallas VI LLC	Apartments	65,000,289	0.59%
DD Bluestem LLC	Apartments	55,238,116	0.50%
DD Preston Road LLC	Apartments	53,541,756	0.48%
195AC BSAL Frisco LLC	Commercial	42,862,058	0.39%
Orion Prosper Lakes LLC	Apartments	41,055,074	0.37%
Oncor Electric Delivery Company	Electric Utility	36,554,760	0.33%
Northeast 423/380 LTD	Strip Mall/Plaza	36,234,243	0.33%
Orion Prosper LLC	Apartments	33,534,821	0.30%
GOP #2 LLC	Commercial	30,744,085	0.28%
		$ 476,678,468	4.30%

(1) Source: Comptroller of Public Accounts - Property Tax Division, and the Collin and Denton Central Appraisal Districts.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY (1)

Category		2022/23	% of Total		2021/22	% of Total		2020/21	% of Total
Real, Residential, Single-Family	$	16,561,739,136	74.69%	$	10,884,763,480	69.72%	$	9,085,631,664	66.77%
Real, Residential, Multi-Family		518,686,280	2.34%		280,244,695	1.80%		258,248,966	1.90%
Real, Vacant Lots/Tracts		480,333,939	2.17%		420,795,245	2.70%		316,926,325	2.33%
Real, Qualified Land & Improvements		2,132,787,980	9.62%		1,874,099,910	12.00%		1,956,558,439	14.38%
Real, Non-Qualified Land & Improvements		200,239,240	0.90%		128,676,573	0.82%		240,150,454	1.76%
Real, Commercial & Industrial		1,250,936,813	5.64%		1,073,506,421	6.88%		824,463,499	6.06%
Oil & Gas		-	0.00%		-	0.00%		14,920	0.00%
Utilities		131,934,913	0.60%		122,224,601	0.78%		110,691,518	0.81%
Tangible Personal, Commercial		333,039,185	1.50%		329,602,539	2.11%		240,857,228	1.77%
Tangible Personal, Industrial		1,649,084	0.01%		96,580	0.00%		179,055	0.00%
Tangible Personal, Mobile Homes & Other		2,040,320	0.01%		849,355	0.01%		609,686	0.00%
Tangible Personal, Residential Inventory		531,785,354	2.40%		489,746,964	3.14%		565,863,812	4.16%
Tangible Personal, Special Inventory		28,158,807	0.13%		6,736,565	0.04%		6,588,647	0.05%
Total Appraised Value	$	22,173,331,051	100.00%	$	15,611,342,928	100.00%	$	13,606,784,213	100.00%
Less:									
Homestead Cap Adjustment	$	2,314,784,101		$	44,228,231		$	21,850,584	
Productivity Loss		2,128,589,164			1,869,949,274			1,952,169,736	
Exemptions		1,111,503,313 (2)			647,142,167 (3)			544,668,451 (3)	
Total Exemptions/Deductions (4)	$	5,554,876,578		$	2,561,319,672		$	2,518,688,771	
Net Taxable Assessed Valuation	$	16,618,454,473		$	13,050,023,256		$	11,088,095,442	

Category		2019/20	% of Total		2018/19	% of Total		2017/18	% of Total
Real, Residential, Single-Family	$	7,835,557,358	64.68%	$	6,447,829,135	61.11%	$	5,070,418,447	57.68%
Real, Residential, Multi-Family		244,410,190	2.02%		204,719,830	1.94%		157,231,246	1.79%
Real, Vacant Lots/Tracts		151,648,303	1.25%		125,651,005	1.19%		170,930,903	1.94%
Real, Qualified Land & Improvements		1,767,249,922	14.59%		1,783,276,711	16.90%		1,828,741,623	20.81%
Real, Non-Qualified Land & Improvements		299,264,702	2.47%		304,115,640	2.88%		365,361,567	4.16%
Real, Commercial & Industrial		762,986,196	6.30%		606,038,214	5.74%		405,060,353	4.61%
Oil & Gas		14,920	0.00%		14,920	0.00%		-	0.00%
Utilities		96,944,093	0.80%		82,349,171	0.78%		68,789,613	0.78%
Tangible Personal, Commercial		206,220,558	1.70%		179,318,152	1.70%		137,546,381	1.56%
Tangible Personal, Industrial		173,130	0.00%		157,810	0.00%		163,370	0.00%
Tangible Personal, Mobile Homes & Other		500,233	0.00%		499,448	0.00%		616,374	0.01%
Tangible Personal, Residential Inventory		743,844,838	6.14%		814,410,398	7.72%		584,342,766	6.65%
Tangible Personal, Special Inventory		5,225,045	0.04%		2,509,540	0.02%		690,324	0.01%
Total Appraised Value	$	12,114,039,488	100.00%	$	10,550,889,974	100.00%	$	8,789,892,967	100.00%
Less:									
Homestead Cap Adjustment	$	39,633,684		$	49,374,603		$	63,656,897	
Productivity Loss		1,762,864,481			1,778,744,550			1,824,010,452	
Exemptions		459,326,331 (3)			373,712,837 (3)			292,269,950 (3)	
Total Exemptions/Deductions (4)	$	2,261,824,496		$	2,201,831,990		$	2,179,937,299	
Net Taxable Assessed Valuation	$	9,852,214,992		$	8,349,057,984		$	6,609,955,668	

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

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds (1)	Plus: The Bonds	Total (1)	Bonds Unpaid At Fiscal Year End	Percent of Principal Retired
2023	$ 26,168,898.25	$ -	$ 26,168,898.25	$ 1,585,950,239.55	1.62%
2024	31,252,271.80	-	31,252,271.80	1,554,697,967.75	3.56%
2025	31,096,541.30	-	31,096,541.30	1,523,601,426.45	5.49%
2026	31,366,690.00	-	31,366,690.00	1,492,234,736.45	7.44%
2027	32,787,520.35	-	32,787,520.35	1,459,447,216.10	9.47%
2028	33,172,216.10	-	33,172,216.10	1,426,275,000.00	11.53%
2029	37,310,000.00	-	37,310,000.00	1,388,965,000.00	13.84%
2030	38,995,000.00	-	38,995,000.00	1,349,970,000.00	16.26%
2031	40,660,000.00	-	40,660,000.00	1,309,310,000.00	18.78%
2032	42,415,000.00	-	42,415,000.00	1,266,895,000.00	21.41%
2033	44,120,000.00	-	44,120,000.00	1,222,775,000.00	24.15%
2034	45,765,000.00	-	45,765,000.00	1,177,010,000.00	26.99%
2035	47,485,000.00	-	47,485,000.00	1,129,525,000.00	29.94%
2036	49,350,000.00	-	49,350,000.00	1,080,175,000.00	33.00%
2037	51,425,000.00	-	51,425,000.00	1,028,750,000.00	36.19%
2038	53,615,000.00	-	53,615,000.00	975,135,000.00	39.51%
2039	55,860,000.00	-	55,860,000.00	919,275,000.00	42.98%
2040	58,250,000.00	-	58,250,000.00	861,025,000.00	46.59%
2041	60,735,000.00	-	60,735,000.00	800,290,000.00	50.36%
2042	63,255,000.00	-	63,255,000.00	737,035,000.00	54.28%
2043	65,880,000.00	-	65,880,000.00	671,155,000.00	58.37%
2044	62,505,000.00	5,070,000.00	67,575,000.00	603,580,000.00	62.56%
2045	65,245,000.00	5,185,000.00	70,430,000.00	533,150,000.00	66.93%
2046	68,125,000.00	5,295,000.00	73,420,000.00	459,730,000.00	71.48%
2047	69,025,000.00	6,880,000.00	75,905,000.00	383,825,000.00	76.19%
2048	67,190,000.00	8,165,000.00	75,355,000.00	308,470,000.00	80.87%
2049	61,755,000.00	8,995,000.00	70,750,000.00	237,720,000.00	85.25%
2050	57,405,000.00	9,730,000.00	67,135,000.00	170,585,000.00	89.42%
2051	60,770,000.00	-	60,770,000.00	109,815,000.00	93.19%
2052	60,585,000.00	-	60,585,000.00	49,230,000.00	96.95%
2053	49,230,000.00	-	49,230,000.00	-	100.00%
Total	$ 1,562,799,137.80	$ 49,320,000.00	$ 1,612,119,137.80		

(1) Excludes the accreted value of outstanding capital appreciation bonds. Excludes the Principal on the Adjustable Rate Unlimited Tax School Building Bonds, Series 2019B.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service (1) (2) (3)	Plus: The Bonds (4) Principal	Interest	Total	Combined Total (1) (2) (3) (4) (5)
2023	$ 86,880,515.22	$ -	$ -	$ -	$ 86,880,515.22
2024	93,972,073.65	-	1,972,800.00	1,972,800.00	95,944,873.65
2025	92,370,239.03	-	1,972,800.00	1,972,800.00	94,343,039.03
2026	91,732,623.71	-	1,972,800.00	1,972,800.00	93,705,423.71
2027	91,731,278.03	-	1,972,800.00	1,972,800.00	93,704,078.03
2028	91,730,148.06	-	1,972,800.00	1,972,800.00	93,702,948.06
2029	91,731,977.74	-	1,972,800.00	1,972,800.00	93,704,777.74
2030	91,735,853.13	-	1,972,800.00	1,972,800.00	93,708,653.13
2031	91,732,100.00	-	1,972,800.00	1,972,800.00	93,704,900.00
2032	91,735,652.05	-	1,972,800.00	1,972,800.00	93,708,452.05
2033	91,730,895.35	-	1,972,800.00	1,972,800.00	93,703,695.35
2034	91,728,580.73	-	1,972,800.00	1,972,800.00	93,701,380.73
2035	91,732,034.21	-	1,972,800.00	1,972,800.00	93,704,834.21
2036	91,734,259.86	-	1,972,800.00	1,972,800.00	93,707,059.86
2037	91,732,539.81	-	1,972,800.00	1,972,800.00	93,705,339.81
2038	91,736,615.33	-	1,972,800.00	1,972,800.00	93,709,415.33
2039	91,730,957.23	-	1,972,800.00	1,972,800.00	93,703,757.23
2040	91,731,252.41	-	1,972,800.00	1,972,800.00	93,704,052.41
2041	91,732,343.36	-	1,972,800.00	1,972,800.00	93,705,143.36
2042	91,734,811.73	-	1,972,800.00	1,972,800.00	93,707,611.73
2043	91,728,577.10	-	1,972,800.00	1,972,800.00	93,701,377.10
2044	85,677,243.75	5,070,000.00	1,871,400.00	6,941,400.00	92,618,643.75
2045	85,720,756.25	5,185,000.00	1,666,300.00	6,851,300.00	92,572,056.25
2046	85,770,456.25	5,295,000.00	1,456,700.00	6,751,700.00	92,522,156.25
2047	83,782,018.75	6,880,000.00	1,213,200.00	8,093,200.00	91,875,218.75
2048	79,177,918.75	8,165,000.00	912,300.00	9,077,300.00	88,255,218.75
2049	71,261,943.75	8,995,000.00	569,100.00	9,564,100.00	80,826,043.75
2050	64,748,893.75	9,730,000.00	194,600.00	9,924,600.00	74,673,493.75
2051	66,030,237.50	-	-	-	66,030,237.50
2052	63,662,737.50	-	-	-	63,662,737.50
2053	50,214,600.00	-	-	-	50,214,600.00
	$ 2,660,452,133.99	$ 49,320,000.00	$ 47,339,600.00	$ 96,659,600.00	$ 2,757,111,733.99

(1) Includes the accreted value of outstanding capital appreciation bonds.
(2) Excludes the Debt Service on the Adjustable Rate Unlimited Tax School Building Bonds, Series 2019B in 2024 and thereafter.
(3) Interest on the Series 2022 Adjustable Rate Bonds is calculated at the Initial Rate of 3.00%, through August 14, 2025, and for purposes of illustration, assumed to be at 4.00% thereafter through stated maturity which is consistent with the District's planning estimate. The Highest Rate that the bond interest rate could reset to, commencing on or after August 15, 2025, is 8.00%.
(4) Interest on The Bonds is calculated at the Term Rate of 4.00%, through August 14, 2026. For illustration purposes, interest is calculated at an assumed rate of 4.00% thereafter through stated maturity which is consistent with the District's planning estimate. Actcual rates applicable to this bond at conclusion of a rate period are subject to market conditions at the time or times that this bond is remarketed. The Highest Rate that the bond interest rate could reset to, commencing on or after August 15, 2026, is 8.00%.
(5) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2022/23. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement (1)	$	95,944,873.65
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption (2)		1,380,000.00
Projected Net Debt Service Requirement	$	94,564,873.65
$0.42892 Tax Rate @ 99% Collections Produces (3)	$	94,564,873.65
2023/24 Preliminary Net Taxable Valuation (4)	$	22,269,970,547

(1) Includes the Bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."
(3) The District has utilized State tier one funds to pass the Attorney General's 50-cent Test with respect to the Bonds issued for new construction purposes that are subject to the test. Because the District uses State Tier One funds to pass the test, under current law it must credit State assistance payments (including any tier one State funding used to demonstrate the District's ability to pass the 50-Cent Test) to the District's interest and sinking fund each year in an amount equal to the amount used by the District to demonstrate its ability to comply with the $0.50 test, and the District may not adopt its annual interest and sinking fund tax rate until such amount of State funding has been credited to the District's interest and sinking fund. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for Local School Districts", and "TAX RATE LIMITATIONS."
(4) Source: Preliminary Values from the Collin and Denton Central Appraisal Districts as of May 2023.

AUTHORIZED BUT UNISSUED BONDS

The District has $432,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 4, 2019 election. The bond election represents a multi-year debt issuance plan for the purposes of school facilities in the District, including the purchase of new school buses and the purchase of necessary sites for school buildings. The District will need to continue to have tax base growth to have capacity to issue bonds and stay within the 50-Cent Test threshold for school construction bonds, as required by the Texas Education Code. 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 Ending August 31				
	2018	2019	2020	2021	2022
Beginning Fund Balance	**$ 59,677,306**	**$ 84,700,359**	**$ 99,462,230**	**$ 114,241,638**	**$ 108,679,908**
Revenues:					
Local and Intermediate Sources	$ 80,582,294	$ 102,665,011	$ 111,541,783	$ 117,288,971	$ 130,422,075
State Sources	41,875,187	36,845,893	51,730,715	75,776,270	103,741,344
Federal Sources & Other	300,819	1,188,629	1,403,279	1,272,957	3,261,279
Total Revenues	**$ 122,758,300**	**$ 140,699,533**	**$ 164,675,777**	**$ 194,338,198**	**$ 237,424,698**
Expenditures:					
Instruction	$ 61,448,579	$ 78,479,337	$ 95,799,456	$ 115,436,776	$ 131,370,759
Instructional Resources & Media Services	1,321,425	1,719,282	2,049,705	2,283,122	2,693,448
Curriculum & Instructional Staff Development	3,268,564	4,168,457	4,652,181	3,126,654	4,702,601
Instructional Leadership	918,436	1,221,467	1,192,104	1,510,826	1,159,237
School Leadership	4,722,826	5,955,741	7,678,049	9,394,393	10,458,969
Guidance, Counseling & Evaluation Services	1,727,835	2,159,689	2,599,115	3,006,766	3,562,052
Health Services	698,183	916,844	1,241,954	1,601,042	1,732,406
Student (Pupil) Transportation	4,344,539	5,673,860	6,382,949	6,822,504	7,827,020
Food Services	-	-	-	-	80,701
Cocurricular/Extracurricular Activities	2,391,887	2,953,027	3,888,322	6,282,533	7,209,570
General Administration	2,240,307	2,908,488	4,037,671	5,250,600	6,242,800
Plant Maintenance and Operations	8,043,480	9,770,282	12,222,303	14,901,415	19,249,379
Security and Monitoring Services	960,055	1,547,828	2,091,927	2,072,509	2,899,149
Data Processing Services	2,571,338	4,288,301	4,207,561	6,292,698	6,941,471
Community Services	2,161	10,035	3,906	24,962	3,522
Debt Service - Principal on Long Term Debt	585,000	600,000	610,000	5,525,000	526,406
Debt Service - Interest on Long Term Debt	213,025	201,325	189,325	174,075	15,621
Debt Service - Issuance Costs and Fees	-	-	-	740	-
Facilities Acquisition and Construction	565,157	475,596	-	2,900,000	874,886
Contracted Instructional Services Between Schools	1,071,686	2,032,667	-	6,144	12,694
Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-	170,132
Other Intergovernmental Charges	640,764	855,436	999,841	1,035,580	1,223,924
Total Expenditures	**$ 97,735,247**	**$ 125,937,662**	**$ 149,846,369**	**$ 187,648,339**	**$ 208,956,747**
Excess (Deficiency) of Revenues					
over Expenditures	$ 25,023,053	$ 14,761,871	$ 14,829,408	$ 6,689,859	$ 28,467,951
Other Resources and (Uses):					
Right-to-Use Leases	$ -	$ -	$ -	$ -	1,641,817
Transfers Out (Use)	-	-	(50,000)	(12,251,589)	(10,000,000)
Total Other Resources (Uses)	**$ -**	**$ -**	**$ (50,000)**	**$ (12,251,589)**	**$ (8,358,183)**
Excess (Deficiency) of					
Revenues and Other Sources					
over Expenditures and Other Uses	$ 25,023,053	$ 14,761,871	$ 14,779,408	$ (5,561,730)	$ 20,109,768
Ending Fund Balance	**$ 84,700,359**	**$ 99,462,230**	**$ 114,241,638**	**$ 108,679,908**	**$ 128,789,676**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES" herein for a discussion of the 2022/23 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" herein.

CHANGE IN NET POSITION (1)

	Fiscal Year Ending August 31				
	2018	2019	2020	2021	2022
Revenues:					
Program Revenues:					
Charges for Services	$ 7,348,222	$ 10,308,375	$ 10,018,869	$ 10,651,650	$ 14,658,508
Operating Grants and Contributions	(10,400,747)	10,906,738	15,252,208	13,427,836	30,384,185
General Revenues:					
Property Taxes Levied for General Purposes	75,855,367	95,925,447	103,571,705	108,061,806	124,448,398
Property Taxes Levied for Debt Service	32,416,639	40,993,548	48,471,314	54,437,151	64,679,019
State Aid - Formula Grants	38,131,856	31,920,912	44,158,278	67,533,484	92,394,752
Grants and Contributions Not Restricted	885,125	2,218,205	4,222,465	3,374,804	502,024
Investment Earnings	3,752,389	6,179,823	2,814,594	219,966	2,240,879
Miscellaneous	3,083,831	3,285,712	4,635,351	7,599,790	2,670,794
Total Revenue	$ 151,072,682	$ 201,738,760	$ 233,144,784	$ 265,306,487	$ 331,978,559
Expenses:					
Instruction	$ 51,592,464	$ 94,367,090	$ 121,697,224	$ 140,096,259	$ 167,724,251
Instruction Resources & Media Services	1,197,582	1,925,777	2,434,592	2,624,453	3,220,398
Curriculum & Staff Development	3,047,758	4,783,060	5,570,716	4,019,996	7,164,669
Instructional Leadership	792,351	1,427,962	1,543,079	1,837,323	1,211,993
School Leadership	3,855,548	6,848,085	9,580,531	11,103,686	12,769,694
Guidance, Counseling & Evaluation Services	1,477,905	2,573,072	3,302,307	3,661,266	5,185,136
Health Services	572,098	1,123,735	1,592,929	1,926,743	2,398,390
Student Transportation	5,400,070	8,020,710	9,231,292	9,267,679	8,983,409
Food Services	4,743,916	5,562,831	5,712,885	5,747,589	9,019,279
Cocurricular/Extracurricular Activities	4,160,927	5,913,613	6,938,051	9,117,800	11,604,519
General Administration	2,110,110	3,468,066	4,945,478	6,178,776	7,237,482
Plant Maintenance & Operations	8,095,333	11,286,673	13,799,015	16,517,761	25,311,872
Security and Monitoring Services	833,415	1,740,470	2,476,814	2,371,193	3,312,042
Data Processing Services	2,290,416	4,024,898	5,139,735	7,197,416	7,437,013
Community Services	2,161	10,035	3,906	24,962	30,670
Interest on Long-term Debt	22,683,350	30,500,704	36,266,732	45,629,562	46,622,252
Bond Issuance Costs and Fees	1,528,173	1,621,705	1,066,831	994,537	3,364,951
Contracted Instructional Services Between Schools	1,071,686	2,032,667	-	6,144	12,694
Payments Related to Shared Services Arrangements	-	-	-	-	170,132
Other Intergovernmental Charges	640,764	855,436	999,841	1,035,580	1,223,924
Total Expenses	$ 116,096,027	$ 188,086,589	$ 232,301,958	$ 269,358,725	$ 324,004,770
Change in Net Position	$ 34,976,655	$ 13,652,171	$ 842,826	$ (4,052,238)	$ 7,973,789
Beginning Net Position	$ (5,605,089)	$ (16,705,223)	$ (3,053,052)	$ (2,210,226)	$ (6,262,464)
Prior Period Adjustment	$ (46,076,789) (2)	$ -	$ -	$ -	$ 26,020,344 (3)
Ending Net Position	$ (16,705,223)	$ (3,053,052)	$ (2,210,226)	$ (6,262,464)	$ 27,731,669

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.
(2) In accordance with the adoption of GASB No. 75 in 2017/18, the District must record its proportionate share of the net OPEB liability related to its contributions to TRS-Care Cost-sharing other than pension plan at the beginning of the measurement period ending August 31, 2017. See "Notes to the Financial Statement" herein.
(3) The prior period adjustment is due to a deferred charge on bond refundings that had not been recorded in previous year reports.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

PROSPER INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Prosper Independent School District (the “District”) is an agricultural area located in Collin County and extending into Denton County that includes the City of Prosper, a residential community located 35 miles north of Dallas just off U.S. Highway 380. The District’s current estimated population is 90,625[(1)].

Collin County (the “County”) was created in 1846 from Fannin County. Many residents commute to jobs in Dallas, Garland, and Richardson. Popular recreational attractions include water sports on Lake Lavon, the McKinney Historical District, and the South Fork Ranch of the "Dallas" television series. The county seat is McKinney.

[(1)] Prosper ISD Demographer Estimate
Source: Texas Municipal Report for Prosper ISD and Collin County and Prosper ISD Demographer

Enrollment Statistics

Year Ending 8/31	Enrollment
2012	4,786
2013	5,433
2014	6,459
2015	7,253
2016	8,462
2017*	10,325
2018*	12,447
2019*	14,772
2020*	17,280
2021*	19,703
2022*	22,652
Current	25,032

**as of May*

District Staff

Teachers	1,562
Auxiliary Personnel	226
Teachers’ Aides & Secretaries	416
Administrators	114
Other (Counselors, RNs, Librarians)	433
Total	2,751

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Baker Elementary	K-5	644	800	2010	
Boyer Elementary	K-5	778	800	2018	
Bryant Elementary	K-5	1,033	800	2021	
Cockrell Elementary	K-5	762	800	2012	
Folsom Elementary	K-5	723	800	2008	
Furr Elementary	K-5	860	800	2019	
Hall Elementary	K-5	770	800	2022	
Hughes Elementary	PK-5	826	800	2016	
Johnson Elementary	K-5	1,028	800	2020	
Light Farms Elementary	K-5	940	800	2015	
Reeves Elementary	PK-5	857	800	2021	
Rucker Elementary	PK-5	688	750	1996	2009
Spradley Elementary	K-5	1,068	800	2018	
Stuber Elementary	K-5	830	800	2019	
Windsong Elementary	PK-5	883	800	2016	
Hays Middle School	6-8	1,702	1,200	2019	
Reynolds Middle School	6-8	1,080	1,200	2000	2011
Rogers Middle School	6-8	1,433	1,200	2009	
Rushing Middle School	6-8	1,522	1,200	2020	
Prosper High School	9-12	3,764	2,500	2010	2013-2014
Rock Hill High School	9-12	2,841	2,500	2020	

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Prosper Independent School District	Education	2,751
Kroger	Grocery Store	500
Wal Mart	Retail	250
Town of Prosper	Local Government	200
Lowe’s	Retail	100
Dick’s Field and Stream	Retail	85
Gentle Creek	Golf Course	85
Longo Toyota	Car Dealership	75
Texas Health Resources	Medical Facility	70
Go Crete	Concrete	70

Unemployment Rates

	March 2021	March 2022	March 2023
Collin County	5.0%	3.1%	3.6%
State of Texas	6.4%	3.8%	4.2%

Source: Texas Workforce Commission

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.

**PROSPER INDEPENDENT SCHOOL DISTRICT
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2019B
DATED AS OF NOVEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $49,320,000**

AS BOND COUNSEL FOR THE PROSPER INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the remarketing of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the remarketing of the Bonds including (i) the original order authorizing the issuance of the Bonds (the *Original Order*), (ii) the order authorizing the remarketing of the Bonds (the *Remarketing Order*), (iii) the Tender Agent Agreement, dated as of November 1, 2019, between the District and U.S. Bank National Association, Dallas, Texas, as Tender Agent, (iv) the executed Bond, and (v) each of the District's federal tax certificates, dated as of the original issuance of the Bonds (the *Original Federal Tax Certificate*) and of even date herewith (the *Remarketing Federal Tax Certificate*), respectively.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued, delivered, and remarketed in accordance with law; that the Bonds, as remarketed, constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to remarket the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds, as remarketed, is excludable from the gross income of the owners 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, as remarketed, 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 continuing compliance with, certain representations contained in the Original Federal Tax Certificate and the Remarketing Federal Tax Certificate, respectively, of the District and covenants set forth in the Original Order and the Remarketing Order adopted by the District authorizing the issuance and remarketing, respectively, of the Bonds, each of the foregoing relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, 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, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails 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 CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such 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 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 District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the remarketing of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion as to no change to the legality and validity of the Bonds under the Constitution and general laws of the State of Texas, and with respect to the continued exclusion from gross income of the interest on the Bonds, as remarketed, 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 District, 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 District as to the original issuance of the Bonds, the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. Our role in connection with the District’s Remarketing Memorandum prepared for use in connection with the remarketing of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2022

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PROSPER INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2022

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PROSPER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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CERTIFICATE OF BOARD

Prosper Independent School District	Collin	043-912
Name of School District	County	Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 23 day of January, 2023.

Signature of Board Secretary

Signature of Board President

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Members:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON, TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

Prosper Independent School District
Prosper, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prosper Independent School District as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise Prosper Independent School District's basic financial statements as listed in the table of contents.

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 Prosper Independent School District as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Prosper Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prosper Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosper Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13 and the Teacher Retirement System schedules on page 68 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prosper Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 1, 2022 on our consideration of Prosper Independent School District's internal control over financial reporting and on our tests of the 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 Prosper Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prosper Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 1, 2022

PROSPER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2022
(UNAUDITED)

As management of Prosper Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2022. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 16.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Prosper Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $27,731,669.

- The District's total net position increased by $7,973,789 during the fiscal year as the result of current year operations, and $26,020,344 as the result of prior period adjustments.

- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $472,642,464. Over 11% of this total amount ($53,670,000) is unassigned and available for use within the District's commitments and policies.

- At the end of the current fiscal period, unassigned and assigned fund balance of the general fund of $128,275,000 was 61.39% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 41 and 42). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 44) 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 reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 16. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, information is divided into two kinds of activities:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

- Business-type activities–Activities in which the District charges a fee to “customers” to help cover the cost of services it provides are reported as business-type activities. The District had no business-type activities at August 31, 2022.

Reporting the District's Most Significant Funds

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 fund financial statements begin on page 18 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental 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 financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-six governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 18 through 26 of this report.

- ***Proprietary funds.*** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (one category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities–such as the District's workers compensation insurance program.

- ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of custodial net position and statement of changes in custodial fund net position on pages 55 and 56. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Governmental Activities

Net Position. The net position of the District's governmental activities at August 31, 2022 was $27,731,669. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a $46,912,117 deficit at August 31, 2022. 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 its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position ($19,547,343) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at August 31, 2022 is $55,096,443.

Changes in Net Position. The District's total revenues of its governmental activities were $331,978,559. A significant portion, approximately 56.7%, of the revenue comes from property taxes. Another 27.8% comes from state aid - formula grants while 2.5% relates to charges for services. This reflects a $66.6 million increase in revenues from 2020-2021, primarily from increases in property taxes and state aid. The total revenues were used to fund the cost of all programs and services in the amount of $324,004,770, and to pay down the District's debt. This reflects a $54.6 million increase in expenses from 2020-2021.

Governmental Activities. The District's total net position of its governmental activities increased $33,994,133. The total cost of all government activities for the fiscal year ended August 31, 2022 was $324,004,770. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to $45,042,693 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was $278,962,077, which were primarily funded by property taxes in the amount of $189,127,417 and state revenue of $92,394,752.

Table I
NET POSITION

	Governmental Activities		
	2021	2022	Change
Current and other assets	$ 181,570,515	$ 516,459,129	$ 334,888,614
Capital assets	971,441,748	1,099,818,774	128,377,026
Total assets	1,153,012,263	1,616,277,903	463,265,640
Deferred outflows of resources	48,393,671	88,621,385	40,227,714
Total assets and deferred outflows of resources	1,201,405,934	1,704,899,288	503,493,354
Current and other liabilities	26,570,616	44,427,029	17,856,413
Long-term liabilities	1,068,660,031	1,503,612,875	434,952,844
Net pension liability (District's share)	39,509,378	23,074,392	(16,434,986)
Net OPEB liability (District's share)	38,924,336	46,996,905	8,072,569
Total liabilities	1,173,664,361	1,618,111,201	444,446,840
Deferred inflows of resources	34,004,037	59,056,418	25,052,381
Total liabilities and deferred inflows of resources	1,207,668,398	1,677,167,619	469,499,221
Net Position (Deficit):			
Net investments in capital assets	(50,073,521)	(46,912,117)	3,161,404
Restricted	18,497,134	19,547,343	1,050,209
Unrestricted	25,313,923	55,096,443	29,782,520
Total Net Position (Deficit)	$ (6,262,464)	$ 27,731,669	$ 33,994,133

Table II
CHANGES IN NET POSITION

	Governmental Activities 2021	2022	Change
Revenues:			
Program Revenues:			
Charges for services	$ 10,651,650	$ 14,658,508	$ 4,006,858
Operating grants and contributions	13,427,836	30,384,185	16,956,349
General Revenues:			
Maintenance and operations taxes	108,061,806	124,448,398	16,386,592
Debt service taxes	54,437,151	64,679,019	10,241,868
State aid - formula grants	67,533,484	92,394,752	24,861,268
Grants & contributions not restricted	3,374,804	502,024	(2,872,780)
Investment earnings	219,966	2,240,879	2,020,913
Miscellaneous	7,599,790	2,670,794	(4,928,996)
Total Revenue	265,306,487	331,978,559	66,672,072
Expenses:			
Instruction, curriculum and media services	146,740,708	178,109,318	31,368,610
Instructional and school leadership	12,941,009	13,981,687	1,040,678
Student support services	14,855,688	16,566,935	1,711,247
Food services	5,747,589	9,019,279	3,271,690
Extracurricular activities	9,117,800	11,604,519	2,486,719
General administration	6,178,776	7,237,482	1,058,706
Plant maintenance, security and data process	26,086,370	36,060,927	9,974,557
Community services	24,962	30,670	5,708
Debt services	46,624,099	49,987,203	3,363,104
Intergovernmental charges	1,041,724	1,406,750	365,026
Total Expenses	269,358,725	324,004,770	54,646,045
Change in Net Position	(4,052,238)	7,973,789	12,026,027
Net Position - beginning of year	(2,210,226)	(6,262,464)	(4,052,238)
Prior period adjustments	-	26,020,344	26,020,344
Net Position - end of year	$ (6,262,464)	$ 27,731,669	$ 33,994,133

The cost of all governmental activities for the current fiscal period was $331,978,559. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities through District taxes was only $189,127,417 because some of the costs were paid by those who directly benefited from the programs ($14,658,508) or by State equalization funding ($92,394,752).

THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $472,642,464 an increase of $318,243,832. Approximately 30% of this total amount ($142,294,760) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service ($16,076,388), capital projects ($306,597,125), Federal grants ($1,030,190), or other purposes ($2,882,606), or already spent on prepaid items ($3,761,395).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $53,670,000, while the total fund balance was $128,789,676. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 25.68% of the total general fund expenditures, while the total fund balance represents 61.63% of that same amount.

The fund balance of the District's general fund increased by $20,109,768 during the current fiscal year, compared to a $5,561,730 decrease in the previous year. Key factors related to this change are as follows:

- A $14,358,313 increase in property tax and other local revenues along with a $27,965,074 increase in foundation, per capita and other state funding contributed to a $43,086,500 overall increase in total revenues. Expenditures increased $21,308,408 or 11.3% with the majority of the increase in the area of instructional costs.

The debt service fund has a total fund balance of $16,076,388, all of which is reserved for the payment of debt service. The net increase in fund balance during the period from current year operations was $1,163,799, compared to a $5,678 decrease in the previous year. Tax revenues were $9,379,216 higher than the previous year, while debt service expenditures were $7,211,843 higher.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by $296,030,255 due primarily to $450,000,000 proceeds from bond sales offset by $166,923,967 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2021). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of $128,789,676 reported on page 18 differs from the General Fund's budgetary fund balance of $108,290,429 reported in the budgetary comparison schedule on page 26. For the year ended August 31, 2022, actual general fund expenditures on a budgetary basis were $208,956,747, below the original budget expenditures of $220,840,000 and the revised final budget of $223,868,479. The majority of the actual variance of $14,911,732 consists of savings achieved in payroll costs in several areas. Actual revenue on a budgetary basis was $237,424,698 compared to the original budget of $212,187,000 and a revised budget of $223,479,000. The majority of the actual variance of $13,945,698 consists of additional State funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2022, the District had $1,099,818,774 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $128,377,026, or 13.2%, above last year.

This fiscal year's major additions include:

Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds.	$104,240,789
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds.	21,416,381
Initial construction costs on a new elementary school, paid for with proceeds of general obligation bonds.	6,772,636
Initial construction costs on an early childhood center, paid for with proceeds of general obligation bonds.	5,771,940
21.662 acres land purchase	6,133,491
9.078 acres land purchase	1,582,644
Vehicle purchases	377,555
Boom lift	148,526
Totaling	$146,443,962

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had $1,501,941,102 in bonds outstanding (including accreted interest on bonds) versus $1,068,660,032 last year–an increase of 40.5%. New debt incurred during the fiscal period consists of three building bond series and two right-to-use capital leases. The District's underlying rating for unlimited tax bonds is "Aa3" by Moody's, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2023 budget and tax rates. Those factors included the economy, the District's population growth and funding levels by the State of Texas. The District has adopted a balanced budget for its debt service fund and child nutrition fund for fiscal year 2023, and adopted a general fund budget with a projected deficit of $8,605,000. For fiscal year 2023 the District has adopted a maintenance and operations tax rate of $0.9429 per $100 valuation, which is lower than the fiscal year 2022 rate of $0.9603. The District's interest and sinking tax rate has remained at $0.50 per $100 valuation for fiscal year 2023. Significant growth in student enrollment is expected to continue in fiscal year 2023. As a result, the coming year will see significant construction activity taking place in the District, in order to provide additional needed facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Prosper Independent School District, 605 E. 7th St., Prosper, Texas 75078.

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BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 65,981,518
1120	Current Investments	427,042,581
1220	Property Taxes - Delinquent	2,299,853
1230	Allowance for Uncollectible Taxes	(8,404)
1240	Due from Other Governments	17,376,400
1260	Internal Balances	5,458
1290	Other Receivables, Net	328
1410	Prepayments	3,761,395
	Capital Assets:	
1510	Land	123,410,988
1520	Buildings, Net	745,210,377
1530	Furniture and Equipment, Net	46,442,144
1540	Vehicles, Net	5,977,839
1550	Right-to-Use Leased Assets, Net	1,638,622
1580	Construction in Progress	177,138,804
1000	Total Assets	1,616,277,903
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	24,679,983
1705	Deferred Outflow Related to TRS Pension	27,131,571
1706	Deferred Outflow Related to TRS OPEB	36,809,831
1700	Total Deferred Outflows of Resources	88,621,385
	LIABILITIES	
2110	Accounts Payable	25,138,672
2140	Interest Payable	3,481,024
2150	Payroll Deductions and Withholdings	1,567,051
2160	Accrued Wages Payable	13,233,228
2180	Due to Other Governments	13,332
2200	Accrued Expenses	316,256
2300	Unearned Revenue	677,466
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	33,224,443
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	1,470,388,432
2540	Net Pension Liability (District's Share)	23,074,392
2545	Net OPEB Liability (District's Share)	46,996,905
2000	Total Liabilities	1,618,111,201
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	26,367,022
2606	Deferred Inflow Related to TRS OPEB	32,689,396
2600	Total Deferred Inflows of Resources	59,056,418
	NET POSITION	
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	(46,912,117)
	Restricted:	
3820	Restricted for Federal and State Programs	1,030,190
3850	Restricted for Debt Service	16,076,388
3870	Restricted for Campus Activities	2,440,765
3900	Unrestricted	55,096,443
3000	Total Net Position	$ 27,731,669

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 167,724,251	$ 1,727,826	$ 17,073,293	$ (148,923,132)
12	Instructional Resources and Media Services	3,220,398	-	129,816	(3,090,582)
13	Curriculum and Instructional Staff Development	7,164,669	-	2,823,386	(4,341,283)
21	Instructional Leadership	1,211,993	-	62,052	(1,149,941)
23	School Leadership	12,769,694	-	677,475	(12,092,219)
31	Guidance, Counseling, and Evaluation Services	5,185,136	-	1,131,111	(4,054,025)
33	Health Services	2,398,390	1,094,294	384,832	(919,264)
34	Student (Pupil) Transportation	8,983,409	-	1,456,303	(7,527,106)
35	Food Services	9,019,279	8,337,936	904,426	223,083
36	Extracurricular Activities	11,604,519	771,073	3,868,209	(6,965,237)
41	General Administration	7,237,482	1,248,412	242,449	(5,746,621)
51	Facilities Maintenance and Operations	25,311,872	1,478,967	1,132,876	(22,700,029)
52	Security and Monitoring Services	3,312,042	-	89,951	(3,222,091)
53	Data Processing Services	7,437,013	-	131,146	(7,305,867)
61	Community Services	30,670	-	30,331	(339)
72	Debt Service - Interest on Long-Term Debt	46,622,252	-	246,529	(46,375,723)
73	Debt Service - Bond Issuance Cost and Fees	3,364,951	-	-	(3,364,951)
91	Contracted Instructional Services Between Schools	12,694	-	-	(12,694)
93	Payments Related to Shared Services Arrangements	170,132	-	-	(170,132)
99	Other Intergovernmental Charges	1,223,924	-	-	(1,223,924)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 324,004,770	$ 14,658,508	$ 30,384,185	(278,962,077)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	124,448,398
DT	Property Taxes, Levied for Debt Service	64,679,019
SF	State Aid - Formula Grants	92,394,752
GC	Grants and Contributions not Restricted	502,024
IE	Investment Earnings	2,240,879
MI	Miscellaneous Local and Intermediate Revenue	2,670,794
TR	Total General Revenues	286,935,866
CN	Change in Net Position	7,973,789
NB	Net Position - Beginning	(6,262,464)
PA	Prior Period Adjustments	26,020,344
NE	Net Position - Ending	$ 27,731,669

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

PROSPER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 57,282,027	$ 31,004	$ 2,583,451
1120	Investments - Current	71,272,809	16,042,136	339,727,636
1220	Property Taxes - Delinquent	1,557,237	742,616	-
1230	Allowance for Uncollectible Taxes	(6,274)	(2,130)	-
1240	Due from Other Governments	13,252,885	16,580	-
1260	Due from Other Funds	3,693,900	-	-
1290	Other Receivables	328	-	-
1410	Prepayments	514,676	-	3,246,719
1000	Total Assets	$ 147,567,588	$ 16,830,206	$ 345,557,806
	LIABILITIES			
2110	Accounts Payable	$ 1,358,159	$ -	$ 21,694,202
2150	Payroll Deductions and Withholdings Payable	1,567,051	-	-
2160	Accrued Wages Payable	12,875,163	-	-
2170	Due to Other Funds	1,151,045	-	-
2180	Due to Other Governments	-	13,332	-
2200	Accrued Expenditures	275,530	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	17,226,948	13,332	21,694,202
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	1,550,964	740,486	-
2600	Total Deferred Inflows of Resources	1,550,964	740,486	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3430	Prepaid Items	514,676	-	3,246,719
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	306,597,125
3480	Retirement of Long-Term Debt	-	16,076,388	-
3490	Other Restricted Fund Balance	-	-	-
	Committed Fund Balance:			
3510	Construction	66,000,000	-	14,019,760
	Assigned Fund Balance:			
3590	Projected 2022-23 Budget Deficit	8,605,000	-	-
3600	Unassigned Fund Balance	53,670,000	-	-
3000	Total Fund Balances	128,789,676	16,076,388	323,863,604
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 147,567,588	$ 16,830,206	$ 345,557,806

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

Other Funds	Total Governmental Funds
$ 5,584,084	$ 65,480,566
-	427,042,581
-	2,299,853
-	(8,404)
4,106,935	17,376,400
250,000	3,943,900
-	328
-	3,761,395
$ 9,941,019	$ 519,896,619
$ 1,263,524	$ 24,315,885
-	1,567,051
358,065	13,233,228
3,688,442	4,839,487
-	13,332
40,726	316,256
677,466	677,466
6,028,223	44,962,705
-	2,291,450
-	2,291,450
-	3,761,395
1,030,190	1,030,190
-	306,597,125
-	16,076,388
2,882,606	2,882,606
-	80,019,760
-	8,605,000
-	53,670,000
3,912,796	472,642,464
$ 9,941,019	$ 519,896,619

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PROSPER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	$ 472,642,464
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.	579,210
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	1,307,374,358
3 Accumulated depreciation is not reported in the fund financial statements.	(207,555,584)
4 Bonds payable and leases payable are not reported in the fund financial statements.	(1,366,760,910)
5 Bond premiums and discounts are not recognized in the fund financial statements.	(128,513,568)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(3,481,024)
7 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	2,291,450
8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $23,074,392, a Deferred Resource Inflow related to TRS in the amount of $26,367,022, and a Deferred Resource Outflow related to TRS in the amount of $27,131,571. This amounted to a decrease in Net Position in the amount of $22,309,843.	(22,309,843)
9 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of $46,996,905, a Deferred Resource Inflow related to TRS OPEB in the amount of $32,689,396, and a Deferred Resource Outflow related to TRS OPEB in the amount of $36,809,831. This amounted to a decrease in Net Position in the amount of $42,876,470.	(42,876,470)
10 Deferred charge on bond refundings is not recognized in the fund financial statements.	24,679,983
11 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.	(8,338,397)
19 **Net Position of Governmental Activities**	$ 27,731,669

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 130,422,075	$ 64,677,378	$ 2,477,800
5800	State Program Revenues	103,741,344	246,240	-
5900	Federal Program Revenues	3,261,279	-	-
5020	Total Revenues	237,424,698	64,923,618	2,477,800
	EXPENDITURES:			
	Current:			
0011	Instruction	131,370,759	-	-
0012	Instructional Resources and Media Services	2,693,448	-	-
0013	Curriculum and Instructional Staff Development	4,702,601	-	-
0021	Instructional Leadership	1,159,237	-	-
0023	School Leadership	10,458,969	-	-
0031	Guidance, Counseling, and Evaluation Services	3,562,052	-	-
0033	Health Services	1,732,406	-	-
0034	Student (Pupil) Transportation	7,827,020	-	-
0035	Food Services	80,701	-	-
0036	Extracurricular Activities	7,209,570	-	-
0041	General Administration	6,242,800	-	-
0051	Facilities Maintenance and Operations	19,249,379	-	-
0052	Security and Monitoring Services	2,899,149	-	-
0053	Data Processing Services	6,941,471	-	-
0061	Community Services	3,522	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	526,406	17,216,026	-
0072	Interest on Long-Term Liabilities	15,621	46,536,272	-
0073	Bond Issuance Cost and Fees	-	458,904	2,906,047
	Capital Outlay:			
0081	Facilities Acquisition and Construction	874,886	-	166,923,967
	Intergovernmental:			
0091	Contracted Instructional Services Between Schools	12,694	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	170,132	-	-
0099	Other Intergovernmental Charges	1,223,924	-	-
6030	Total Expenditures	208,956,747	64,211,202	169,830,014
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	28,467,951	712,416	(167,352,214)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued	-	-	426,425,000
7912	Sale of Real and Personal Property	-	-	476,422
7913	Right-to-Use Leases	1,641,817	-	-
7915	Transfers In	-	-	10,000,000
7916	Premium or Discount on Issuance of Bonds	-	451,383	26,481,047
8911	Transfers Out (Use)	(10,000,000)	-	-
7080	Total Other Financing Sources (Uses)	(8,358,183)	451,383	463,382,469
1200	Net Change in Fund Balances	20,109,768	1,163,799	296,030,255
0100	Fund Balance - September 1 (Beginning)	108,679,908	14,912,589	27,833,349
3000	Fund Balance - August 31 (Ending)	$ 128,789,676	$ 16,076,388	$ 323,863,604

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

Other Funds	Total Governmental Funds
$ 12,481,078	$ 210,058,331
1,489,215	105,476,799
10,123,402	13,384,681
24,093,695	328,919,811
8,403,657	139,774,416
7,732	2,701,180
1,152,509	5,855,110
1,530	1,160,767
114,539	10,573,508
673,490	4,235,542
236,867	1,969,273
-	7,827,020
8,936,498	9,017,199
3,420,164	10,629,734
17,047	6,259,847
156,200	19,405,579
-	2,899,149
-	6,941,471
26,004	29,526
-	17,742,432
-	46,551,893
-	3,364,951
-	167,798,853
-	12,694
-	170,132
-	1,223,924
23,146,237	466,144,200
947,458	(137,224,389)
-	426,425,000
-	476,422
-	1,641,817
-	10,000,000
-	26,932,430
(7,448)	(10,007,448)
(7,448)	455,468,221
940,010	318,243,832
2,972,786	154,398,632
$ 3,912,796	$ 472,642,464

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Total Net Change in Fund Balances - Governmental Funds	$ 318,243,832
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	165,038,152
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(37,208,871)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(1,581,716)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	465,305
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	5,073,562
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	(2,213,228)
The net profit (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	(95,221)
Current year principal payments on bonds payable and leases payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	17,742,432
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2021 caused the ending net position to increase in the amount of $5,022,938. These contributions were replaced with the District's pension expense for the year of $4,693,551, which caused a decrease in the change in net position. The impact of all of these is to increase net position by $329,387.	329,387
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made during the current fiscal year caused the ending net position to increase in the amount of $1,142,343. These contributions were replaced with the District's OPEB expense for the year, which was $2,613,963 and caused a decrease in net position. The impact of both of these is to decrease net position by $1,471,620.	(1,471,620)
Proceeds from bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(426,425,000)
Premium received on bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(26,932,430)

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

Proceeds from capital leases are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.		(1,641,817)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.		(1,348,978)
Change in Net Position of Governmental Activities	$	7,973,789

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

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 127,130,000	$ 127,130,000	$ 130,422,075	$ 3,292,075
5800	State Program Revenues	84,155,000	95,447,000	103,741,344	8,294,344
5900	Federal Program Revenues	902,000	902,000	3,261,279	2,359,279
5020	Total Revenues	212,187,000	223,479,000	237,424,698	13,945,698
	EXPENDITURES:				
	Current:				
0011	Instruction	141,030,000	137,652,180	131,370,759	6,281,421
0012	Instructional Resources and Media Services	3,000,000	3,008,413	2,693,448	314,965
0013	Curriculum and Instructional Staff Development	6,031,000	5,918,869	4,702,601	1,216,268
0021	Instructional Leadership	1,760,000	1,564,133	1,159,237	404,896
0023	School Leadership	10,644,000	10,703,566	10,458,969	244,597
0031	Guidance, Counseling, and Evaluation Services	3,609,000	3,564,448	3,562,052	2,396
0033	Health Services	2,007,000	1,822,937	1,732,406	90,531
0034	Student (Pupil) Transportation	8,694,000	8,887,938	7,827,020	1,060,918
0035	Food Services	-	83,384	80,701	2,683
0036	Extracurricular Activities	7,516,000	7,773,682	7,209,570	564,112
0041	General Administration	6,552,000	6,466,970	6,242,800	224,170
0051	Facilities Maintenance and Operations	18,756,000	21,553,670	19,249,379	2,304,291
0052	Security and Monitoring Services	2,651,000	2,945,370	2,899,149	46,221
0053	Data Processing Services	7,265,000	8,291,896	6,941,471	1,350,425
0061	Community Services	-	3,600	3,522	78
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	879,250	526,406	352,844
0072	Interest on Long-Term Liabilities	-	26,250	15,621	10,629
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	1,266,791	874,886	391,905
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	25,000	20,000	12,694	7,306
0093	Payments to Fiscal Agent/Member Districts of SSA	-	170,132	170,132	-
0099	Other Intergovernmental Charges	1,300,000	1,265,000	1,223,924	41,076
6030	Total Expenditures	220,840,000	223,868,479	208,956,747	14,911,732
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,653,000)	(389,479)	28,467,951	28,857,430
	OTHER FINANCING SOURCES (USES):				
7913	Right-to-Use Leases	-	-	1,641,817	1,641,817
8911	Transfers Out (Use)	-	-	(10,000,000)	(10,000,000)
7080	Total Other Financing Sources (Uses)	-	-	(8,358,183)	(8,358,183)
1200	Net Change in Fund Balances	(8,653,000)	(389,479)	20,109,768	20,499,247
0100	Fund Balance - September 1 (Beginning)	108,679,908	108,679,908	108,679,908	-
3000	Fund Balance - August 31 (Ending)	$ 100,026,908	$ 108,290,429	$ 128,789,676	$ 20,499,247

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

EXHIBIT D-1

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2022

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	500,952
Due from Other Funds		901,045
Total Assets		1,401,997
LIABILITIES		
Current Liabilities:		
Accounts Payable		822,787
Total Liabilities		822,787
NET POSITION		
Unrestricted Net Position		579,210
Total Net Position	$	579,210

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 322,493
Total Operating Revenues	322,493
OPERATING EXPENSES:	
Other Operating Costs	417,714
Total Operating Expenses	417,714
Operating Income (Loss)	(95,221)
Total Net Position - September 1 (Beginning)	674,431
Total Net Position - August 31 (Ending)	$ 579,210

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

EXHIBIT D-3

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 347,464
Cash Payments for Insurance Claims	(335,475)
Net Cash Provided by Operating Activities	11,989
Net Increase in Cash and Cash Equivalents	11,989
Cash and Cash Equivalents at Beginning of Year	488,963
Cash and Cash Equivalents at End of Year	$ 500,952
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss):	$ (95,221)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	24,971
Increase (decrease) in Accounts Payable	82,239
Net Cash Provided by Operating Activities	$ 11,989

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

EXHIBIT E-1

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 211,018
Total Assets	211,018
LIABILITIES	
Accounts Payable	1,922
Due to Other Funds	5,458
Total Liabilities	7,380
NET POSITION	
Unrestricted Net Position	203,638
Total Net Position	$ 203,638

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

EXHIBIT E-2

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	$ 643,994
Total Additions	643,994
DEDUCTIONS:	
Other Deductions	659,700
Total Deductions	659,700
Change in Fiduciary Net Position	(15,706)
Total Net Position - September 1 (Beginning)	211,896
Transfers In	7,448
Total Net Position - August 31 (Ending)	$ 203,638

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prosper Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Prosper Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

2. **Internal Service Fund** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service fund for its workers compensation self-insurance plan.

3. **Fiduciary Funds** - The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student and employee groups. Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board. The District's Custodial Fund is the Student Activity Fund.

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Fund. The special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2022 Fund Balance
Appropriated Budget Funds	$1,030,190
Nonappropriated Budget Funds	2,882,606
All Special Revenue Funds	$3,912,796

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

F. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current fiscal year to provide services occurring in the subsequent fiscal year, and the amount of prepayments has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair value is supplied by the Texas Department of Human Services and initially recorded as an expense. Inventory and expenditures are adjusted periodically subsequent to inventory counts.

H. RECEIVABLE AND PAYABLES

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at various rates based upon historical trends of outstanding property taxes receivable as of August 31, 2022.

I. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

J. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenditures. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of $5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset Classification	Useful Life
Buildings	15-50 Years
Building Improvements	15-50 Years
Vehicles & Buses	5-10 Years
Equipment	5-7 Years

The District has no restriction on any capital asset.

K. COMPENSATED ABSENCES

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.

L. CASH EQUIVALENTS

For purposes of the statement of cash flows for proprietary funds, investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less.

M. NET POSITION

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2022 was $24,679,983.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.3 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the statement of net position for deferred pension expenses at August 31, 2022 was $27,131,571.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2 years. The amount of deferred outflows reported in the statement of net position for deferred OPEB expense at August 31, 2022 was $36,809,831.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2022 was $2,291,450.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2022, the District reported deferred inflows of resources for pensions in the statement of net position in the amount of $26,367,022.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2 years for the 2021 measurement year). In fiscal year 2022, the District reported deferred inflows of resources for OPEB in the statement of net position in the amount of $32,689,396.

P. 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 2022, 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.

Q. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. GRANT FUND ACCOUNTING

The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of three years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

NOTE 2. FUND BALANCE 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.

Restricted for Campus Activities is the component of net position that is restricted for campus activities.

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.

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or 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 fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2022 for future construction needs.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of August 31, 2022 for a projected 2022-23 budget deficit.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

The Board of Trustees has adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 18 and 19) and are described below:

General Fund

The General Fund has unassigned fund balance of $53,670,000 at August 31, 2022. Deferred expenditures (prepaid items) of $514,676 are considered nonspendable fund balance. $66,000,000 of fund balance has been committed for future construction needs. $8,605,000 of fund balance has been assigned for a projected 2022-23 budget deficit.

Other Major Funds

The Debt Service Fund has restricted funds of $16,076,388 at August 31, 2022 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of $306,597,125 at August 31, 2022 consisting of unspent bond funds and $14,019,760 of non-bond funds assigned for future capital replacement projects.

Other Funds

In the Food Service Fund, the Food Service Fund fund balance of $1,030,190 is shown as restricted for food service operations. The fund balance of $2,440,765 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balances of the Children's Health and Prosper Education Foundation funds (special revenue funds) consist of funds donated for specific purposes that are committed to those purposes.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2022, the carrying amount of the District's deposits in cash, checking accounts, certificates of deposit and interest-bearing savings accounts was $66,192,536 and the bank balance was $74,289,881. The District's cash deposits at August 31, 2022 and at all times during the year then ended were entirely covered by FDIC insurance or by pledged collateral or letters of credit held by the District's agent bank in the District's name.

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

a. Depository: Farmers Bank & Trust, Prosper, Texas

b. The highest combined balance of cash, savings, and time deposit accounts amounted to $28,768,568, and occurred during the month of May, 2022.

c. The amount of letters of credit pledged as of the date of the highest combined balance on deposit was $33,500,000.

d. Total amount of FDIC coverage at the time of the highest combined balance was $282,260.

2. Investments:

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. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2022, the District's cash balances totaled $74,289,881. This entire amount was either secured by a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2022, the District held all of its investments in four public funds investment pools (TexPool, Lone Star, Texas Term, and Texas Fit). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool, Texas Term, and Texas Fit at year-end was AAAm (Standard & Poor's), and the credit quality rating for Lone Star was AAAf (Standard & Poor's).

d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Term, Texas Fit and Lone Star investments is less than 60 days.

e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2022, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at August 31, 2022, are shown below:

Name	Carrying Amount	Fair Value
TexPool	$ 58,409,436	$ 58,409,436
Lone Star	326,130,452	326,130,452
Texas Fit	31,448,812	31,448,812
Texas Term	11,053,881	11,053,881
Total	$427,042,581	$427,042,581

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in Texpool, Texas Term, Texas Fit and Lone Star (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2022, was as follows:

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 115,694,853	$ 7,716,135	$ -	$ 123,410,988
Construction in Progress	75,153,911	153,454,561	(51,469,668)	177,138,804
Total capital assets, not being depreciated	190,848,764	161,170,696	(51,469,668)	300,549,792
Capital assets, being depreciated:				
Buildings and Improvements	821,460,133	52,902,752	-	874,362,885
Equipment	107,215,979	415,001	(12,500)	107,618,480
Vehicles	20,964,609	377,554	(70,184)	21,271,979
Right-to-Use Asset	1,846,721	1,641,817	-	3,488,538
Total capital assets, being depreciated	951,487,442	55,337,124	(82,684)	1,006,741,882
Less accumulated depreciation for:				
Buildings and Improvements	(106,397,594)	(22,754,914)	-	(129,152,508)
Equipment	(48,703,029)	(12,485,807)	12,500	(61,176,336)
Vehicles	(13,947,114)	(1,417,210)	70,184	(15,294,140)
Right-to-Use Asset	(1,298,976)	(550,940)	-	(1,849,916)
Total accumulated depreciation	(170,346,713)	(37,208,871)	82,684	(207,472,900)
Total capital assets being depreciated, net	781,140,729	18,128,253	-	799,268,982
Governmental activities capital assets, net	$ 971,989,493	$ 179,298,949	$ (51,469,668)	$ 1,099,818,774

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

Governmental activities:	
Instruction	$26,942,739
Instructional Resources & Media Services	486,960
Curriculum & Instructional Staff Development	1,029,009
Instructional Leadership	170,271
School Leadership	2,047,442
Guidance, Counseling & Evaluation Services	828,677
Health Services	390,020
Student (Pupil) Transportation	1,284,319
Cocurricular/Extracurricular Activities	948,480
General Administration	969,927
Plant Maintenance and Operations	888,504
Security and Monitoring Services	497,255
Data Processing Services	725,268
Total depreciation expense-Governmental activities	$37,208,871

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, and capital leases payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2022:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 9/1/2021	Additions	Refunded/ Retired	Amounts Outstanding 8/31/2022	Due Within One Year
Bonded Indebtedness:							
2002 CAB	5.13-5.72%	943,041	$ 242,687	$ -	$ 48,550	$ 194,137	$ 43,898
2011 CAB	3.00-3.38%	96,165	22,476	-	22,476	-	-
2014 Bldg/Refunding	2.00-4.00%	32,180,000	2,510,000	-	805,000	1,705,000	835,000
2015 Refunding	2.00-5.00%	158,565,000	141,825,000	-	4,045,000	137,780,000	4,175,000
2016 Building	2.00-5.00%	68,465,000	63,475,000	-	1,345,000	62,130,000	1,410,000
2016 Refunding	2.00-5.00%	16,910,000	15,315,000	-	335,000	14,980,000	370,000
2017 Building	2.00-5.00%	112,350,000	109,415,000	-	1,690,000	107,725,000	1,775,000
2018 Building	3.00-5.00%	177,015,000	173,975,000	-	3,050,000	170,925,000	3,175,000
2019 Building	3.00-5.00%	176,455,000	170,780,000	-	3,045,000	167,735,000	3,200,000
2019 Refunding	3.00-5.00%	6,900,000	6,835,000	-	-	6,835,000	625,000
2019A Building	4.00-5.00%	45,015,000	43,830,000	-	770,000	43,060,000	805,000
2019B Building	2.00%	50,000,000	50,000,000	-	-	50,000,000	-
2020 Building	4.00-5.00%	44,740,000	44,740,000	-	745,000	43,995,000	925,000
2020 Refunding	2.26%	86,485,000	85,210,000	-	1,315,000	83,895,000	1,215,000
2021 Building	2.00-5.00%	47,705,000	47,705,000	-	-	47,705,000	-
2021A Building	1.625-5.00%	187,155,000	-	187,155,000	-	187,155,000	-
2022 Building	4.00-5.00%	189,690,000	-	189,690,000	-	189,690,000	7,615,000
2022 Bldg (variable)	2.47%	49,580,000	-	49,580,000	-	49,580,000	-
Total Bonded Indebtedness			955,880,163	426,425,000	17,216,026	1,365,089,137	26,168,898
Accreted Interest			6,125,169	4,372,202	2,158,974	8,338,397	1,521,102
Premiums on Bond Issuance			106,654,700	26,932,430	5,073,562	128,513,568	5,163,532
Lease Liability			556,362	1,641,817	526,406	1,671,773	370,911
Total Other Obligations			113,336,231	32,946,449	7,758,942	138,523,738	7,055,545
Total Obligations of District			$ 1,069,216,394	$ 459,371,449	$ 24,974,968	$ 1,503,612,875	$ 33,224,443

The 2002 bond series include outstanding capital appreciation bonds in the principal amount of $194,137. The bonds mature variously beginning in 2023 through 2028. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2022.

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2023	$ 26,168,898	$ 55,342,017	$ 81,510,915
2024	26,697,272	53,719,477	80,416,749
2025	27,951,541	52,465,873	80,417,414
2026	28,716,690	51,702,984	80,419,674
2027	30,002,520	50,416,683	80,419,203
2028-2032	176,342,216	205,385,606	381,727,822
2033-2037	217,330,000	188,856,447	406,186,447
2038-2042	264,990,000	142,461,342	407,451,342
2043-2047	317,180,000	84,441,567	401,621,567
2048-2052	236,850,000	23,895,163	260,745,163
2053	12,860,000	514,400	13,374,400
	$1,365,089,137	$909,201,559	$2,274,290,696

NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2022, $69,140,000 of bonds outstanding are considered defeased.

NOTE 8. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increased the usefulness of the government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY 2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

The District has entered into long-term agreements for the right-to-use certain technology equipment and a building. No impairment related to losses were recognized by the District. The lease asset will be amortized over the life of the agreements. As of August 31, 2022, $1,562,786 has been amortized. Below is a summary of the leases.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, 3.1827%.

	Balance 8/31/2021	Additions	Retirements	Balance 8/31/2022
Right-to-Use Asset	$ 1,846,721	$ 1,641,817	$ -	$ 3,488,538
Less Accumulated Amortization	(1,298,976)	(550,940)	-	(1,849,916)
Total Right-to-Use Asset, Net	$ 547,745	$ 1,090,877	$ -	$ 1,638,622

	Balance 8/31/2021	Additions	Retirements	Balance 8/31/2022
Lease Liability	$ 556,362	$ 1,641,817	$ (526,406)	$ 1,671,773
Total Lease Liability	$ 556,362	$ 1,641,817	$ (526,406)	$ 1,671,773

Future payment requirements under the leases as of August 31, 2022, are as follows:

Year Ended August 31,	Principal	Interest	Total
2023	$ 370,911	$ 47,742	$ 418,653
2024	318,195	36,787	354,982
2025	328,471	26,511	354,982
2026	339,079	15,903	354,982
2027	315,117	4,966	320,083
Thereafter	-	-	-
	$1,671,773	$131,909	$1,803,682

NOTE 9. DEFERRED CHARGE ON BOND REFUNDINGS

The District's deferred charge on bond refundings is as follows:

Balance – August 31, 2021	$26,028,961
Current year amortization	(1,348,978)
Balance – August 31, 2022	$24,679,983

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District and Collin Central Appraisal District are responsible for the appraisal of property for all taxing units in the District. Under the terms of a contract for appraisal services, the District paid the appraisal districts $1,223,924 in fiscal year 2022 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2021-22 fiscal year was based was $12,778,844,278. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2022, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.9603 and $0.50 per $100 valuation, respectively, for a total of $1.4603 per $ 100 valuation.

Current tax collections for the year ended August 31, 2022 were 99.67% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. 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 August 31, 2022, property taxes receivable, net of estimated uncollectible taxes, totaled $1,550,964 and $740,486 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://trs.texas.gov/pages/aboutpublications.aspx, 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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

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

Contribution Rates

	2021	2022
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%

Prosper ISD FY2022 Employer Contributions	$ 5,022,938
Prosper ISD FY2022 Member Contributions	$11,446,794
Prosper ISD FY2022 NECE On-Behalf Contributions	$ 6,917,817

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 the 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, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- All public schools must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

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

Actuarial Assumptions. The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
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 2020	1.95%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class	Target Allocation[1]	Long-Term Expected Arithmetic Real Rate of Return[2]	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-.2%	0.01%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources	6%	4.7%	0.35%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Leverage			
Cash	2%	-.7%	-0.01%
Asset Allocation Leverage	-6%	-.5%	0.03%
Inflation Expectation	-		2.20%
Volatility Drag[3]	-		-0.95%
Total	100%		6.90%

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Prosper ISD's proportionate share of the net pension liability:	$50,421,207	$23,074,392	$887,828

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, Prosper Independent School District reported a liability of $23,074,392 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Prosper Independent School District. The amount recognized by Prosper Independent School 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 Prosper Independent School District were as follows:

[1] Target allocations are based on the FY21 policy model.
[2] Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).
[3] The volatility drag results from the conversion between arithmetic and geometric mean returns.

District's Proportionate share of the collective net pension liability	$23,074,932
State's proportionate share that is associated with the District	41,282,567
Total	$64,357,499

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

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0906068907%, an increase of 22.82% from its proportionate share of 0.0737693856% at August 31, 2021.

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

For the year ended August 31, 2022, Prosper Independent School District recognized pension expense of $165,043 and revenue of $165,043 for support provided by the State.

At August 31, 2022, Prosper Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 38,614	$ 1,624,455
Changes in actuarial assumptions	8,156,347	3,555,468
Difference between projected and actual investment earnings	1,433,214	20,780,792
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12,480,458	406,307
Contributions paid to TRS subsequent to the measurement date	5,022,938	-
Total	$27,131,571	$26,367,022

The net amounts of the District's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2023	$ 389,723
2024	41,264
2025	(1,917,725)
2026	(4,175,844)
2027	1,064,137
Thereafter	340,056

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/pages/aboutpublications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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 for Retirees		
	Medicare	**Non-Medicare**
Retiree*	$ 135	$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* *or surviving spouse*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2021	2022
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%**

Prosper ISD FY22 Employer Contributions	**$1,142,343**
Prosper ISD FY22 Member Contributions	**$ 929,758**
Prosper ISD FY22 NECE On-behalf Contributions	**$1,275,203**

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5,520,343 in fiscal year 2021 for consumer protection against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

The actuarial valuation 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 ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

The active mortality rates were based on 90 percent 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	$56,689,098	$46,996,905	$39,368,832

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	$38,065,939	$46,996,905	$58,980,044

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2022, the District reported a liability of $46,996,905 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	$ 46,996,905
State's proportionate share that is associated with the District	$ 62,965,379
Total	$109,962,284

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was 0.1218342250%, an increase of 18.98% compared to the August 31, 2021 proportionate share of 0.1023933497%.

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was $(2,323,903).

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,023,439	$22,749,790
Changes in actuarial assumptions	5,205,459	9,938,976
Difference between projected and actual investment earnings	51,654	630
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	28,386,936	-
Contributions paid to TRS subsequent to the measurement date	1,142,343	-
Total	$36,809,831	$32,689,396

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2023	$ (766,942)
2024	(768,093)
2025	(767,778)
2026	469,315
2027	2,144,116
Thereafter	2,667,474

NOTE 13. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2022, the contribution made on behalf of the District was $602,439.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2022, were as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund:		
Special Revenue Fund	$3,688,442	$ 250,000
Fiduciary Fund	5,458	-
Internal Service Fund	-	901,045
Special Revenue Fund:		
General Fund	250,000	3,688,442
Fiduciary Fund:		
General Fund	-	5,458
Internal Service Fund:		
General Fund	901,045	-
TOTAL	$4,844,945	$4,844,945

Interfunds transfers for the year ended August 31, 2022 consisted of the following individual amounts:

Fund	Transfers to Other Funds	Transfers from Other Funds
General Fund:		
Capital Projects Fund	$10,000,000	$ -
Capital Projects Fund:		
General Fund	-	10,000,000
Special Revenue Fund:		
Fiduciary Fund	7,448	-
Fiduciary Fund:		
Special Revenue Fund	-	7,448
TOTAL	$10,007,448	$10,007,448

The purpose of the $10,000,000 transfer was to transfer local funds from the general fund to the capital projects fund to set them aside for future capital replacement needs.

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2022, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	$ 1,557,237	$ 13,252,885	$ 3,693,900	$ 328	$ 18,504,350
Debt Service Fund	742,616	16,580	-	-	759,196
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	-	4,106,935	250,000	-	4,356,935
Total - Governmental Activities	$ 2,299,853	$ 17,376,400	$ 3,943,900	$ 328	$ 23,620,481
Amounts not scheduled for collection during the subsequent year	$ 8,404	$ -	$ -	$ -	$ 8,404

Payables at August 31, 2022, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	$ 1,358,159	$ 14,442,214	$ 1,151,045	$ 275,530	$ 17,226,948
Capital Projects Fund	21,694,202	-	-	-	21,694,202
Special Revenue Funds	1,263,523	358,066	3,688,442	40,726	5,350,757
Total - Governmental Activities	$ 24,315,884	$ 14,800,280	$ 4,839,487	$ 316,256	$ 44,271,907
Amounts not scheduled for payment during the subsequent year	$ -	$ -	$ -	$ -	$ -

NOTE 16. INSURANCE COVERAGE

Health Care Coverage

The District offers all employees health care coverage under the TRS Active Care insurance plan, which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed $351 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

During the year ended August 31, 2022, Prosper ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees. Transactions related to the Workers' Compensation Program are accounted for in an internal service fund of the District.

The Fund and its members are protected against higher than expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021, the fund carries a discounted reserve of $45,046,972 for future development on reported claims and claims that have been incurred but not yet reported.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Changes in the workers' compensation claims liability amounts in fiscal 2021 and 2022 are represented below. They include estimated unpaid claims provided by Claims Administrative Services and Workers' Compensation Solutions from participation in their workers compensation plans in prior years.

	Year Ended August 31, 2021	Year Ended August 31, 2022
Unpaid claims, beginning of year	$627,566	$740,548
Incurred claims (including IBNR'S)	551,084	417,714
Claim payments	(438,102)	(335,475)
Unpaid claims, end of fiscal year	$740,548	$822,787

Unemployment Compensation Pool

During the year ended August 31, 2022, Prosper ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2022, the Fund anticipates that Prosper ISD has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability and Property Programs

During the year ended August 31, 2022, the District participated in the following TASB Risk Management Fund programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves. For the year ended August 31, 2022, the Fund anticipates Prosper ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 17. DUE FROM OTHER GOVERNMENTS

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 School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2022, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Grant & Entitlements	Federal Grants	Local Governments	Total
General	$ 12,691,887	$ 524,602	$ 36,396	$ 13,252,885
Debt Service	-	-	16,580	16,580
Special Revenue	5,447	4,101,488	-	4,106,935
Total	$ 12,697,334	$ 4,626,090	$ 52,976	$ 17,376,400

NOTE 18. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At August 31, 2022, the estimated rebate liability on outstanding bond series was $-0-.

NOTE 19. LITIGATION AND CONTINGENCIES

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

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District and Collin Central Appraisal District are defendants in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 20. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	$ 123,700,519	$ -	$ 64,305,182	$ -	$ 188,005,701
Investment income	785,946	16,852	167,473	1,287,460	2,257,731
Food sales	-	8,337,936	-	-	8,337,936
Penalties, interest and other tax related income	451,688	-	204,723	-	656,411
Co-curricular student activities	771,073	3,627,790	-	-	4,398,863
Tuition and fees	1,727,826	-	-	-	1,727,826
Gifts and bequests	502,024	498,500	-	-	1,000,524
Facilities rentals	1,146,484	-	-	-	1,146,484
Insurance recovery	332,213	-	-	-	332,213
Town of Prosper	-	-	-	1,072,770	1,072,770
GSE Antitrust settlement	118,009	-	-	-	118,009
Other	886,293	-	-	117,570	1,003,863
Total	$ 130,422,075	$ 12,481,078	$ 64,677,378	$ 2,477,800	$ 210,058,331

NOTE 21. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	Special Revenue Fund	Total
Lunchroom Receipts	$ 676,679	$ 676,679
Non-Ed Community Support	87	87
Math Academies	700	700
Total	$ 677,466	$ 677,466

NOTE 22. GENERAL FUND FEDERAL SOURCE REVENUES

Program or Source	CFDA Number	Amount	Total Grant or Entitlement
General Fund:			
Impact Aid	84.041	$ 289	$ 289
Excise Tax Reimbursement	N/A	117,865	117,865
Medicaid Reimbursement	N/A	1,094,293	1,094,293
E-rate Reimbursement	N/A	800,419	800,419
Indirect Costs	N/A	1,248,413	1,248,413
Total for General Fund		$3,261,279	$3,261,279

NOTE 23. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2022.

NOTE 24. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement which provides a regional day school for the deaf to several member districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Prosper ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2022, the District incurred $170,132 in costs in the regional day school for the deaf.

NOTE 25. CONSTRUCTION COMMITTMENTS

As of August 31, 2022, the District had entered into contracts totaling $333.06 million for construction and renovations throughout the District. At August 31, 2022, there was $178.58 million remaining costs under those contracts. The projects are to be paid from the Capital Projects Fund fund balance.

NOTE 26. SUBSEQUENT EVENT

Management has reviewed events subsequent to August 31, 2022 through December 1, 2022, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

NOTE 27. RISKS AND UNCERTAINTIES

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 the State of 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 the State in response to the Pandemic, which disaster declaration he has subsequently extended. 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 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 issued a series of executive orders relating to COVID-19 preparedness, mitigation and reopening.

On June 3, 2021, TEA issued updated public planning health guidance to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

During the 87th Legislative Session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. As a result, the 2021-2022 school year began with funding based on in-person attendance. During the second called special session, the Texas Legislature adopted Senate Bill 15, which allows virtual instruction attendance to be used for ADA funding purposes under certain circumstances. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding. A return to funding based on actual attendance during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if the District does not qualify for the additional hold harmless periods or if students do not take part in the instruction options made available by the District. TEA announced on August 5, 2021 that a school district has the authority to provide remote instruction to a student if the school district meets certain state and federal requirements. Students receiving remote instruction are considered enrolled, but do not meet the requirements for ADA funding. Further, on March 29, 2022, TEA issued guidance on the calculation of the ADA hold harmless for the 2021-2022 school year, providing that each district will receive an adjustment to ADA such that the total percentage attendance rate for the first four six weeks of the 2021-2022 school year that is equal to the attendance rate for the first four six weeks of the 2019-2020 school year.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

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

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

NOTE 28. PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended August 31, 2022, the District implemented a new GASB Statement (No. 87) relating to leases. As part of the implementation, the District recorded a prior period adjustment for $8,617 decreasing the beginning net position of Governmental Activities. The net prior period adjustment was the result of an increase in capital assets for the right-to-use asset of $547,745 offset by an increase in long-term debt for the lease liability of $556,362. See Note 8.

In addition, during the fiscal year ended August 31, 2022, the District recorded a prior period adjustment that increased the beginning net position of the government-wide governmental activities. The adjustment recorded the August 31, 2021 balance of the deferred charge on bond refundings of $26,028,961 that had not been recorded in previous year reports.

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REQUIRED SUPPLEMENTARY INFORMATION

PROSPER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.09060689%	0.073769385%	0.0751381%
District's Proportionate Share of Net Pension Liability (Asset)	$ 23,074,932	$ 39,509,378	$ 39,059,118
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	41,282,567	73,782,583	58,373,725
Total	$ 64,357,499	$ 113,291,961	$ 97,432,843
District's Covered Payroll	$ 123,382,454	$ 100,773,762	$ 84,452,678
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	18.70%	39.21%	46.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
	0.0528038%	0.0482534%	0.0416989%	0.0392781%	0.0250495%
	$ 29,064,502	$ 15,428,829	$ 15,757,399	$ 13,884,286	6,691,068
	51,087,882	27,192,871	27,928,117	23,590,050	18,462,762
	$ 80,152,384	$ 42,621,700	$ 43,685,516	$ 37,474,336	$ 25,153,830
	$ 62,082,957	$ 54,445,299	$ 45,549,126	$ 39,171,792	34,639,153
	46.81%	28.34%	34.59%	35.44%	19.32%
	73.74%	82.17%	78.00%	78.43%	83.25%

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 5,022,938	$ 3,858,804	$ 3,039,134
Contribution in Relation to the Contractually Required Contribution	(5,022,938)	(3,858,804)	(3,039,134)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 143,084,915	$ 123,382,454	$ 100,773,762
Contributions as a Percentage of Covered Payroll	3.51%	3.12%	3.02%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2019	2018	2017	2016	2015
$ 2,629,915	$ 1,778,827	$ 1,882,781	$ 1,577,437	$ 1,379,578
(2,629,915)	(1,778,827)	(1,882,781)	(1,577,437)	(1,379,578)
$ -	$ -	$ -	$ -	$ -
$ 84,452,678	$ 62,082,957	$ 54,445,299	$ 45,549,126	$ 39,171,792
3.11%	2.87%	3.46%	3.46%	3.52%

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.12183422%	0.10239334%	0.0901456%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 46,996,905	$ 38,924,336	$ 42,630,943
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	62,965,379	52,304,977	56,646,988
Total	$ 109,962,284	$ 91,229,313	$ 99,277,931
District's Covered Payroll	$ 123,382,454	$ 100,773,762	$ 84,452,678
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	38.09%	38.63%	50.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.0690394%	0.0604263%
$ 34,471,991	$ 26,277,130
56,248,818	45,136,147
$ 90,720,809	$ 71,413,277
$ 62,082,957	$ 54,445,299
55.53%	48.26%
1.57%	0.91%

PROSPER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 1,142,343	$ 950,230	$ 778,318
Contribution in Relation to the Contractually Required Contribution	(1,142,343)	(950,230)	(778,318)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 143,084,915	$ 123,382,454	$ 100,773,762
Contributions as a Percentage of Covered Payroll	0.80%	0.77%	0.77%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

	2019	2018
	$ 639,784	$ 476,273
	(639,784)	(476,273)
	$ -	$ -
	$ 84,452,678	$ 62,082,957
	0.76%	0.77%

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

COMBINING SCHEDULES

PROSPER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 2,447,676
1240	Due from Other Governments	-	760,898	6,108	84,548
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ -	$ 760,898	$ 6,108	$ 2,532,224
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ 824,201
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	760,898	6,108	1,154
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenue	-	-	-	676,679
2000	Total Liabilities	-	760,898	6,108	1,502,034
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	1,030,190
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	1,030,190
4000	Total Liabilities and Fund Balances	$ -	$ 760,898	$ 6,108	$ 2,532,224

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	284 IDEA B Formula ARP Act
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2,472	-	45,701	15,431	134,177	53,404	2,637,153	334,702
-	-	-	-	-	-	-	-
$ 2,472	$ -	$ 45,701	$ 15,431	$ 134,177	$ 53,404	$ 2,637,153	$ 334,702
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	358,065	-
2,472	-	45,701	15,431	134,177	53,404	2,238,362	334,702
-	-	-	-	-	-	40,726	-
-	-	-	-	-	-	-	-
2,472	-	45,701	15,431	134,177	53,404	2,637,153	334,702
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 2,472	$ -	$ 45,701	$ 15,431	$ 134,177	$ 53,404	$ 2,637,153	$ 334,702

PROSPER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		285 IDEA B Preschool ARP Act	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	18,326	-	8,568	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 18,326	$ -	$ 8,568	$ -
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	18,326	-	8,568	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	18,326	-	8,568	-
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 18,326	$ -	$ 8,568	$ -

	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Instructional Materials	429 Math Academies Grant	461 Campus Activity Funds	480 Children's Health	499 Prosper Education Foundation	Total Nonmajor Governmental Funds
	$ -	$ -	$ 409,347	$ 700	$ 2,534,520	$ -	$ 191,841	$ 5,584,084
	1,175	-	4,272	-	-	-	-	4,106,935
	-	-	-	-	-	250,000	-	250,000
	$ 1,175	$ -	$ 413,619	$ 700	$ 2,534,520	$ 250,000	$ 191,841	$ 9,941,019
	$ -	$ -	$ 413,619	$ -	$ 25,704	$ -	$ -	$ 1,263,524
	-	-	-	-	-	-	-	358,065
	1,088	-	-	-	68,051	-	-	3,688,442
	-	-	-	-	-	-	-	40,726
	87	-	-	700	-	-	-	677,466
	1,175	-	413,619	700	93,755	-	-	6,028,223
	-	-	-	-	-	-	-	1,030,190
	-	-	-	-	2,440,765	250,000	191,841	2,882,606
	-	-	-	-	2,440,765	250,000	191,841	3,912,796
	$ 1,175	$ -	$ 413,619	$ 700	$ 2,534,520	$ 250,000	$ 191,841	$ 9,941,019

PROSPER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ 8,354,788
5800	State Program Revenues	-	-	-	50,766
5900	Federal Program Revenues	72,994	2,394,280	9,726	842,930
5020	Total Revenues	72,994	2,394,280	9,726	9,248,484
	EXPENDITURES:				
	Current:				
0011	Instruction	72,994	2,091,097	9,726	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	160,378	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	142,805	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	8,936,498
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	13,995
0061	Community Services	-	-	-	-
6030	Total Expenditures	72,994	2,394,280	9,726	8,950,493
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	297,991
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	297,991
0100	Fund Balance - September 1 (Beginning)	-	-	-	732,199
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ 1,030,190

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	284 IDEA B Formula ARP Act
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
25,077	34,205	137,569	15,431	181,702	159,098	5,690,999	511,589
25,077	34,205	137,569	15,431	181,702	159,098	5,690,999	511,589
25,077	34,205	98,242	-	181,702	150,568	4,253,773	-
-	-	-	-	-	-	7,732	-
-	-	39,327	15,431	-	7,000	891,529	-
-	-	-	-	-	1,530	-	-
-	-	-	-	-	-	114,539	-
-	-	-	-	-	-	19,096	511,589
-	-	-	-	-	-	236,867	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	142,205	-
-	-	-	-	-	-	25,258	-
25,077	34,205	137,569	15,431	181,702	159,098	5,690,999	511,589
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PROSPER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		285 IDEA B Preschool ARP Act	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	6,975
5900	Federal Program Revenues	28,582	10,322	8,898	-
5020	Total Revenues	28,582	10,322	8,898	6,975
	EXPENDITURES:				
	Current:				
0011	Instruction	28,582	10,322	8,898	5,781
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	1,194
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	28,582	10,322	8,898	6,975
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Instructional Materials	429 Math Academies Grant	461 Campus Activity Funds	480 Children's Health	499 Prosper Education Foundation	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 3,627,790	$ 250,000	$ 248,500	$ 12,481,078
1,160	8,208	1,422,106	-	-	-	-	1,489,215
-	-	-	-	-	-	-	10,123,402
1,160	8,208	1,422,106	-	3,627,790	250,000	248,500	24,093,695
414	558	1,422,106	-	-	-	9,612	8,403,657
-	-	-	-	-	-	-	7,732
-	7,650	-	-	-	-	30,000	1,152,509
-	-	-	-	-	-	-	1,530
-	-	-	-	-	-	-	114,539
-	-	-	-	-	-	-	673,490
-	-	-	-	-	-	-	236,867
-	-	-	-	-	-	-	8,936,498
-	-	-	-	3,420,164	-	-	3,420,164
-	-	-	-	-	-	17,047	17,047
-	-	-	-	-	-	-	156,200
746	-	-	-	-	-	-	26,004
1,160	8,208	1,422,106	-	3,420,164	-	56,659	23,146,237
-	-	-	-	207,626	250,000	191,841	947,458
-	-	-	-	(7,448)	-	-	(7,448)
-	-	-	-	200,178	250,000	191,841	940,010
-	-	-	-	2,240,587	-	-	2,972,786
$ -	$ -	$ -	$ -	$ 2,440,765	$ 250,000	$ 191,841	$ 3,912,796

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REQUIRED T.E.A. SCHEDULES

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

		(1)	(2)	(3)
Last 10 Years Ended August 31		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2013	and prior years	Various	Various	$ Various
2014		1.170000	0.500000	2,448,157,409
2015		1.170000	0.500000	3,024,461,700
2016		1.170000	0.500000	3,847,037,610
2017		1.170000	0.500000	4,912,503,782
2018		1.170000	0.500000	6,483,353,632
2019		1.170000	0.500000	8,198,742,196
2020		1.068350	0.500000	9,694,457,179
2021		0.992700	0.500000	10,886,243,512
2022	(School year under audit)	0.960300	0.500000	12,778,844,278
1000	TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
$ 36,714	$ -	$ (4)	$ (2)	$ (16,572)	$ 20,148
231	-	(33)	(14)	-	278
2,881	-	110	47	-	2,724
(43,423)	-	(5,709)	(2,440)	-	(35,274)
20,311	-	933	399	975	19,954
401,221	-	336,655	143,870	222,606	143,302
483,548	-	523,719	223,811	765,583	501,601
528,684	-	371,320	173,782	553,585	537,167
460,188	-	155,326	78,234	279,559	506,187
-	186,609,463	122,318,202	63,687,495	-	603,766
$ 1,890,355	$ 186,609,463	$ 123,700,519	$ 64,305,182	$ 1,805,736	$ 2,299,853

EXHIBIT J-2

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 7,075,000	$ 8,305,000	$ 8,354,788	$ 49,788
5800	State Program Revenues	10,000	10,000	50,766	40,766
5900	Federal Program Revenues	702,000	702,000	842,930	140,930
5020	Total Revenues	7,787,000	9,017,000	9,248,484	231,484
	EXPENDITURES:				
	Current:				
0035	Food Services	7,455,000	8,996,000	8,936,498	59,502
0051	Facilities Maintenance and Operations	-	14,000	13,995	5
6030	Total Expenditures	7,455,000	9,010,000	8,950,493	59,507
1200	Net Change in Fund Balances	332,000	7,000	297,991	290,991
0100	Fund Balance - September 1 (Beginning)	732,199	732,199	732,199	-
3000	Fund Balance - August 31 (Ending)	$ 1,064,199	$ 739,199	$ 1,030,190	$ 290,991

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 64,300,000	$ 64,300,000	$ 64,677,378	$ 377,378
5800	State Program Revenues	220,000	220,000	246,240	26,240
5020	Total Revenues	64,520,000	64,520,000	64,923,618	403,618
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	17,641,400	17,641,400	17,216,026	425,374
0072	Interest on Long-Term Liabilities	46,778,600	46,778,600	46,536,272	242,328
0073	Bond Issuance Cost and Fees	100,000	100,000	458,904	(358,904)
6030	Total Expenditures	64,520,000	64,520,000	64,211,202	308,798
1100	Excess of Revenues Over Expenditures	-	-	712,416	712,416
	OTHER FINANCING SOURCES (USES):				
7916	Premium or Discount on Issuance of Bonds	-	-	451,383	451,383
1200	Net Change in Fund Balances	-	-	1,163,799	1,163,799
0100	Fund Balance - September 1 (Beginning)	14,912,589	14,912,589	14,912,589	-
3000	Fund Balance - August 31 (Ending)	$ 14,912,589	$ 14,912,589	$ 16,076,388	$ 1,163,799

PROSPER INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$2,514,281
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	$2,111,773

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$884,908
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	$533,678

FEDERAL AWARDS SECTION

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Members:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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HANKINS, EASTUP, DEATON, TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
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INDEPENDENT AUDITORS' 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
Prosper Independent School District
Prosper, 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 Prosper Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Prosper Independent School District's basic financial statements, and have issued our report dated December 1, 2022.

Report on 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 District'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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 1, 2022

Members:
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prosper Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Prosper Independent School District's major federal programs for the year ended August 31, 2022. Prosper Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Prosper Independent School 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 August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Prosper Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Prosper Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Prosper Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 1, 2022

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.

2. Internal control over financial reporting:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

3. Noncompliance which is material to the financial statements: None

4. Internal controls over major federal programs:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

5. Type of auditor's report on compliance for major federal programs: Unmodified.

6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No

7. Major programs include:

84.425D	ESSER Relief Fund II
84.425U	ESSER Relief Fund III
84.425U	ESSER Relief Fund III TCLAS ARP
84.425U	ESSER Supplemental

   Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program-Cash Assistance
10.555	National School Lunch Program-Noncash Assistance

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

PROSPER INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

None

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Impact Aid - P.L. 81.874 (Note A)	84.041		$ 289
Total Direct Programs			289
Passed Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101057950	75,921
*IDEA - Part B, Formula	84.027	206600010439126600	44,100
*IDEA - Part B, Formula	84.027	226600010439126600	2,443,364
*IDEA, Part B, Formula - American Rescue Act (ARP)	84.027X	225350010439125350	531,873
Total Assistance Listing Number 84.027			3,019,337
*IDEA - Part B, Preschool	84.173	226610010439126610	10,111
*IDEA, Part B, Preschool- American Rescue Act (ARP)	84.173X	225360010439125360	29,715
Total Assistance Listing Number 84.173			39,826
Total Special Education Cluster (IDEA)			3,059,163
Career and Technical - Basic Grant	84.048	22420006043912	26,071
Title III, Part A - English Language Acquisition	84.365A	22681001057950	143,023
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501057950	35,561
Summer School LEP	84.369A	69552002	10,322
ESEA, Title IV, Part A	84.424A	22680101057950	9,251
Elementary Secondary School Emergency Relief II	84.425D	21521001057950	217,217
ESSER III - ARP School Emergency Relief	84.425D	21528001057950	190,195
Texas COVID Learning Supports - (TCLAS) ESSER III	84.425U	21528042043912	18,447
Supplemental ESSER Fund	84.425U	21528043043912	6,725,413
Total Assistance Listing Number 84.425			7,151,272
Total Passed Through Texas Education Agency			10,510,584
TOTAL U.S. DEPARTMENT OF EDUCATION			10,510,873
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553	71402201	65,260
*National School Lunch Program - Cash Assistance	10.555	71302201	613,376
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302201	182,595
Total Assistance Listing Number 10.555			795,971
Total Child Nutrition Cluster			861,231
Total Passed Through the Texas Department of Agriculture			861,231
TOTAL U.S. DEPARTMENT OF AGRICULTURE			861,231
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 11,372,104

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***.

- **General Fund** - is used to account for among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.

- **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

- 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 or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the 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 in 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, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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.

- The period of performance 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 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).

- Assistance listing numbers for commodity assistance are the assistance listing numbers of the programs under which USDA donated the commodities.

- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of $1,248,413.

- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	$11,372,104
SHARS Revenue reported in the General Fund	1,094,293
Federal Excise Tax Reimbursements	117,865
Federal E-Rate Reimbursements	800,419
Tax Credit Revenue reported in the Debt Service Fund	-
Plus Revenue Received for Coronavirus Relief Fund for FY21 Expenditures	-
Total Federal Program Revenue	$13,384,681

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The SLB's land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2022, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the "Regulatory Recodification") was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

Management and Administration of the Fund

The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard").

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

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

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

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

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

Management Transition to the PSF Corporation

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

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As noted above, on January 1, 2023 the investment management responsibilities for the Fund transferred to the PSF Corporation and the merger of Fund assets previously managed by the SLB with those previously managed by the SBOE.

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

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

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

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB is no longer authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and individual real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals.

Not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws. The first audit of the PSF Corporation will be conducted following the close of the 2022-2023 fiscal year on August 31, 2023.

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

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

The Total Return Constitutional Amendment

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

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

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

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

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

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

Annual Distributions to the Available School Fund[1]

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

[1] In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.
[2] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.

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

State Fiscal Biennium	2008-09	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25
SBOE Distribution Rate[1]	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%[2]

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.

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

Asset Allocation of Fund Portfolios

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE historically reviewed the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

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

PSF 2022 Strategic Asset Allocations

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

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

PSF Corporation 2023 Strategic Asset Allocation

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

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

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

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

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

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

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

Comparative Investment Schedule - PSF(SBOE)[1]

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

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

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

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

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

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

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

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

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

Comparative Investment Schedule - PSF(SLB)

	Fair Value (in millions) August 31, 2022 and 2021			
	As of 8-31-22	As of 8-31-21	Increase (Decrease)	Percent Change
Asset Class				
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$2,718.6	$1,707.5	$1,011.1	59.2%
Infrastructure	1,622.7	1,652.3	(29.6)	-1.8%
Real Estate	1,921.2	1,276.8	644.4	50.5%
Internally Managed Direct Real Estate Investments	271.5	223.9	47.6	21.3%
Total Discretionary Real Assets Investments	6,534.0	4,860.5	1,673.5	34.4%
Dom. Equity Rec'd as In-Kind Distribution	-	1.7	(1.7)	-100.0%
Sovereign and Other Lands	428.3	405.4	22.9	5.6%
Mineral Interests	5,622.2	2,720.4	2,901.8	106.7%
Cash at State Treasury[2]	1,257.5	699.2	558.3	79.8%

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

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

As of March 2023 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 7.36%. At March 20, 2023, there were 188 active open-enrollment charter schools in the State and there were 1,095 charter school campuses authorized under such charters, though as of such date, 190 of such campuses are not currently serving students for various reasons; therefore, there are 905 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

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

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

The State Capacity Limit increased from $135,449,634,408 on August 31, 2021 to $148,789,725,175 on August 31, 2022 (but at such date the IRS Limit ($117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective March 1, 2023, the Act, as amended through the Regulatory Recodification, provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

As of January 2023, the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site projected a remaining capacity under the IRS Limit of $194.1 million out of the approximately $117.3 billion of authorized capacity. Effective March 1, 2023, the change in the Capacity Reserve from 5% to 0.25%, as discussed above, freed up approximately $5.9 billion in Guarantee Program capacity. No representation is made as to how quickly the additional capacity from changing the Capacity Reserve will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. Additional capacity could become available for new applicants from time to time, through, among other measures, the principal retirement of outstanding guaranteed bonds. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE continues to seek changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. Such changes include regulatory modifications and implementation of federal legislation, and no assurances can be given as to the timing of the foregoing or the SBOE's success in that undertaking.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.36% in March 2023. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At March 17, 2023, the Charter District Reserve Fund contained $85,259,403, which represented approximately 2.18% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

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

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

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of February 2023, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
2018	$ 33,860,358,647	$ 44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022[2]	42,511,350,050	56,754,515,757

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB.

The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately $13.4 million, $180.6 million, $5,433.0 million, and $1,257.5 million, respectively, and market values of approximately $5,622.2 million, $699.8 million, $6,262.5 million, and $1,257.52 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2018	$79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929[2]

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

(2) At August 31, 2022 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $156,825,227,335, of which $53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were $103,239,495,929 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of March 17, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 17, 2023, the amount of outstanding bond guarantees represented 89.46% of the Capacity Limit (which is currently the IRS Limit). March 17, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022[2]	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929

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

(2) At March 17, 2023 (based on unaudited data, which is subject to adjustment), there were $104,953,879,666 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,296 school district issues, aggregating $101,038,728,666 in principal amount and 99 charter district issues, aggregating $3,915,151,000 in principal amount. At March 17, 2023 the projected guarantee capacity available was $5,413,975,055 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022

The following discussion is derived from the Annual Report for the year ended August 31, 2022, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2022, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2022, the Fund balance was $56.8 billion, an increase of $1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $7.3 billion and capital commitments to private equity limited partnerships for a total of $10.1 billion. Unfunded commitments at August 31, 2022, totaled $2.4 billion in real estate investments and $2.9 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2022[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	(6.80)%	(6.37)%
Domestic Large Cap Equities(SBOE)	(11.08)	(11.23)
Domestic Small/Mid Cap Equities(SBOE)	(10.96)	(10.90)
International Equities(SBOE)	(19.72)	(19.52)
Emerging Market Equity(SBOE)	(22.85)	(21.80)
Fixed Income(SBOE)	(12.16)	(11.52)
Treasuries	(22.82)	(22.64)
Absolute Return(SBOE)	(0.55)	(5.66)
Real Estate(SBOE)	23.31	20.56
Private Equity(SBOE)	3.17	8.43
Real Return(SBOE)	2.98	3.09
Emerging Market Debt(SBOE)	(17.95)	(19.43)
Liquid Large Cap Equity(SBOE)	(10.39)	(11.23)
Liquid Small Cap Equity(SBOE)	(10.63)	(10.90)
Liquid International Equity(SBOE)	(19.34)	(19.52)
Liquid Short-Term Fixed Income(SBOE)	(4.27)	(4.01)
Liquid Core Bonds(SBOE)	(11.30)	(11.52)
Liquid TIPS(SBOE)	(5.78)	(5.98)
Liquid Transition Cash Reserves(SBOE)	1.65	0.38
Liquid Combined(SBOE)	(10.24)	(10.88)
PSF(SLB)	(32.29)	N/A

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2022, the remaining commitments totaled approximately $1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.5 billion, a decrease of $7.3 billion from fiscal year 2021 earnings of $10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 3.0% for the fiscal year ending August 31, 2022. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund, as well as increases in operational costs.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2021 and 2022, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled $600 and $415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed $103.2 billion in bonds issued by 898 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,554 school district and charter district bond issues totaling $239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by $7.98 billion or 8.4%. The State Capacity Limit increased by $13.3 billion, or 9.8%, during fiscal year 2022 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two capacity limits for the Guarantee Program.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2022, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022 TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

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

Financial Advisory Services
Provided By:

SAMCO Capital