

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

OFFICIAL STATEMENT
Dated: January 10, 2024

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$76,250,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Denton and Collin Counties, Texas)
Unlimited Tax Refunding Bonds, Series 2024

Dated Date: January 15, 2024

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

The Frisco Independent School District Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code (together, the "Act"), as amended, and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on April 4, 2023 by the Board of Trustees (the "Board") of the Frisco Independent School District (the "District"). As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on January 10, 2024, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2024, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").

The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2034 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about February 15, 2024.

RBC CAPITAL MARKETS

PIPER SANDLER & CO.

\$76,250,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Denton and Collin Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2024

MATURITY SCHEDULE
Base CUSIP No: 35880C⁽¹⁾

Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix⁽¹⁾
2025	\$2,355,000	5.00%	2.91%	3J1
2026	2,480,000	5.00	2.68	3K8
2027	2,605,000	5.00	2.56	3L6
2028	2,740,000	5.00	2.45	3M4
2029	2,875,000	5.00	2.40	3N2
2030	3,025,000	5.00	2.41	3P7
2031	3,180,000	5.00	2.43	3Q5
2032	3,345,000	5.00	2.46	3R3
2033	3,510,000	5.00	2.47	3S1
2034	3,695,000	5.00	2.47	3T9
2035	3,885,000	5.00	2.55 ⁽²⁾	3U6
2036	3,840,000	5.00	2.68 ⁽²⁾	3V4
2037	4,035,000	5.00	2.77 ⁽²⁾	3W2
2038	4,245,000	5.00	2.94 ⁽²⁾	3X0
2039	4,465,000	5.00	3.03 ⁽²⁾	3Y8
2040	4,695,000	5.00	3.15 ⁽²⁾	3Z5
2041	4,935,000	5.00	3.27 ⁽²⁾	4A9
2042	5,185,000	5.00	3.34 ⁽²⁾	4B7
2043	5,455,000	5.00	3.40 ⁽²⁾	4C5
2044	5,700,000	4.00	3.86 ⁽²⁾	4D3

(Interest to accrue from the Dated Date)

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⁽²⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2034, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

FRISCO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Term Expires</u>	<u>Length of Service</u>	<u>Occupation</u>
Dynette Davis, President	2026	3 Years	Educator and Entrepreneur
Gopal Ponangi, Vice President	2025	4 Years	Senior Manager
Rene Archambault, Secretary	2024	5 Years	Deputy Director
John Classe, Member	2024	9 Years	Financial Planner
Stephanie Elad, Member	2025	1 Year	Vice President of HR
Mark Hill, Member	2026	7 Months	Partner
Marvin Lowe, Member	2025	1 Year	Real Estate Broker

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>
Dr. Mike Waldrip	Superintendent	41 Years
Dr. Todd Fouche	Deputy Superintendent	20 Years
Dr. Wes Cunningham	Associate Deputy Superintendent	30 Years
Dr. Christy Fiori	Chief Academic Officer	23 Years
Dr. Pam Linton	Chief Human Resources Officer	33 Years
Cory McClendon	Chief Leadership Officer	24 Years
Amanda McCune	Chief Communications Officer	7 Years
Cheryl McDonald	Chief Technology Officer	29 Years
Erin Miller	Chief Student Services Officer	27 Years
Kimberly Smith	Chief Financial Officer	12 Years
Scott Warstler	Chief Operations Officer	26 Years

CONSULTANTS AND ADVISORS

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

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Frisco Independent School District (the "District") is a political subdivision of the State of Texas located in Denton and Collin Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of \$76,250,000 pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code (together, the "Act"), as amended, and the order (the "Bond Order") adopted by the Board of Trustees on April 4, 2023. As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials, each a "Pricing Officer" to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate and the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on January 10, 2024, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Refunded Bonds" and "Schedule I – Schedule of Refunded Bonds").
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be guaranteed by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
Optional Redemption	The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2034 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the 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 S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's unenhanced, underlying ratings, including the Bonds, are "Aa1" by Moody's and "AA+" by S&P, respectively. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel" herein).
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about February 15, 2024.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedule I and the Appendices attached hereto, has been prepared by the Frisco Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Denton and Collin Counties, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2024 (the "Bonds") identified on page ii hereof.

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

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

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

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of \$76,250,000 pursuant to the Constitution and general laws of the State, including particularly Chapter 1207 and 1371, Texas Government Code (together, the "Act"), as amended, and an order (the "Bond Order") adopted on April 4, 2023 by the Board of Trustees of the District (the "Board") which authorizes the issuance of the Bonds. As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials each, a "Pricing Officer", to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate and the Bond Order are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on January 10, 2024, which completed the sale of the Bonds.

Refunded Bonds

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriters, the District will deposit with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the escrow agent for the Refunded Bonds (the "Escrow Agent"), an amount, together with other lawfully available funds of the District which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their applicable redemption date (the "Redemption Date") as shown on Schedule I hereto. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") in cash or invested in Defeasance Securities authorized by Section 1207.062 Texas Government Code and the bond order authorizing the Refunded Bonds ("Defeasance Securities") until the Redemption Date for the Refunded Bonds. Such maturing principal of and interest on the Defeasance Securities will not be available to pay the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amounts initially deposited with the Escrow Agent to pay the principal of and interest on the Refunded Bonds on the Redemption Date (the "Sufficiency Certificate"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

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

Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds are dated January 15, 2024 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds is payable initially on August 15, 2024, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

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

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

Optional Redemption

The Bonds maturing on and after February 15, 2035 are subject to redemption at the option of the District in whole or in part in principal amounts of \$5,000 or any multiple thereof, on February 15, 2034 or any date thereafter, at a price equal to the principal

amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption and DTC Notices

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

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

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

Security

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

Permanent School Fund Guarantee

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

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

Legality

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

Payment Record

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

Amendments

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

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

Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means 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 Bond 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.

Sources and Uses of Funds

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

Sources

Par Amount of Bonds	\$ 76,250,000.00
Reoffering Premium	10,955,929.05
Accrued Interest	312,958.33
Issuer Contribution	2,453,266.67
Total Sources of Funds	\$ 89,972,154.05

Uses

Deposit to Escrow Fund	\$ 88,908,027.08
Costs of Issuance	354,313.01
Deposit to Interest and Sinking Fund	312,958.33
Underwriters' Discount	396,855.63
Total Uses of Funds	\$ 89,972,154.05

REGISTERED OWNERS' REMEDIES

The Bond Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, 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 the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (see "THE BONDS – Authorization and Purpose" herein), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages, beyond Chapter 1371, bondholders may not be able to bring

such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "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 Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date for Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. 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 (the "Finance System") as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. See "—2023 Legislative Sessions," below. 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. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding for school districts 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: (i) a maintenance and operations ("M&O") tax to pay current expenses and (ii) an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. School districts are required 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 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.

2023 Legislative Sessions

The regular session of the 88th Texas Legislature (the "88th Regular Session") began on January 10, 2023 and adjourned on May 29, 2023. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025. See "— State Funding for School Districts — Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus. The Legislature set aside approximately \$4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during either the first, second or third called special sessions of the 88th Texas Legislature.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions").

During the second called special session, legislation was passed to (i) reduce the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increase the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibit school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) establish a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expand the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. A focus of the legislation passed during the second called special session was effecting a reduction in the amount of property taxes paid by homeowners and businesses. The implementation of this legislation will result in an increase to the State's share of the cost of funding public education.

The District can make no representations or predictions regarding the scope of additional legislation that may be considered during any additional called special sessions or the potential impact of such legislation at this time.

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. Such distinctions are discussed under the subcaption "— Local Revenue Level in Excess of Entitlement" herein.

State Compression Percentage

The "State Compression Percentage" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2024, the SCP is set at 68.80%.

Maximum Compressed Tax Rate

The "Maximum Compressed Tax Rate" or 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 (described below) 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 two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). 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 2023 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2023-2024 school year, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor. The reduction in MCR was approved by voters at an election held on November 7, 2023. See "— 2023 Legislative Sessions."

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 for such year. 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 "– State Funding for School Districts – Tier Two" herein.

State Funding for School Districts

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

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

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 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 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 Legislature.

Tier One

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

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

The fast growth allotment weights are 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 \$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 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$126.21 per student in WADA in 2024 and \$129.52 per student in WADA in 2025 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 2024-2025 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 the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education 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 Education 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 2024-2025 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the 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 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 Legislature for the 2024-2025 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 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. See "— 2023 Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

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. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Education 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 Education 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 Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in the 2023-2024 school year, in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. Furthermore, 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 Education 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 in excess of entitlement, 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," below. 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.

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six (6) 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 Education 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 Education Commissioner do not provide for assumption of any of the transferring school district's existing debt.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2023-2024 school year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2023-24 school year, for the purpose of implementing permitted wealth equalization options.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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 \$100,000 exemption of the appraised value of all homesteads (increased from \$40,000 beginning with the 2023 tax year), (2) a \$10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of legislation passed during the second called special session and the November 7, 2023 State-wide election at which voters approved an

amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from \$40,000 to \$100,000.

Local Option Homestead Exemptions

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap takes effect on January 1, 2024.

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 – 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 – 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 prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. 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”).

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district’s property that is not fully taxable is excluded from the school district’s taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

In the 88th Legislative Session, House Bill 5 (“HB 5” or “The Texas Jobs, Energy, Technology, and Innovation Act”) was adopted to create an economic development program, subject to State oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. The effective date of HB 5 was January 1, 2024 and the District is currently monitoring the State’s implementation of this new economic development program.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57.2 million 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 October 6, 2001 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

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

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

Split payments are not permitted. Discounts are not permitted.

The District does not tax freeport property. For the 2022/23 fiscal year, property valued at \$56,326,970 was eligible for the freeport exemption. See "Appendix A – Financial Information of the District - Assessed Valuation" for a listing of the amounts of the exemptions described above.

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

The District has not granted any tax abatements.

The District does not tax non-business personal property.

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

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

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District does participate in a tax increment reinvestment zone. The City of Frisco, Texas (the "City"), pursuant to Texas Tax Code, Chapter 311 has designated an area within the City as a reinvestment zone known as Reinvestment Zone Number One, City of Frisco, Texas (the "Zone") to promote development within the area. In designating the area as a reinvestment zone, the City has provided for certain improvements to be constructed using tax increment financing, i.e., a tax increment base is established for real property in the area within the reinvestment zone as of the year of its designation and property taxes levied by the city creating the reinvestment zone and other participating overlapping taxing units against the taxable values of such real property in excess of the tax increment base (the "Captured Appraised Value") are deposited into a tax increment fund ("TIF") to fund projects within the reinvestment zone in accordance with a "Project Plan" and "Financing Plan" approved for the reinvestment zone. The tax increment base value of the Zone for the District is \$16,059,872 and the Captured Appraised Value in the Zone for the 2023/2024 tax year is approximately \$2,590,648,517. The District has agreed to participate in the Zone by contributing 100% of its taxes collected against the Captured Appraised Value in the TIF and such taxes remitted to the TIF will not be available for operations of the District. The Zone was created by the City in accordance with the requirements of Section 403.302(d) of the Texas Government Code. Accordingly, the Commissioner of Education does not include the Captured Appraised Value of property that is located in the Zone in determining the District's property value wealth per student. See "AD VALOREM TAX PROCEDURES."

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan with the State of Texas; the Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Upon an employee's retirement, the District is no longer obligated to make contributions to the TRS-Care on behalf of such retired employee. (For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care, see "Note 11" in the audited financial statements of the District for the year ended June 30, 2023, set forth in Appendix D hereto) As a result of its participation in TRS and TRS-Care and having no other postemployment retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement No. 45. (See "Note 11" in the audited financial statements of the District for the year ended June 30, 2023, set forth in Appendix D hereto).

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

RATINGS

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

An explanation of the significance of such rating may be obtained from Moody’s and S&P. The rating of the Bonds by Moody’s and S&P reflect 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 S&P, if, in the judgment of Moody’s and S&P, 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 Moody’s and S&P. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

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

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

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate and the Sufficiency Certificate of SAMCO Capital Markets, Inc. relating to the refunding of the Refunded Bonds, (b) covenants of the District with respect to arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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.

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.

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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

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

described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District is also authorized to purchase, sell, and invest its funds in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than AA- or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

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

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying

the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

FINANCIAL ADVISOR

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

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

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 PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

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

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of \$396,855.63 plus accrued interest from the Dated Date to the date of initial delivery of the Bonds. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

Piper Sandler & Co., one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

CONCLUDING STATEMENT

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

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

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

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

/s/ Kimberly Smith

Pricing Officer

FRISCO INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds

Unlimited Tax School Building & Refunding Bonds, Series 2014

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2024	35880CMX9	\$ 2,915,000.00	4.000%	\$ 2,915,000.00	February 20, 2024	\$ -
8/15/2025	35880CMY7	3,035,000.00	4.000%	3,035,000.00	February 20, 2024	-
8/15/2026	35880CMZ4	3,160,000.00	4.000%	3,160,000.00	February 20, 2024	-
8/15/2027	35880CNA8	3,285,000.00	4.000%	3,285,000.00	February 20, 2024	-
8/15/2028	35880CNB6	3,415,000.00	3.000%	3,415,000.00	February 20, 2024	-
8/15/2029	35880CNC4	3,515,000.00	3.000%	3,515,000.00	February 20, 2024	-
8/15/2030	35880CND2	3,620,000.00	3.250%	3,620,000.00	February 20, 2024	-
8/15/2031	35880CNE0	3,740,000.00	4.000%	3,740,000.00	February 20, 2024	-
8/15/2032	35880CNF7	3,890,000.00	4.000%	3,890,000.00	February 20, 2024	-
8/15/2033	35880CNG5	4,040,000.00	4.000%	4,040,000.00	February 20, 2024	-
8/15/2034	35880CNH3	4,205,000.00	4.000%	4,205,000.00	February 20, 2024	-
8/15/2035	35880CNJ9	4,375,000.00	4.000%	4,375,000.00	February 20, 2024	-
8/15/2036	35880CNK6	4,315,000.00	4.000%	4,315,000.00	February 20, 2024	-
8/15/2037	35880CNL4	4,485,000.00	4.000%	4,485,000.00	February 20, 2024	-
8/15/2038	35880CNM2	4,665,000.00	4.000%	4,665,000.00	February 20, 2024	-
8/15/2039	35880CNN0	4,855,000.00	4.000%	4,855,000.00	February 20, 2024	-
8/15/2040	35880CNP5	5,050,000.00	4.000%	5,050,000.00	February 20, 2024	-
8/15/2041	35880CNQ3	5,250,000.00	4.000%	5,250,000.00	February 20, 2024	-
8/15/2042		5,460,000.00 ⁽¹⁾	4.000%	5,460,000.00 ⁽¹⁾	February 20, 2024	-
8/15/2043		5,680,000.00 ⁽¹⁾	4.000%	5,680,000.00 ⁽¹⁾	February 20, 2024	-
8/15/2044	35880CNT7	5,905,000.00 ⁽¹⁾	4.000%	5,905,000.00 ⁽¹⁾	February 20, 2024	-
		<u>\$ 88,860,000.00</u>		<u>\$ 88,860,000.00</u>		<u>\$ -</u>

⁽¹⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$17,045,000 that matures August 15, 2044.

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APPENDIX A
FINANCIAL INFORMATION OF THE DISTRICT

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FRISCO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2023/24 Total Valuation..... \$ 77,112,256,828

Less Exemptions & Deductions ⁽²⁾:

State Homestead Exemption	\$ 5,561,062,243
State Over-65 Exemption	91,534,653
Disabled Exemption	220,010,071
Veterans Exemption	7,877,920
Surviving Spouse Disabled Veteran Exemption	6,140,556
Surviving Spouse Killed in Action Exemption	587,720
Freeport Exemption	56,228,783
Pollution Control Exemption	4,083,945
Productivity Loss	1,350,735,894
Solar / Wind Exemption	14,932,698
Homestead Cap Loss	7,652,129,389
	<u>\$ 14,965,323,872</u>

2023/24 Net Taxable Valuation \$ 62,146,932,956

(1) Source: Certified Values from the Collin and Denton Central Appraisal Districts as of July 2023. The passage of a Texas Constitutional Amendment on November 7, 2023 election increased the homestead exemption from \$40,000 to \$100,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled \$627,087,229 in 2022/23.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding ⁽¹⁾	\$ 2,230,853,779
Less: The Refunded Bonds	(88,860,000)
Plus: The Bonds	<u>76,250,000</u>
Total Unlimited Tax Bonds ⁽¹⁾	\$ 2,218,243,779
Less: Interest & Sinking Fund Balance (As of June 30, 2023) ⁽²⁾	<u>(136,243,894)</u>
Net General Obligation Debt	\$ 2,081,999,885

Ratio of Net G.O. Debt to Net Taxable Valuation ⁽³⁾ 3.35%

2024 Population Estimate ⁽⁴⁾	239,882
Per Capita Net Taxable Valuation	\$259,073
Per Capita Net G.O. Debt	\$8,679

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Frisco ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2023" in Appendix D for more information relative to the District's outstanding obligations.
(4) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation ⁽¹⁾	Tax Rate	% Collections ⁽⁶⁾	
			Current ⁽⁷⁾	Total ⁽⁷⁾
2006/07	\$ 12,291,132,177 ⁽¹⁾	\$ 1.5800 ⁽⁸⁾	98.63%	99.51%
2007/08	14,921,727,758 ⁽¹⁾	1.3500 ⁽⁸⁾	98.75%	100.01%
2008/09	16,633,310,020 ⁽¹⁾	1.3700	98.38%	100.01%
2009/10	17,179,508,143 ⁽¹⁾	1.3900	98.24%	99.66%
2010/11	16,875,840,490 ⁽¹⁾	1.3900	98.84%	100.01%
2011/12	17,504,186,578 ⁽¹⁾	1.4200	99.18%	100.77%
2012/13	18,411,180,611 ⁽¹⁾	1.4600	99.34%	100.05%
2013/14	20,072,774,219 ⁽¹⁾	1.4600	99.11%	99.62%
2014/15	23,005,771,528 ⁽¹⁾	1.4600	99.14%	98.94%
2015/16	26,230,139,504 ⁽¹⁾⁽²⁾	1.4600	99.41%	100.70%
2016/17	30,621,651,034 ⁽¹⁾⁽²⁾	1.4600	99.30%	99.64%
2017/18	35,570,550,343 ⁽¹⁾⁽²⁾	1.4600	99.59%	100.34%
2018/19	40,349,486,303 ⁽¹⁾⁽²⁾	1.4400	99.33%	99.70%
2019/20	43,491,816,275 ⁽¹⁾⁽²⁾	1.3383 ⁽⁹⁾	99.37%	100.27%
2020/21	46,267,939,261 ⁽¹⁾⁽²⁾	1.3102	99.27%	99.81%
2021/22	49,483,508,443 ⁽¹⁾⁽²⁾	1.2672	99.51%	100.28%
2022/23	57,110,581,645 ⁽¹⁾⁽³⁾	1.2129	99.38%	99.66%
2023/24	62,146,932,956 ⁽⁴⁾⁽⁵⁾	1.0275	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.
(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.
(4) Source: Certified Values from the Collin and Denton Central Appraisal Districts as of July 2023.
(5) The passage of a Texas Constitutional Amendment on November 7, 2023 election increased the homestead exemption from \$40,000 to \$100,000.
(6) Source: Frisco ISD Audited Financial Statements.
(7) Excludes penalties and interest.
(8) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(9) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX RATE DISTRIBUTION ⁽¹⁾

	2019/20 ⁽²⁾	2020/21	2021/22	2022/23	2023/24
Maintenance & Operations	\$1.0683	\$1.0402	\$0.9972	\$0.9429	\$0.7575
Debt Service	\$0.2700	\$0.2700	\$0.2700	\$0.2700	\$0.2700
Total Tax Rate	\$1.3383	\$1.3102	\$1.2672	\$1.2129	\$1.0275

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

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

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding ⁽¹⁾	Ratio Debt to A.V. ⁽²⁾
2006/07	\$ 12,291,132,177	\$ 802,862,979	6.53%
2007/08	14,921,727,758	992,862,979	6.65%
2008/09	16,633,310,020	1,163,469,342	6.99%
2009/10	17,179,508,143	1,178,615,745	6.86%
2010/11	16,875,840,490	1,265,634,232	7.50%
2011/12	17,504,186,578	1,310,323,851	7.49%
2012/13	18,411,180,611	1,353,110,843	7.35%
2013/14	20,072,774,219	1,524,710,843	7.60%
2014/15	23,005,771,528	1,741,980,843	7.57%
2015/16	26,230,139,504	1,851,248,851	7.06%
2016/17	30,621,651,034	1,884,538,851	6.15%
2017/18	35,570,550,343	1,884,983,851	5.30%
2018/19	40,349,486,303	1,952,677,591	4.84%
2019/20	43,491,816,275	1,966,343,118	4.52%
2020/21	46,267,939,261	2,149,080,696	4.64%
2021/22	49,483,508,443	2,258,595,227	4.56%
2022/23	57,110,581,645	2,260,453,779	3.96%
2023/24	62,146,932,956 ⁽³⁾	2,174,765,934 ⁽⁴⁾	3.50%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes interest accreted on outstanding capital appreciation bonds.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2023" in Appendix D for more information.

(3) Source: Certified Values from the Collin and Denton Central Appraisal Districts as of July 2023. The passage of a Texas Constitutional Amendment on November 7, 2023 election increased the homestead exemption from \$40,000 to \$100,000.

(4) Includes the Bonds and excludes the Refunded Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Collin County	\$ 721,825,000	20.17%	\$ 145,592,103
Collin County CCD	480,350,000	20.17%	96,886,595
Denton County	624,655,000	10.98%	68,587,119
Frisco West WC&ID of Denton County	35,081,000	99.35%	34,852,974
City of Frisco	575,257,313	88.63%	509,850,556
Town of Little Elm	53,603,052	28.47%	15,260,789
City of McKinney	416,440,000	18.35%	76,416,740
City of Plano	560,985,000	13.87%	77,808,620
City of The Colony	65,975,713	0.16%	-
Total Overlapping Debt ⁽¹⁾			\$ 1,025,255,494
Frisco Independent School District ⁽²⁾			2,081,999,885
Total Direct & Overlapping Debt ⁽²⁾			\$ 3,107,255,379
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		5.00%	
Per Capita Direct & Overlapping Debt		\$12,953	

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

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

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**2023/24 Top Ten Taxpayers ⁽¹⁾**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
JP Morgan Chase Bank NA	Banking & Finance	\$ 758,487,600	1.22%
Liberty Mutual Plano LLC	Banking & Finance	390,006,849	0.63%
Toyota Motor North America Inc	Automotive	265,206,953	0.43%
Capital One National Association	Banking & Finance	235,215,970	0.38%
Blue Star HQ Inc	Real Estate Development	225,596,462	0.36%
5765 Bozeman (TX) Owner LP	Real Estate Development	214,210,789	0.34%
BRE Retail Residual Owner 1 LLC	Real Estate Development	173,747,715	0.28%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	166,964,776	0.27%
Blue Star Land Phase III LLC	Real Estate Development	159,371,836	0.26%
Bell Fund VII Frisco Market Center LLC	Real Estate Development	151,000,000	0.24%
		\$ 2,739,808,950	4.41%

2022/23 Top Ten Taxpayers ⁽²⁾

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
JP Morgan Chase Bank NA	Banking & Finance	\$ 626,490,539	1.10%
Liberty Mutual Plano LLC	Banking & Finance	381,938,992	0.67%
Toyota Motor North America Inc	Automotive	261,511,678	0.46%
Capital One National Association	Banking & Finance	235,215,970	0.41%
Blue Star HQ Inc	Real Estate Development	217,920,051	0.38%
BPR Shopping Center LP	Real Estate Development	158,600,000	0.28%
5765 Bozeman (TX) Owner LP	Real Estate Development	157,445,023	0.28%
Blue Star Land Phase III LLC	Real Estate Development	151,587,636	0.27%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	147,621,308	0.26%
Bell Fund VII Frisco Market Center LLC	Real Estate Development	128,988,155	0.23%
		\$ 2,467,319,352	4.32%

2021/22 Top Ten Taxpayers ⁽²⁾

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

(1) Source: Collin and Denton Central Appraisal Districts.

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

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ⁽¹⁾

Category	2023/24 ⁽²⁾	% of Total	2022/23 ⁽³⁾	% of Total	2021/22 ⁽³⁾	% of Total
Real, Residential, Single-Family	\$ 51,253,792,017	66.47%	\$ 42,941,811,664	65.07%	\$ 31,700,467,837	60.30%
Real, Residential, Multi-Family	7,661,225,123	9.94%	6,515,780,179	9.87%	5,545,805,013	10.55%
Real, Vacant Lots/Tracts	1,273,030,915	1.65%	1,011,689,455	1.53%	1,019,017,715	1.94%
Real, Qualified Land & Improvements	1,351,690,749	1.75%	1,300,765,880	1.97%	1,360,286,585	2.59%
Real, Non-Qualified Land & Improvements	147,758,288	0.19%	133,248,305	0.20%	88,891,677	0.17%
Real, Commercial & Industrial	12,788,966,701	16.58%	11,552,730,897	17.51%	10,479,963,916	19.93%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	394,039,037	0.51%	385,871,268	0.58%	346,669,753	0.66%
Tangible Personal, Commercial	1,733,740,341	2.25%	1,602,292,907	2.43%	1,470,220,405	2.80%
Tangible Personal, Industrial	21,999,519	0.03%	10,502,255	0.02%	818,558	0.00%
Tangible Personal, Mobile Homes & Other	1,315,776	0.00%	756,447	0.00%	516,596	0.00%
Tangible Personal, Residential Inventory	383,865,245	0.50%	446,876,316	0.68%	506,849,197	0.96%
Tangible Personal, Special Inventory	<u>100,833,117</u>	<u>0.13%</u>	<u>86,818,163</u>	<u>0.13%</u>	<u>53,373,962</u>	<u>0.10%</u>
Total Appraised Value	\$ 77,112,256,828	100.00%	\$ 65,989,143,736	100.00%	\$ 52,572,881,214	100.00%
Less:						
Homestead Cap Adjustment	\$ 7,652,129,389		\$ 5,071,095,181		\$ 95,763,205	
Productivity Loss	1,350,735,894		1,299,757,779		1,359,268,267	
Exemptions	<u>5,962,458,589 ⁽⁴⁾</u>		<u>2,507,709,131 ⁽⁵⁾</u>		<u>1,634,341,299 ⁽⁶⁾</u>	
Total Exemptions/Deductions ⁽⁷⁾	<u>\$ 14,965,323,872</u>		<u>\$ 8,878,562,091</u>		<u>\$ 3,089,372,771</u>	
Net Taxable Assessed Valuation	\$ 62,146,932,956		\$ 57,110,581,645		\$ 49,483,508,443	

Category	2020/21 ⁽³⁾	% of Total	2019/20 ⁽³⁾	% of Total	2018/19 ⁽³⁾	% of Total
Real, Residential, Single-Family	\$ 28,858,661,067	58.60%	\$ 27,700,222,652	59.35%	\$ 26,446,203,218	60.78%
Real, Residential, Multi-Family	5,143,741,573	10.44%	4,312,749,169	9.24%	3,475,935,845	7.99%
Real, Vacant Lots/Tracts	818,924,974	1.66%	716,778,295	1.54%	592,806,009	1.36%
Real, Qualified Land & Improvements	1,377,349,895	2.80%	1,555,046,008	3.33%	1,544,597,794	3.55%
Real, Non-Qualified Land & Improvements	363,530,881	0.74%	386,943,453	0.83%	534,068,422	1.23%
Real, Commercial & Industrial	10,126,029,542	20.56%	9,323,706,887	19.98%	8,646,055,811	19.87%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	320,762,579	0.65%	302,354,814	0.65%	257,452,561	0.59%
Tangible Personal, Commercial	1,509,492,044	3.07%	1,537,040,764	3.29%	1,273,966,735	2.93%
Tangible Personal, Industrial	994,819	0.00%	877,346	0.00%	832,856	0.00%
Tangible Personal, Mobile Homes & Other	412,098	0.00%	415,622	0.00%	266,728	0.00%
Tangible Personal, Residential Inventory	672,350,754	1.37%	783,004,960	1.68%	672,135,531	1.54%
Tangible Personal, Special Inventory	<u>53,736,219</u>	<u>0.11%</u>	<u>56,519,910</u>	<u>0.12%</u>	<u>64,448,618</u>	<u>0.15%</u>
Total Appraised Value	\$ 49,245,986,445	100.00%	\$ 46,675,659,880	100.00%	\$ 43,508,770,128	100.00%
Less:						
Homestead Cap Adjustment	\$ 39,391,242		\$ 80,754,171		\$ 173,942,795	
Productivity Loss	1,376,255,377		1,553,825,560		1,543,114,334	
Exemptions	<u>1,562,400,565 ⁽⁶⁾</u>		<u>1,549,263,874 ⁽⁶⁾</u>		<u>1,442,226,696 ⁽⁶⁾</u>	
Total Exemptions/Deductions ⁽⁷⁾	<u>\$ 2,978,047,184</u>		<u>\$ 3,183,843,605</u>		<u>\$ 3,159,283,825</u>	
Net Taxable Assessed Valuation	\$ 46,267,939,261		\$ 43,491,816,275		\$ 40,349,486,303	

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

(2) Source: Certified Values from the Collin and Denton Central Appraisal Districts as of July 2023.

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

(4) The passage of a Texas Constitutional Amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

(5) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

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

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

PRINCIPAL REPAYMENT SCHEDULE ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Bonds ⁽²⁾	Less: Refunded Bonds	Plus: The Bonds	Total ⁽²⁾	Bonds Unpaid At Year End	Percent of Principal Retired
2024	\$ 75,992,844.10	\$ 2,915,000.00	\$ -	\$ 73,077,844.10	\$ 2,174,765,934.45	3.25%
2025	77,932,677.75	3,035,000.00	2,355,000.00	77,252,677.75	2,097,513,256.70	6.69%
2026	84,509,730.30	3,160,000.00	2,480,000.00	83,829,730.30	2,013,683,526.40	10.42%
2027	88,271,872.70	3,285,000.00	2,605,000.00	87,591,872.70	1,926,091,653.70	14.31%
2028	90,275,218.55	3,415,000.00	2,740,000.00	89,600,218.55	1,836,491,435.15	18.30%
2029	90,377,325.85	3,515,000.00	2,875,000.00	89,737,325.85	1,746,754,109.30	22.29%
2030	105,105,115.10	3,620,000.00	3,025,000.00	104,510,115.10	1,642,243,994.20	26.94%
2031	101,057,801.00	3,740,000.00	3,180,000.00	100,497,801.00	1,541,746,193.20	31.41%
2032	105,468,770.00	3,890,000.00	3,345,000.00	104,923,770.00	1,436,822,423.20	36.08%
2033	95,259,731.20	4,040,000.00	3,510,000.00	94,729,731.20	1,342,092,692.00	40.29%
2034	98,642,692.00	4,205,000.00	3,695,000.00	98,132,692.00	1,243,960,000.00	44.66%
2035	125,965,000.00	4,375,000.00	3,885,000.00	125,475,000.00	1,118,485,000.00	50.24%
2036	123,305,000.00	4,315,000.00	3,840,000.00	122,830,000.00	995,655,000.00	55.71%
2037	133,035,000.00	4,485,000.00	4,035,000.00	132,585,000.00	863,070,000.00	61.60%
2038	108,420,000.00	4,665,000.00	4,245,000.00	108,000,000.00	755,070,000.00	66.41%
2039	112,070,000.00	4,855,000.00	4,465,000.00	111,680,000.00	643,390,000.00	71.38%
2040	116,135,000.00	5,050,000.00	4,695,000.00	115,780,000.00	527,610,000.00	76.53%
2041	120,115,000.00	5,250,000.00	4,935,000.00	119,800,000.00	407,810,000.00	81.86%
2042	82,890,000.00	5,460,000.00	5,185,000.00	82,615,000.00	325,195,000.00	85.53%
2043	67,115,000.00	5,680,000.00	5,455,000.00	66,890,000.00	258,305,000.00	88.51%
2044	56,875,000.00	5,905,000.00	5,700,000.00	56,670,000.00	201,635,000.00	91.03%
2045	43,575,000.00	-	-	43,575,000.00	158,060,000.00	92.97%
2046	35,930,000.00	-	-	35,930,000.00	122,130,000.00	94.57%
2047	26,800,000.00	-	-	26,800,000.00	95,330,000.00	95.76%
2048	26,125,000.00	-	-	26,125,000.00	69,205,000.00	96.92%
2049	24,365,000.00	-	-	24,365,000.00	44,840,000.00	98.01%
2050	17,895,000.00	-	-	17,895,000.00	26,945,000.00	98.80%
2051	15,565,000.00	-	-	15,565,000.00	11,380,000.00	99.49%
2052	9,075,000.00	-	-	9,075,000.00	2,305,000.00	99.90%
2053	2,305,000.00	-	-	2,305,000.00	-	100.00%
Total	<u>\$ 2,260,453,778.55</u>	<u>\$ 88,860,000.00</u>	<u>\$ 76,250,000.00</u>	<u>\$ 2,247,843,778.55</u>		

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

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

DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year Ending 8/31	Less:		Plus:			Combined Total ^{(2) (3) (4) (5)}
	Outstanding Debt Service ⁽²⁾	Refunded Debt Service ⁽³⁾	The Bonds ⁽⁴⁾			
			Principal	Interest	Total	
2024	\$ 172,134,372.45	\$ 2,190,708.33	\$ -	\$ 2,190,708.33	\$ 2,190,708.33	\$ 172,134,372.45
2025	172,131,288.00	6,376,350.00	2,355,000.00	3,696,625.00	6,051,625.00	171,806,563.00
2026	172,131,238.80	6,379,950.00	2,480,000.00	3,575,750.00	6,055,750.00	171,807,038.80
2027	172,133,348.25	6,378,550.00	2,605,000.00	3,448,625.00	6,053,625.00	171,808,423.25
2028	172,132,089.37	6,377,150.00	2,740,000.00	3,315,000.00	6,055,000.00	171,809,939.37
2029	172,132,326.54	6,374,700.00	2,875,000.00	3,174,625.00	6,049,625.00	171,807,251.54
2030	172,135,033.19	6,374,250.00	3,025,000.00	3,027,125.00	6,052,125.00	171,812,908.19
2031	172,132,912.79	6,376,600.00	3,180,000.00	2,872,000.00	6,052,000.00	171,808,312.79
2032	172,132,082.84	6,377,000.00	3,345,000.00	2,708,875.00	6,053,875.00	171,808,957.84
2033	172,131,044.10	6,371,400.00	3,510,000.00	2,537,500.00	6,047,500.00	171,807,144.10
2034	172,132,305.70	6,374,800.00	3,695,000.00	2,357,375.00	6,052,375.00	171,809,880.70
2035	172,134,273.01	6,376,600.00	3,885,000.00	2,167,875.00	6,052,875.00	171,810,548.01
2036	172,131,202.38	6,141,600.00	3,840,000.00	1,974,750.00	5,814,750.00	171,804,352.38
2037	172,134,115.06	6,139,000.00	4,035,000.00	1,777,875.00	5,812,875.00	171,807,990.06
2038	138,762,871.13	6,139,600.00	4,245,000.00	1,570,875.00	5,815,875.00	138,439,146.13
2039	138,761,870.88	6,143,000.00	4,465,000.00	1,353,125.00	5,818,125.00	138,436,995.88
2040	138,763,703.21	6,143,800.00	4,695,000.00	1,124,125.00	5,819,125.00	138,439,028.21
2041	138,761,791.36	6,141,800.00	4,935,000.00	883,375.00	5,818,375.00	138,438,366.36
2042	98,047,363.76	6,141,800.00	5,185,000.00	630,375.00	5,815,375.00	97,720,938.76
2043	79,109,448.76	6,143,400.00	5,455,000.00	364,375.00	5,819,375.00	78,785,423.76
2044	66,292,128.76	6,141,200.00	5,700,000.00	114,000.00	5,814,000.00	65,964,928.76
2045	50,749,944.38	-	-	-	-	50,749,944.38
2046	41,405,718.13	-	-	-	-	41,405,718.13
2047	30,889,940.63	-	-	-	-	30,889,940.63
2048	29,242,200.01	-	-	-	-	29,242,200.01
2049	26,538,943.76	-	-	-	-	26,538,943.76
2050	19,185,018.76	-	-	-	-	19,185,018.76
2051	16,276,393.76	-	-	-	-	16,276,393.76
2052	9,343,303.13	-	-	-	-	9,343,303.13
2053	2,353,981.25	-	-	-	-	2,353,981.25
	\$ 3,434,342,254.15	\$ 127,603,258.33	\$ 76,250,000.00	\$ 44,864,958.33	\$ 121,114,958.33	\$ 3,427,853,954.15

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

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

(3) Reflects the standard, budgeted interest on the existing bonds in the amount of \$2,453,266.67 that must be paid at the closing of the refunding bonds.

(4) Includes accrued interest in the amount of \$312,958.33.

(5) Based on it's wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2023/24. 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" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement ⁽¹⁾	\$ 172,134,372.45
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption ⁽²⁾	3,210,000.00
Projected Net Debt Service Requirement ^{(1) (2)}	<u>\$ 168,924,372.45</u>
 \$0.27456 Tax Rate @ 99% Collections Produces	 \$ 168,924,372.45
 2023/24 Net Taxable Assessed Valuation ⁽³⁾	 \$ 62,146,932,956

(1) Includes the Bonds and excludes the Refunded 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" in this Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2023/24, but will receive additional state aid for the increase in the homestead exemption which took effect in 2023/24.

(3) Source: Certified Values from the Collin and Denton Central Appraisal Districts as of July 2023. The passage of a Texas Constitutional Amendment on November 7, 2023 election increased the homestead exemption from \$40,000 to \$100,000.

AUTHORIZED BUT UNISSUED BONDS

The District has \$26,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 10, 2014 bond election, and \$32,000,000 of authorized but unissued unlimited ad valorem tax bonds from the November 6, 2018 bond election. The District may issue a portion of the remaining authorized but unissued bonds within the next twelve months. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Beginning Fund Balance	\$ 162,807,920	\$ 206,607,695	\$ 235,131,243	\$ 249,521,421	\$ 249,047,697
Revenues:					
Local and Intermediate Sources	\$ 487,450,080	\$ 478,853,977	\$ 484,542,235	\$ 500,399,323	\$ 557,416,001
State Sources	85,303,754	123,619,347	133,327,814	133,332,274	116,246,633
Federal Sources & Other	6,520,666	4,663,718	5,271,823	6,917,910	10,815,757
Total Revenues	\$ 579,274,500	\$ 607,137,042	\$ 623,141,872	\$ 640,649,507	\$ 684,478,391
Expenditures:					
Instruction	\$ 312,362,215	\$ 348,085,246	\$ 366,450,064	\$ 375,899,612	\$ 394,667,100
Instructional Resources & Media Services	5,987,511	6,311,497	6,540,156	6,787,023	7,157,844
Curriculum & Instructional Staff Development	9,870,038	12,542,301	14,074,093	16,956,183	16,349,430
Instructional Leadership	7,463,056	10,026,450	10,909,165	11,879,499	12,051,786
School Leadership	31,604,561	34,900,930	35,803,103	38,006,630	38,845,366
Guidance, Counseling & Evaluation Services	17,394,606	21,406,422	23,046,457	24,558,644	26,509,337
Social Work Services	193,601	207,193	274,222	271,925	253,802
Health Services	6,203,475	6,576,377	7,202,270	6,985,989	7,357,328
Student (Pupil) Transportation	13,246,684	14,034,400	12,616,229	14,541,070	16,530,814
Food Services	28,700	360,577	236,027	439,221	254,957
Cocurricular/Extracurricular Activities	16,602,196	17,099,452	18,180,811	21,364,837	22,668,841
General Administration	10,994,089	14,112,405	15,929,725	16,148,475	17,168,048
Plant Maintenance and Operations	38,350,138	40,436,585	42,753,295	46,200,696	52,741,058
Security and Monitoring Services	3,741,441	4,770,191	4,893,585	5,101,294	5,555,705
Data Processing Services	7,783,055	7,467,908	8,657,419	8,638,992	8,728,571
Community Services	1,013,618	1,128,951	968,707	1,523,121	1,991,924
Other Intergovernmental Charges	3,492,348	3,798,571	3,852,070	4,036,852	4,314,075
Debt Service Principal on Long-Term Debt	-	-	-	420,735	1,570,605
Debt Service Interest on Long-Term Debt	-	-	-	50,387	124,262
Facilities Acquisition and Construction	-	-	-	2,745,177	-
Contracted Instructional Services Between Schools	14,017,478	3,152,395	4,177,231	5,323,841	8,633,222
Payments to Juvenile Justice Alternative Ed. Program	35,666	30,681	-	22,494	19,046
Payments to Tax Increment Fund	25,169,882	27,151,041	28,283,215	30,052,993	36,285,371
Total Expenditures	\$ 525,554,358	\$ 573,599,573	\$ 604,847,844	\$ 637,955,690	\$ 679,778,492
Excess (Deficiency) of Revenues over Expenditures	\$ 53,720,142	\$ 33,537,469	\$ 18,294,028	\$ 2,693,817	\$ 4,699,899
Other Resources and (Uses):					
Sale of Real and Personal Property	\$ 75,538	\$ 57,518	\$ 20,489	\$ 10,426	\$ 45,261
Right-To-Use Leases	-	-	-	2,745,177	-
Transfer In	18,795	32,698	309,791	91,820	-
Insurance Recovery	-	-	16,266	-	504,136
Transfer Out	(10,014,700)	(5,104,137)	(4,250,396)	(6,014,964)	-
Total Other Resources (Uses)	\$ (9,920,367)	\$ (5,013,921)	\$ (3,903,850)	\$ (3,167,541)	\$ 549,397
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 43,799,775	\$ 28,523,548	\$ 14,390,178	\$ (473,724)	\$ 5,249,296
Ending Fund Balance	\$ 206,607,695	\$ 235,131,243	\$ 249,521,421	\$ 249,047,697	\$ 254,296,993

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2023/24 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement. The District elected to change its fiscal year from August 31st to June 30th beginning with the period ending June 30, 2008.

CHANGE IN NET ASSETS ⁽¹⁾

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Revenues:					
Program Revenues:					
Charges for Services	\$ 25,252,407	\$ 36,129,968	\$ 15,059,185	\$ 11,537,342	\$ 37,580,785
Operating Grants and Contributions	64,655,694	71,108,796	63,842,316	60,202,232	62,048,485
General Revenues:					
Property Taxes Levied for General Purposes	471,611,015	466,660,821	478,566,522	490,824,666	507,881,325
Property Taxes Levied for Debt Service	104,085,263	112,411,956	118,266,811	126,247,863	175,723,423
State Aid - Formula Grants	64,028,393	97,396,084	104,693,320	103,591,855	86,131,392
Grants and Contributions Not Restricted	6,520,666	4,663,718	5,271,823	6,917,910	10,815,757
Investment Earnings	9,862,834	8,429,226	420,973	737,996	25,089,974
Miscellaneous	24,456,995	23,587,596	24,206,014	4,339,001	2,291,391
Other Tax Related Income - TIRZ	-	-	-	24,369,169	27,108,824
	<u>\$ 770,473,267</u>	<u>\$ 820,388,165</u>	<u>\$ 810,326,964</u>	<u>\$ 828,768,034</u>	<u>\$ 934,671,356</u>
Expenses:					
Instruction	\$ 385,220,355	\$ 444,377,695	\$ 431,632,246	\$ 419,333,798	\$ 466,735,077
Instruction Resources & Media Services	8,849,546	8,932,969	8,860,354	9,289,511	9,589,976
Curriculum & Staff Development	11,026,050	14,315,808	15,092,758	16,584,811	16,845,431
Instructional Leadership	8,153,468	11,116,828	11,231,262	10,863,912	11,661,415
School Leadership	37,705,167	43,158,588	41,905,984	42,548,828	46,468,155
Guidance, Counseling & Evaluation Services	22,074,050	25,968,948	26,323,164	26,315,463	31,228,811
Social Work Services	206,324	227,696	282,024	247,009	241,210
Health Services	6,590,798	7,215,668	7,524,465	6,620,459	5,708,170
Student Transportation	15,649,573	17,135,255	15,562,096	16,530,852	19,330,258
Food Service	26,438,963	26,200,312	20,696,850	28,760,885	28,359,713
Cocurricular/Extracurricular Activities	23,276,818	22,890,618	23,846,884	27,370,330	30,319,051
General Administration	12,707,266	16,605,179	17,512,837	20,066,326	17,697,321
Plant Maintenance & Operations	54,392,409	60,027,110	71,801,617	68,331,734	97,622,662
Security and Monitoring Services	4,399,063	6,577,228	7,552,762	8,659,653	7,562,280
Data Processing Services	11,961,523	10,906,676	11,445,169	11,038,744	15,139,001
Community Services	2,072,276	2,231,893	1,998,783	2,399,796	3,191,714
Debt Service - Interest on Long-term Debt	82,228,452	79,729,973	67,188,505	76,450,416	76,533,868
Debt Service - Bond Issuance Cost and Fees	2,143,297	924,809	4,872,571	1,723,232	1,739,661
Contracted Instructional Services Between Schools	14,017,478	3,152,395	4,177,231	5,323,841	8,633,222
Payments to Juvenile Justice Alternative Ed. Prg.	35,666	30,681	-	22,494	19,046
Other Governmental Charges	3,492,348	3,798,571	3,852,070	4,036,852	4,314,075
Payments to Tax Increment Fund	25,169,882	27,151,041	28,283,215	30,052,993	36,285,371
Total Expenditures	<u>\$ 757,810,772</u>	<u>\$ 832,675,941</u>	<u>\$ 821,642,847</u>	<u>\$ 832,571,939</u>	<u>\$ 935,225,488</u>
Change in Net Assets	\$ 12,662,495	\$ (12,287,776)	\$ (11,315,883)	\$ (3,803,905)	\$ (554,132)
Beginning Net Assets	\$ (420,319,252)	\$ (407,656,757)	\$ (419,944,533)	\$ (431,260,416)	\$ (435,064,321)
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Net Assets	<u>\$ (407,656,757)</u>	<u>\$ (419,944,533)</u>	<u>\$ (431,260,416)</u>	<u>\$ (435,064,321)</u>	<u>\$ (435,618,453)</u>

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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

GENERAL AND ECONOMIC INFORMATION

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

The District is the fastest growing District in the State of Texas based on a percentage basis, increasing in student population by 10-30 percent annually for the past 12 years. The 2024 population estimate for the District is 239,882 compared to the 2000 population estimate of 34,000. The District's economic base is primarily comprised of commercial and governmental concerns which provide a variety of goods and services. The following table illustrates the leading employers located within the City of Frisco.

<u>Employer</u>	<u>2024 Approximate Number of Employees</u>
Frisco Independent School District	9,340
T-Mobile	1,500
City of Frisco	1,102
Mario Sinacola & Sons Excavating	603
CCCD Preston Ridge Campus	550
Amerisource Bergens Specialty Group	500
CLA USA, Inc.	450
IKEA Frisco	400
Tenet Texas RBO	300
Market Street	300

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

SCHOLASTIC INFORMATION

The District offers a fully accredited and comprehensive educational program. Presently twelve high schools, eighteen middle schools, forty-three elementary schools, one intermediate school, and three special program centers serve the District.

The District is accredited by the Texas Education Agency. The District's personnel totals 9,340, of which 6,720 are teachers. Approximately 30 percent of the teachers hold advanced degrees. Currently, the District reflects a classroom size of as near as possible to 19-24:1 for grades 5-12 and 19-20:1 for grades K-4. The student to teacher ratio in the district is 14.9:1.

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

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

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

PRESENT SCHOOL FACILITIES

A description of the present school facilities is as follows:

<u>School</u>	<u>Capacity</u>	<u>Grades Provided</u>	<u>Current Enrollment</u>	<u>Teachers</u>	<u>Others^(a)</u>	<u>Aides</u>	<u>Admin.</u>	<u>Auxiliary</u>
Allen Elementary	760	K-5	709	42.00	3.0	5.0	2.0	4.0
Anderson Elementary	760	K-5	791	45.00	3.0	5.0	2.0	5.0
Ashley Elementary	760	K-5	597	36.00	3.0	7.0	2.0	4.0
Bledsoe Elementary	760	K-5	740	43.00	3.0	7.0	2.0	4.0
Boals Elementary	760	K-5	681	42.00	3.0	5.0	3.0	6.0
Borchardt Elementary	760	K-5	708	40.00	3.0	7.0	2.0	5.0
Bright Elementary	760	K-5	468	33.00	3.0	8.0	3.0	9.0
Carroll Elementary	760	K-5	555	38.00	3.0	11.0	2.0	10.0
Christie Elementary	760	K-5	670	46.00	3.0	13.0	2.0	10.0
Comstock Elementary	760	K-4	701	42.00	3.0	7.0	2.0	5.0
Corbell Elementary	760	K-5	542	35.00	2.0	6.0	2.0	7.0
Curtsinger Elementary	760	K-5	652	41.00	3.0	11.0	2.0	4.0
Elliott Elementary	760	K-4	449	32.00	3.0	6.0	3.0	8.0
Fisher Elementary	760	K-5	675	41.00	3.0	9.0	2.0	5.0
Gunstream Elementary	760	K-5	691	42.00	3.0	11.0	2.0	7.0
Hosp Elementary	760	K-5	694	41.00	3.0	8.0	2.0	5.0
Isbell Elementary	760	K-5	597	38.00	4.0	6.0	2.0	5.0
Liscano Elementary	760	K-5	701	42.00	3.0	6.0	2.0	6.0
McSpedden Elementary	760	K-5	749	43.00	3.0	9.0	2.0	5.0
Miller Elementary	760	K-5	602	35.00	3.0	2.0	2.0	5.0
Minett Elementary	760	K-5	518	34.00	3.0	8.0	2.0	6.0
Mooneyham Elementary	760	K-5	594	39.00	3.0	9.0	2.0	6.0
Newman Elementary	760	K-5	661	41.00	3.0	9.0	2.0	5.0
Nichols Elementary	760	K-5	689	42.00	3.0	6.0	2.0	5.0
Norris Elementary	760	K-5	644	40.00	3.0	7.0	2.0	4.0
Ogle Elementary	760	K-4	544	35.00	2.0	3.0	2.0	6.0
Phillips Elementary	760	K-5	649	41.00	3.0	13.0	2.0	6.0
Pink Elementary	760	K-5	603	39.00	3.0	12.0	2.0	3.0
Purefoy Elementary	760	K-5	643	42.00	3.0	12.0	2.0	7.0
Riddle Elementary	760	K-5	727	43.00	4.0	7.0	2.0	5.0
Robertson Elementary	760	K-5	653	43.00	3.0	3.0	2.0	6.0
Rogers Elementary	760	K-5	524	37.00	3.0	8.0	2.0	7.0
Scott Elementary	760	K-5	609	37.00	3.0	9.0	2.0	5.0
Sem Elementary	760	K-5	632	40.00	3.0	11.0	2.0	5.0
Shawnee Trail Elementary	760	K-5	533	41.00	3.0	13.0	3.0	8.0
Smith Elementary	760	K-5	678	44.00	3.0	7.0	2.0	4.0
Sonntag Elementary	760	K-5	518	36.00	3.0	9.0	2.0	8.0
Sparks Elementary	760	K-5	568	39.00	3.0	8.0	2.0	5.0
Spears Elementary	760	K-5	691	45.00	4.0	4.0	2.0	9.0
Tadlock Elementary	760	K-5	516	38.00	3.0	9.0	2.0	8.0
Talley Elementary	760	K-5	693	42.00	3.0	9.0	2.0	5.0
Taylor Elementary	760	K-5	757	49.00	3.0	9.0	2.0	5.0
Vaughn Elementary	760	K-5	668	41.00	3.0	8.0	2.0	5.0
Clark Middle School	1,000	6-8	873	67.00	5.0	5.0	3.0	6.0
Cobb Middle School	1,000	6-8	853	62.00	4.0	10.0	3.0	6.0
Fowler Middle School	1,000	6-8	978	69.00	4.0	4.0	3.0	7.0
Griffin Middle School	1,000	6-8	748	55.00	4.0	7.0	3.0	5.0
Hunt Middle School	1,000	6-8	834	57.00	5.0	6.0	3.0	6.0
Lawler Middle School	1,000	6-8	921	64.00	4.0	9.0	3.0	5.0
Maus Middle School	1,000	6-8	908	65.00	4.0	6.0	3.0	6.0
Nelson Middle School	1,000	6-8	1,131	70.00	4.0	5.0	3.0	5.0
Pearson Middle School	1,000	6-8	1,025	69.00	4.0	6.0	3.0	5.0
Pioneer Heritage Middle School	1,000	6-8	1,071	70.00	4.0	6.0	3.0	6.0
Roach Middle School	1,000	6-8	961	66.00	4.0	4.0	3.0	6.0
Scoggins Middle School	1,000	7-8	770	65.00	4.0	6.0	3.0	5.0
Stafford Middle School	1,000	6-8	939	69.00	4.0	5.0	3.0	5.0
Staley Middle School	800	6-8	600	54.00	4.0	9.0	3.0	6.0
Trent Middle School	1,000	6-8	688	64.00	4.0	7.0	3.0	6.0
Vandeventer Middle School	1,000	6-8	895	64.00	5.0	6.0	3.0	7.0
Wester Middle School	1,000	6-8	895	65.00	4.0	7.0	3.0	5.0

<u>School</u>	<u>Capacity</u>	<u>Grades Provided</u>	<u>Current Enrollment</u>	<u>Teachers</u>	<u>Others^(a)</u>	<u>Aides</u>	<u>Admin.</u>	<u>Auxiliary</u>
Wilkinson Middle School	1,000	6-8	588	49.00	4.0	4.0	3.0	5.0
Wortham Intermediate School	1,000	5-6	840	49.00	4.0	7.0	2.0	5.0
Centennial High School	2,100	9-12	2,035	138.00	10.0	12.0	6.0	17.0
Emerson High School	2,100	9-12	1,763	121.00	10.0	6.0	6.0	17.0
Frisco High School	2,100	9-12	2,000	136.00	12.0	10.0	7.0	18.0
Heritage High School	2,100	9-12	2,118	138.00	10.0	10.0	6.0	15.0
Independence High School	2,100	9-12	1,671	113.00	10.0	12.0	6.0	15.0
Lebanon Trail High School	2,100	9-12	2,110	141.00	11.0	9.0	6.0	15.0
Liberty High School	2,100	9-12	1,732	127.00	10.0	10.0	6.0	17.0
Lone Star High School	1,800	9-12	1,955	133.00	10.0	11.0	6.0	16.0
Memorial High School	2,100	9-12	1,464	114.00	10.0	9.0	6.0	16.0
Panther Creek High School	2,100	9-12	1,166	93.00	9.0	6.0	6.0	17.0
Reedy High School	2,100	9-12	2,191	140.00	9.0	13.0	6.0	16.0
Wakeland High School	2,100	9-12	2,159	134.00	10.0	11.0	6.0	16.0
Career and Technology Center ^(b)	NA	9-12		35.00	2.0	6.0	2.0	7.0
Early Childhood School	1,100	EC	580	42.00	5.0	63.0	3.0	5.0
Student Opportunity Center ^(c)	NA	1-12		15.00	2.0	8.0	2.0	3.0
District Wide				106.00	225.0	18.0		71.0
Z.T. Acker Special Program Ctr. ^(d)	NA	EC-1						
TOTAL	77,480		66,746	4644.00	564.0	675.0	226.0	640.0

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

^(b) The Career and Technical Education Center (CATE) does not have students assigned as a home campus. All students who attend classes here are counted as enrolled at another high school campus.

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

^(d) Acker Special Programs Center has additional students who attend K-8 Disciplinary Alternative Education Program or (DAEP). These students are counted on their assigned home campus.

STUDENT ENROLLMENT BY GRADES

Grade	2023/24	2022/23	2021/22	2020/2021
E.C.	371	317	340	470
PRE-K	1,221	980	944	781
K	3,677	3,805	4,041	3,850
1	4,106	4,224	4,181	4,183
2	4,498	4,371	4,455	4,526
3	4,601	4,540	4,738	4,701
4	4,746	4,886	4,928	4,730
5	5,077	4,999	4,978	4,912
6	5,227	5,168	5,217	5,075
7	5,367	5,305	5,212	5,327
8	5,491	5,321	5,523	5,345
9	5,665	5,758	5,694	5,309
10	5,790	5,689	5,260	5,212
11	5,532	5,175	5,147	5,071
12	5,377	5,295	5,207	4,749
Total	66,746	65,833	65,865	64,241

AVERAGE DAILY ATTENDANCE

<u>School Year</u>	<u>Attendance</u>
2023-2024	64,409.43
2022-2023	63,537.86
2021-2022	61,192.87
2020-2021	59,266.92
2019-2020	60,455.73
2018-2019	57,485.16
2017-2018	55,901.96
2016-2017	53,852.90
2015-2016	51,434.44
2014-2015	47,900.13

SCHOLASTIC ENROLLMENT INCREASE/(DECREASES)

<u>School Year</u>	<u>Enrollment</u>	<u>Amount</u>	<u>Percent (%)</u>
1995-96	2,679	475	21.55
1996-97	3,111	432	16.13
1997-98	3,759	648	20.83
1998-99	4,622	863	22.96
1999-00	5,565	943	20.40
2000-01	7,161	1,596	28.68
2001-02	9,292	2,131	29.76
2002-03	11,412	2,120	22.82
2003-04	13,672	2,260	19.80
2004-05	16,677	3,005	21.98
2005-06	20,215	3,538	21.21
2006-07	23,798	3,583	17.72
2007-08	27,419	3,771	15.22
2008-09	30,932	3,513	12.81
2009-10	34,273	3,341	10.80
2010-11	37,651	3,378	9.86
2011-12	40,139	2,488	6.61
2012-13	42,707	2,568	6.40
2013-14	45,996	3,289	7.70
2014-15	49,657	3,661	7.96
2015-16	53,300	3,643	7.34
2016-17	55,916	2,616	4.91
2017-18	58,461	2,545	4.55
2018-19	60,581	2,120	3.63
2019-20	62,705	2,124	3.51
2020-21	64,241	1,536	2.45
2021-22	65,865	1,624	2.53
2022-23	65,833	-32	-0.05
2023-24	66,746	913	1.39

STUDENT ENROLLMENT PROJECTIONS

Grade	2024/25	2025/26	2026/27	2027/28
EE-PK	1,770	1,845	1,893	1,941
K	3,976	4,008	4,069	4,240
1	4,229	4,266	4,300	4,405
2	4,441	4,499	4,538	4,399
3	4,762	4,645	4,706	4,526
4	4,893	5,006	4,883	4,664
5	5,045	5,106	5,224	4,706
6	5,448	5,320	5,390	5,181
7	5,512	5,607	5,481	5,541
8	5,558	5,701	5,805	5,602
9	5,830	5,862	6,019	5,716
10	5,699	5,868	5,906	5,975
11	5,772	5,616	5,788	5,762
12	5,764	5,915	5,761	5,935
Total	68,699	69,264	69,763	68,594

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

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

The City's estimated population reached 210,719 in 2022, which is a 650% increase over the 2000 census of 33,714. The City's population is estimated to reach 280,000 by the year 2025.

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

POPULATION TRENDS

	<u>City of Frisco</u>	<u>Collin County</u>
2024 Estimate	218,695	1,149,101
2000 Census	33,714	491,675
1990 Census	6,141	264,036
1980 Census	3,420	144,490
1970 Census	1,845	66,920
1960 Census	1,184	41,247

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

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

**FRISCO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$76,250,000**

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

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

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

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the



amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE 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.

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

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

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

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023**

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2023

Frisco Independent School District
Frisco, Texas

The Frisco ISD Finance Department is proud to showcase the artwork of Frisco ISD students whose work was honored at the 2023 State High School Visual and Scholastic Arts Event (VASE). Student artwork is featured on the cover as well as throughout the publication.

COVER ART:
Colorful World Self-Portrait
by **Vidya Yalamanchili**
Independence High School

Annual Comprehensive Financial Report

Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Fiscal Year Ended
June 30, 2023

Prepared by:
Finance Department

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Introductory Section (Unaudited)




Friends · Soohyun Choi · Liberty High School



Certificate of the BoardFrisco Independent School District*Name of School District*Collin*County*043-905*County-District No.*

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and ☒ approved ☐ disapproved for the year ended June 30, 2023, at a meeting of the Board of Trustees of such school district on the 13th day of November, 2023.



Signature of Board President



Signature of Board Secretary

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



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

November 13, 2023

To the Citizens of the Frisco Independent School District:

The Annual Comprehensive Financial Report (ACFR) of the Frisco Independent School District (“FISD” or “the District”) for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds of FISD. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included. The District’s financial position is discussed in greater detail in the Management’s Discussion and Analysis (MD&A) in the Financial Section of this report.

State law and District policy require an annual audit by independent certified public accountants. The financial statements for the fiscal year ended June 30, 2023, have been audited by Weaver and Tidwell, L.L.P., a licensed certified public accounting firm, and their report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements is part of a broader, federally mandated single audit designed to meet the special needs of federal grantor agencies. Information related to the single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the independent auditor’s reports on internal control, compliance, and other matters are included in the Federal Awards Section of this report.

Profile of the District

Frisco ISD is an independent public education agency, recognized by the State of Texas, to provide appropriate educational services to students in pre-kindergarten through twelfth grade. The District is located about 30 miles north of Dallas, Texas, and encompasses 75 square miles in Collin and Denton Counties, including most of the City of Frisco and portions of neighboring Plano, McKinney, and Little Elm.

FISD currently enrolls more than 67,000 students in 12 high schools, 18 middle schools, 1 intermediate school, 43 elementary schools, and 3 special programs centers. We employ approximately 8,700 full and part-time employees, including more than 4,600 teachers.

Governance and oversight of the District is provided by a non-compensated, seven member Board of Trustees. Members of the Board are elected to office for three-year terms on a rotating basis with two or three places being filled through a general election held annually on the first Saturday in May. Should a vacancy occur on the Board, the position may be filled by appointment or left vacant until the next scheduled election. In addition to general oversight and governance, Trustees are charged with calling trustee and other school elections, adopting and amending the annual operating budget, setting the tax rate, setting salary schedules, acting as a board of appeals for

student and personnel matters, and employing the Superintendent of Schools. In the performance of these duties, the Board must adhere to all state regulations and other legal restrictions. Since the Board is elected by the community, the decisions of the Board provide administrative guidance to the District in meeting community standards.

Strong academics and outstanding opportunities for students make Frisco ISD a destination school district for families moving to or relocating within the Dallas-Fort Worth area. As a result, we are constantly growing, welcoming new students, and hiring new staff. At the heart of our success is a student-opportunities model that has guided the District through three decades of explosive enrollment growth. While we are no longer the fastest-growing district in Texas, families around the world continue to make Frisco ISD their home.

Education

Frisco ISD's mission is to know every student by name and need, and our vision is to empower students to pursue their passion and purpose. With the support of parents and the community, leaders remain committed to creating small, personalized learning environments. This philosophy drives our day-to-day efforts to understand each child's unique circumstances, their strengths and weaknesses, and the role we must play to ensure each student reaches their full potential.

Frisco ISD believes nothing is more important than hiring the best people to work with students each day and providing them with the best possible support and resources. In our classrooms, highly-qualified and caring teachers strive to carry out our mission and vision by personalizing each student's educational experience.

Curriculum is written in-house by FISD educators to emphasize critical thinking, writing, and problem solving. Rigorous lessons set high standards for achievement and challenge all learners. Current and emerging technology is integrated into all content areas to extend student learning and keep students engaged in the process. Employees engage in continuous professional learning and collaborate with their peers in order to evaluate and improve teaching practices and target students' individual goals. By working together and supporting one another, there is shared responsibility for each student's learning and growth. When developing curriculum and planning instruction, educators consider the following questions:

- What do we want students to know and be able to do?
- How will we know if students have learned it?
- How will we respond when they have not learned it?
- How will we respond when they already know it?

This approach and reflection ensure the District is constantly evaluating our practices in light of their impact on learning.

The District provides special programs on home campuses or through centralized programming. These include Gifted and Talented, Dyslexia, Special Education, Accelerated Reading/Math Instruction, and Credit Recovery. The Career and Technical Education Center offers more than 30 programs of study for high school students to explore their futures, and the Student Opportunity Center provides extra support to help struggling students reach their maximum potential. A free, full-day Pre-Kindergarten program is offered at the Early Childhood School and elementary schools across the District for qualifying families.

In addition, FISD offers a growing number of schools and programs of choice, including the International Baccalaureate (IB) Primary Years and Diploma Programmes, Project Lead the Way (PLTW) Launch, Spanish language enrichment, and the Navy National Defense Cadet Corps. These unique learning opportunities are available to students across the District through an admissions process.

Frisco ISD also offers a wide variety of extracurricular opportunities. Students at the secondary level can explore art, band, cheerleading, choir, dance, drill team, orchestra, and theatre. When it comes to athletics, middle school students compete in basketball, cross country, football, soccer, tennis, track and field, and volleyball. High schools also offer baseball, golf, softball, swimming and diving, and wrestling. All FISD high schools with varsity team programs compete in the University Interscholastic League (UIL) 5A classification.

In addition to fine arts and athletics, a wide variety of clubs and organizations are available at the secondary level, including both curricular and non-curricular activities. The majority of middle and high school students are involved in some sort of school-related activity outside of the classroom.

At the elementary level, students participate in special programs including physical education for life-long health and music and art for life-long appreciation. Clubs such as Student Council, Green Team, and KC (Kindness & Compassion) Club promote leadership and other important life skills.

Frisco ISD raises the bar for student achievement. Test scores are well above state and national averages and continue to improve. More than 75% of seniors take one or more college entrance exams, and approximately 90% of graduating seniors plan to continue their education at a college, university, technical school or the military following high school. Each year, graduating classes earn millions of dollars in scholarships to further their education.

Economic Condition and Outlook

Local Economy

Over the past 20 years, economic development, both commercial and residential, throughout the City of Frisco and neighboring areas has driven new families into Frisco ISD. As major corporations continue to relocate their headquarters into the Dallas/Fort Worth Area, strong academics and outstanding opportunities for students continue to make Frisco ISD a destination school district for the families moving in. There are approximately 15 square miles of the District left for future development, and our demographers project that development will bring more than 11,000 new single family homes and more than 19,000 new multi-family units over the next 15 to 20 years.

The influx of businesses and homeowners has continued to drive up the taxable values of properties within FISD, which have increased 185% over the past decade. Taxable values increased approximately 15% from fiscal year 2022 to fiscal year 2023.

Approximately 15% of the District's area is still vacant land as of 2023. As the City of Frisco and the District continue to build out, the District anticipates continued property value growth, but at a somewhat slower rate, for the foreseeable future.

The strong tax base and mix of residential and commercial values is beneficial to FISD. The District's largest taxpayer comprises only 1.1% of the total taxable value of the District, and the total assessed value for all of the top ten taxpayers comprises only 4.3% of the District's taxable value. As such, the loss of a single taxpayer would not have a significant effect on the District's ability to provide educational services or impact our ability to meet future financial obligations.

Capital Projects

In 2018, the FISD community supported and passed a bond authorization package of \$691 million to meet the capital needs associated with the District's enrollment growth and to begin addressing the needs of aging buildings. The bond package was designed to fund four new schools, expand and update existing facilities, add and refresh classroom technology, enhance school security, and more. Projects from the 2018 program are anticipated to occur through 2024 with the exception of one elementary school which is not yet slated to be built as we have been able to utilize capacity at existing schools to accommodate elementary enrollment growth.

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

Long-Term Financial Planning

Frisco ISD uses a number of financial management strategies, including multi-year financial planning, periodic analysis of peer district comparative financial data, and regular discussion with the Frisco ISD Instructional Support Team and Board of Trustees throughout the year regarding budgetary decisions. Stakeholder input is also sought through various forms of community engagement. Long-range planning has proven to be an effective tool for FISD in anticipating, planning, and implementing strategies that allow for growth within the constraints of available revenues without reducing the overall quality of our educational programs.

Projecting student enrollment growth and dealing with the limitations of the State's school funding system are two major factors affecting the District's long-term financial plans. Student enrollment has increased an average of 3% per year for the past 5 years, although the COVID-19 pandemic skewed our growth trend slightly.

Rising interest rates and high home values have kept aging neighborhoods from regenerating, which is impacting our enrollment growth. District management and external demographers predict enrollment growth of 200-400 students per year for the foreseeable future unless a change in the economy prompts a quicker turnover of homes with students who have aged out of the District.

The State's educational funding formula presents some significant challenges, especially now that enrollment growth has begun to slow down for Frisco ISD. The amount of money allotted per student is not indexed to inflation, and the last time that allotment was updated was 2019. An estimated \$14 billion is needed to provide schools in Texas with the same buying power in 2023 that we had in 2019. With the rising cost of goods and services and the need to maintain competitive wages,

many Texas school districts, including Frisco ISD, have struggled to maintain balanced budgets. Federal stimulus funding provided through the Elementary and Secondary School Emergency Relief (ESSER) Fund enabled the District to recover from the pandemic without utilizing fund balance, but the majority of those funds expired at the end of the 2023 fiscal year. The Texas Legislature failed to address funding for public education during their 88th legislative session in 2023, which leaves Frisco ISD and many other districts across the state in a deficit budget situation for the 2024 fiscal year.

Internal Control

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

Budgetary Controls

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

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

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

Awards

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting, and the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FISD for its annual comprehensive financial report for the fiscal year ended June 30, 2022. The ASBO award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. The GFOA award is considered the highest form of recognition in the area of governmental accounting and financial reporting. The ACFR is judged by an impartial panel to determine if it meets the high standards of the program, demonstrating

a constructive “spirit of full disclosure”, to clearly communicate the District’s financial story, and confirm the District’s commitment to financial accountability and transparency. Both certificates are valid for a period of one year only. Management believes that this ACFR for the year ended June 30, 2023, which will be submitted for review to both associations, continues to meet the criteria of both ASBO and GFOA’s certificate programs.

The District also publishes a Popular Annual Financial Report (PAFR) and received a Popular Annual Financial Reporting Award from the GFOA for that publication in 2022. The PAFR Awards Program encourages state and local governments to extract information from their annual comprehensive financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then recognizes individual governments that are successful in achieving that goal.

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

The Texas Comptroller of Public Accounts’ Transparency Stars program recognizes local governments for going above and beyond in their transparency efforts. Frisco ISD is eligible to apply for Transparency Stars in the areas of traditional finances, contracts and procurement, and debt obligations. As of June 30, 2023, FISD has earned all 3 of the Transparency Stars for which we are eligible.

Acknowledgments

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

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

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



Kimberly Smith, Chief Finance & Strategy Officer

Frisco Independent School District Principal Officers and Advisors

Board of Trustees

Name	Term Expires	Length of Service	Occupation
Dynette Davis, President	2026	3 years	Educator, Entrepreneur
Gopal Ponangi, Vice President	2025	4 years	Senior Manager at Tata Consultancy Services, Dallas
René Archambault, Secretary	2024	5 years	Deputy Director, Southern Methodist University - Guildhall
Marvin Lowe	2025	1 year	Real Estate Broker
Stephanie Elad	2025	1 year	Vice President of Human Resources and Administration
Mark Hill	2026	<1 year	Partner, Scheef & Stone LLP
John Classe	2024	9 years	Certified Financial Planner™ with Bell Financial Group

Appointed Officials

Name	Position	Length of Education Service
Mike Waldrip, Ed.D.	Superintendent	41 years
Todd Fouche, Ed.D.	Deputy Superintendent	20 years
Wes Cunningham, Ed.D.	Associate Deputy Superintendent of Academic Services	30 years
Christy Fiori, Ed.D.	Chief Academic Officer	23 years
Amanda McCune	Chief Communications Officer	7 years
Kimberly Smith, CPA	Chief Finance and Strategy Officer	12 years
Pamela Linton, Ed.D.	Chief Human Resources Officer	33 years
Cory McClendon	Chief Leadership Officer	24 years
Scott Warstler	Chief Operations Officer	26 years
Erin Miller	Chief Student Services Officer	27 years
Cheryl McDonald	Chief Technology Officer	29 years

Consultants and Advisors

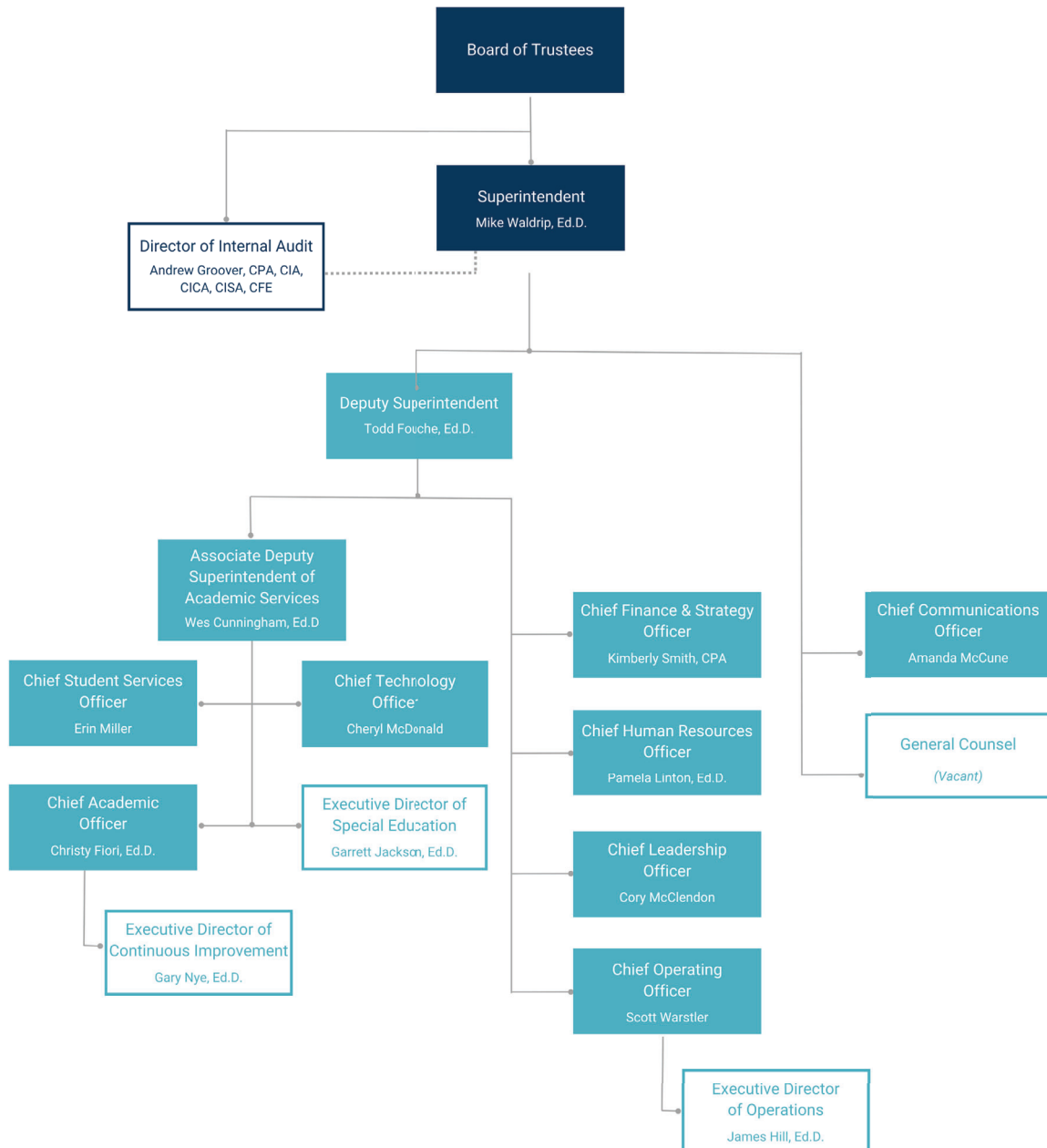
Weaver and Tidwell, LLP
Independent Auditors

McCall, Parkhurst & Horton, LLP
Bond Counsel

Samco Capital Markets, Inc.
Financial Advisors

First Southwest Asset Management
Investment Advisors

Frisco Independent School District Administrative Organization





The Certificate of Excellence in Financial Reporting
is presented to

Frisco Independent School District

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'John W. Hutchison'.

John W. Hutchison
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Frisco Independent School District
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Introductory Section (Unaudited)



Caught In A Moment · Samantha Diaz De Leon · Memorial High School





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's 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 the 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.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

CPAs AND ADVISORS | [WEAVER.COM](https://www.weaver.com)

The Board of Trustees of
Frisco Independent School District

Auditor's Responsibilities 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 GAAS and *Government 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 GAAS 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 the 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 the 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, budgetary comparison information, schedules of the District's proportionate share of the net pension liability and the net OPEB liability, and schedules of District pension and OPEB contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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.

The Board of Trustees of
Frisco Independent School District

Supplementary Information

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

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

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 3, 2023





Management's Discussion and Analysis (Unaudited)

As management of the Frisco Independent School District (the “District”), we offer the readers of these financial statements this narrative overview and analysis of the District’s financial performance for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages ii-vii of this report, and the District’s financial statements, which follow this section.

Financial Highlights

Economic challenges marked the 2023 fiscal year. Our ability to collect revenue and our spending patterns have stabilized since the pandemic, but record-high inflation rates put a strain on our budgets. Economic stimulus dollars provided through the Elementary and Secondary School Emergency Relief (ESSER) Fund allowed us to maintain our financial position for the 2023 fiscal year. Without the ability to supplant General Fund expenditures with ESSER funds, we would have depleted approximately \$12 million of our fund balance to close out the year. Instead, the General Fund, the District’s main operating fund, recognized a \$5.2 million surplus for the year. Further details are included on pages 12-13 of Management’s Discussion and Analysis. The General Fund ended the year with an unassigned fund balance of \$227.4 million, representing 30.8% of the fiscal year 2024 adopted budget.

Combined, the total fund balance for all the District’s funds decreased by \$53 million from the prior year due mainly to the use of bond proceeds received last fiscal year but spent this year. We ended the year with a total combined governmental fund balance of \$635.3 million.

The District’s overall net position decreased by \$554 thousand from the prior year, resulting in a year-end net position of \$(435.6) million. Of the total net position, \$(401.8) million represents the District’s net investment in capital assets. Frisco ISD’s decades of fast growth means most of our school buildings are relatively new, with 20 new schools opened in the past 10 years. We, therefore, have more debt outstanding than capital assets. As building needs slow and debt is repaid, the net investment in capital assets will shift from negative to positive.

The District issued \$85.4 million in new debt during the year to finance projects from the 2014 and 2018 bond programs.

Overview of the Financial Statements

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

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

Fund financial statements (starting with Exhibit C-1) report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. For governmental funds, these statements tell how services were financed in the

short term and what resources remain for future spending. They also reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

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

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

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	All activities of the District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities for which the District is the trustee or agent for another entity's resources
Required financial statements	Statement of Net Position Statement of Activities	Balance sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of period-end information reported	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term	Only assets, liabilities, and deferred inflows/outflows expected to be used or due during the year or soon thereafter; no capital or long-term items are included	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term
Type of activities reported	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All additions to and deductions from fiduciary net position

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements

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

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

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide statements, governmental fund financial statements focus on (1) the flow of cash and other current financial assets and (2) the balance of spendable resources available at the end of the fiscal year. Such information provides a detailed, short-term view of the current financial resources available to finance the District's programs. Because the focus of governmental funds is narrower than that of the government-wide statements, it is helpful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate the comparison, we provide reconciliations of the fund financial statements to the government-wide financial statements in Exhibits C-1R and C-2R.

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

Governmental fund financial statements can be found on pages 24 and 26 of this report.

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

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report all the District's fiduciary activities and can be found on pages 30 and 31 of this report.

Notes to the Financial Statements

The notes to the financial statements provide narrative explanations or additional information essential to fully understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-63 of this report.

Other Information

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

The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the budgetary appropriations and terms of the grants awarded. This information can be found on pages 143-152 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a valuable indicator of the District's overall financial position. As of June 30, 2023, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows by \$435.6 million.

Table A-2. The District's Net Position

	June 30, 2023	June 30, 2022	Increases / (Decreases)
Assets:			
Current and other assets	\$773,594,853	\$809,888,582	\$(36,293,729)
Capital assets	1,873,529,286	1,822,371,493	51,157,793
Total Assets	2,647,124,139	2,632,260,075	14,864,064
Deferred outflows of resources	177,111,862	140,533,572	36,578,290
Total Assets and Deferred Outflows	2,824,236,001	\$2,772,793,647	51,442,354
Liabilities:			
Current liabilities	\$239,960,009	\$227,281,315	\$12,678,694
Long-term liabilities	2,830,266,794	2,762,313,330	67,953,464
Total Liabilities	3,070,226,803	2,989,594,645	80,632,158
Deferred inflows of resources	189,627,651	218,263,323	(28,635,672)
Net Position:			
Net investment in capital assets	(401,824,214)	(391,994,627)	(9,829,587)
Restricted	122,732,568	110,409,150	12,323,418
Unrestricted	(156,526,807)	(153,478,844)	(3,047,963)
Total Net Position	(435,618,453)	(435,064,321)	(554,132)
Total Liabilities, Deferred Inflows and Net Position	\$2,824,236,001	\$2,772,793,647	\$51,442,354

The largest portion of the District's net position is its investment in capital assets (e.g. land, buildings, furniture, and equipment), net of any related outstanding debt used to acquire those assets. This net investment is \$(401.8) million as of June 30, 2023. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, the resources needed to repay that debt must be provided from other sources since we cannot use the capital assets themselves to liquidate liabilities. The District maintains an aggressive debt repayment schedule to ensure payment terms equal or outpace the useful life of the financed assets. However, most of the District's capital assets are less than 30 years old, so total debt still exceeds the value of total capital assets, making that investment negative.

An additional portion of the District's net position, \$122.7 million, represents resources subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the District's ongoing obligations.

The District's liabilities grew by \$65.7 million more than total assets from June 30, 2022, to June 30, 2023, but the District's overall net position only decreased by \$554 thousand. That decrease resulted from new deferred outflows of resources related to the District's proportionate share of the TRS net pension liability.

Figure A-3 illustrates the District's sources of revenue for the 2023 fiscal year. General revenues provide 89.3% of the funding available to cover the District's annual expenses. The remaining 10.7% of revenues come from operating grants or charges for services specifically attributable to District programs.

Figure A-3. Sources of Revenue for the Fiscal Year Ended June 30, 2023

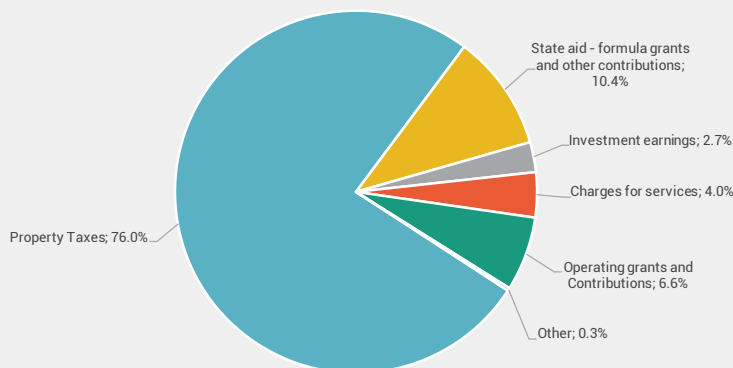


Figure A-4 depicts the change in net cost of services (total cost less program revenue and intergovernmental aid) for the District's major functions for the fiscal years ended June 30, 2023, and June 30, 2022. The net cost reflects the portion funded by local tax dollars, state aid, and other miscellaneous general revenues.

The total cost of all governmental activities for the fiscal year ended June 30, 2023, was \$935.2 million. Approximately \$99.6 million of those costs were funded by program revenues directly attributable to specific activities. The remaining costs were funded primarily by property taxes and state revenue, which are not attributable to particular programs.

Figure A-4. Net Cost of the District's Major Functions (in millions of dollars)



Table A-5 illustrates the changes in net position over the most recent fiscal year. This information can also be found in the government-wide Statement of Activities (Exhibit B-1).

Table A-5. Schedule of Changes in the District's Net Position

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Increases / (Decreases)
Revenues:			
Program Revenues:			
Charges for services	\$37,580,785	\$11,537,342	26,043,443
Operating grants and contributions	62,048,485	60,202,232	1,846,253
General Revenues:			
Property taxes	710,713,572	641,441,698	69,271,874
State aid- formula grants and other contributions	96,947,149	110,509,765	(13,562,616)
Investment earnings	25,089,974	737,996	24,351,978
Other	2,291,391	4,339,001	(2,047,610)
Total Revenues	934,671,356	828,768,034	105,903,322
Expenses:			
Instruction	466,735,077	419,333,798	47,401,279
Instructional resources and media services	9,589,976	9,289,511	300,465
Curriculum and instructional staff development	16,845,431	16,584,811	260,620
Instructional leadership	11,661,415	10,863,912	797,503
School leadership	46,468,155	42,548,828	3,919,327
Guidance, counseling and evaluation services	31,228,811	26,315,463	4,913,348
Social work services	241,210	247,009	(5,799)
Health services	5,708,170	6,620,459	(912,289)
Student transportation	19,330,258	16,530,852	2,799,406
Food services	28,359,713	28,760,885	(401,172)
Extracurricular activities	30,319,051	27,370,330	2,948,721
General administration	17,697,321	20,066,326	(2,369,005)
Facilities maintenance and operations	97,622,662	68,331,734	29,290,928
Security and monitoring services	7,562,280	8,659,653	(1,097,373)
Data processing services	15,139,001	11,038,744	4,100,257
Community services	3,191,714	2,399,796	791,918
Debt service - interest on long-term debt	76,533,868	76,450,416	83,452
Debt service - bond issuance costs and fees	1,739,661	1,723,232	16,429
Contracted instructional services between schools	8,633,222	5,323,841	3,309,381
Payments to juvenile justice alternative education programs	19,046	22,494	(3,448)
Payments to tax increment fund	36,285,371	30,052,993	6,232,378
Other intergovernmental charges	4,314,075	4,036,852	277,223
Total Expenses	935,225,488	832,571,939	102,653,549
Change in Net Position	(554,132)	(3,803,905)	3,249,773
Beginning Net Position	(435,064,321)	(431,260,416)	(419,944,533)
Ending Net Position	\$(435,618,453)	\$(435,064,321)	(416,694,760)

(Continued)

Enrollment growth and changes in our weighted average daily attendance resulted in approximately \$15 million of new formula funding. Still, the majority of our increase in revenue can be attributed to rising property values and interest rates. Property taxes levied for debt service increased by \$49 million, and investment earnings generated approximately \$24 million in new revenue.

Expenses were also significantly greater in FY 2023 compared to FY 2022, partly due to the cost of employee raises and opening two new schools and partly because changes to the District's proportionate share of the State's Net Pension and OPEB liabilities resulted in approximately \$(50.7) million of negative expenses reported in our FY 2022 Statement of Activities.

Fund Level Financial Analysis

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

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

On June 30, 2023, the District's total combined fund balances for governmental funds were \$635.3 million, which represents a decrease of \$53 million from June 30, 2022. Approximately 35.4%, or \$225 million, of the total combined fund balances is unassigned and available for spending at the District's discretion. The remainder of the fund balances is either nonspendable, restricted, committed, or assigned for specific purposes:

- *Nonspendable* balances of \$3.3 million are not in spendable form because they relate to prepaid expenditures.
- *Restricted* balances of \$362.6 million are either legally required to remain intact or are restricted for particular purposes by a third party.
- *Committed* balances of \$3.4 million have been committed by the District's Board of Trustees to service programs funded by local grants, awards, or contributions.
- *Assigned* balances of \$41 million have been tentatively earmarked by management for a particular program or purpose.

Further details of each type of fund balance can be found within note 1 on pages 39-40 of this report.

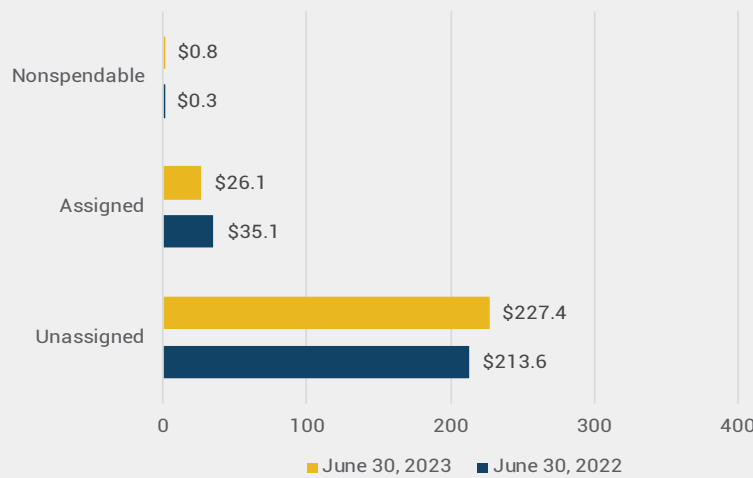
General Fund

Figure A-6 depicts the breakdown of fund balances in the General Fund, the District's main operating fund, as of June 30, 2023, and 2022.

It is helpful to compare unassigned fund balance to total expenditures in the General Fund as a measure of liquidity – to determine the portion of annual operating costs that could be funded without cash inflows. Due to the timing of cash inflows from the state and the property tax collection calendar, the District is cash flow negative for the first 4 to 5 months of each fiscal year.

It is Common practice among Texas school districts to maintain an unassigned fund balance equal to 25% of expenditures to help accommodate the period of negative cash flow. As our enrollment growth slows down, so does our ability to generate new revenue. For several years, Frisco ISD has aimed to maintain an unassigned fund balance closer to 30%. The extra unassigned fund balance serves as a “rainy day fund” to help us taper the effects of slowing enrollment growth.

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



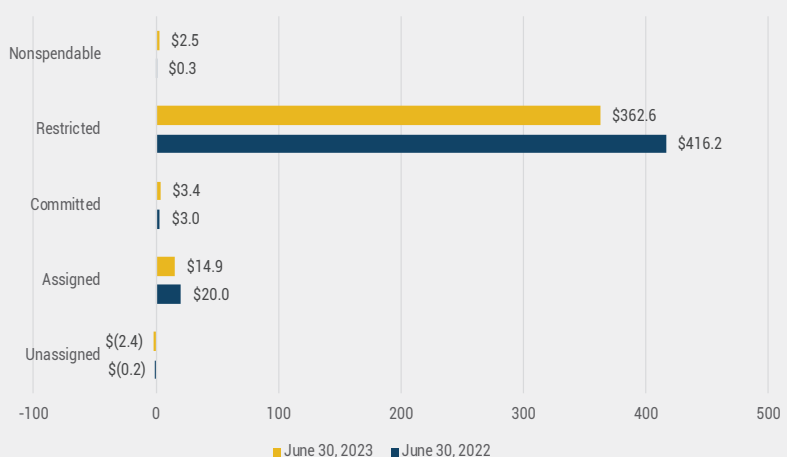
The General Fund’s unassigned fund balance on June 30, 2023, represents 30.7% of the 2024 fiscal year’s adopted budget.

The General Fund recognized a net increase in fund balances of \$5.2 million this year despite an anticipated \$22.3 million deficit in the FY 2023 adopted budget. Investment earnings and other miscellaneous revenue sources were significantly higher than expected, but stimulus funds made the greatest impact on our expenditures this year. We utilized approximately \$17 million of ESSER funding to supplant approximately General Fund expenditures during the 2023 fiscal year. General Fund revenues would have been insufficient to cover expenditures without that grant program.

Other Governmental Funds

The fund balances of all other governmental funds decreased by \$58.3 million from June 30, 2022, to June 30, 2023. The decrease in other funds was mainly attributable to bond proceeds received in the Capital Projects Fund in fiscal year 2022 that were spent in fiscal year 2023. The components of fund balance in the District’s other governmental funds for the 2022 and 2023 fiscal years are illustrated in Figure A-7.

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



The Debt Service Fund recognized an increase in fund balance of \$8.9 million due to rising property values and increased property tax revenue.

Non-Major Governmental Funds recognized a net increase in fund balance of \$2.2 million from the previous year. Most non-major funds account for reimbursement grants, which recognize revenues as expenditures occur and, therefore, do not carry a fund balance or recognize surpluses or deficits. The Child Nutrition Fund, however, which is a self-funded breakfast and lunch program, generated a surplus of \$1.8 million due to greater than anticipated participation in our school breakfast and lunch programs.

General Fund Budgetary Highlights

The Board of Trustees adopted a \$22.3 million deficit budget for the 2023 fiscal year. As previously discussed, we ended the year with a \$5.2 million surplus thanks to stimulus funding provided by the Elementary and Secondary School Emergency Relief (ESSER) Fund.

Revenues were \$14.2 million higher than initially expected due to a significant increase in investment earnings and the post-pandemic recovery of many of our miscellaneous local revenue streams, like athletic ticket sales and facility rentals. We also recognized greater than anticipated federal revenue from the School Health and Related Services program, which reimburses the District for providing Medicaid eligible services to students.

Expenditures were \$12.8 million less than the adopted budget, primarily because we utilized ESSER funds to supplant some of the cost of opening two new school buildings. Budget amendments and adjustments were made over the course of the year for various initiatives and to provide flexibility to make unforeseen purchases, but the use of federal dollars and the following other factors led the District to spend less than anticipated during the year:

- The District has not been immune to the nationwide labor shortage. We saved approximately \$8 million from turnover and vacant positions over the course of the year.
- Efforts were made district-wide to curb spending and preserve fund balance due to the adopted deficit. Approximately 10% of campus and department budgets district-wide remained unspent at year-end.

Those factors resulted in the final amended budget exceeding actual expenditures by \$22.8 million.

Capital and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2023, was \$1.9 billion (net of accumulated depreciation). This investment includes land, buildings, building improvements, furniture, equipment, vehicles, and other right-to-use assets, and the total investment represents a net increase of 2.8% in capital assets over the previous year.

The increase in net capital assets is due to the construction of two new schools that opened in August 2023, along with other miscellaneous building renovations and new equipment purchased through our bond program.

Table A-8. Capital Assets

	As of June 30, 2023	As of June 30, 2022	Increases / (Decreases)
Land	\$205,743,093	\$205,743,093	
Buildings	1,989,301,776	1,987,724,259	\$ 1,577,517
Furniture and equipment	90,732,578	86,455,477	4,277,101
Subscription-based IT arrangements (SBITA)	5,272,230		5,272,230
Construction in progress	255,087,822	157,413,803	97,674,019
Total Capital Assets	2,546,137,499	2,437,336,632	108,800,867
Accumulated depreciation/amortization	(672,608,213)	(614,965,139)	(57,643,074)
Net Capital Assets	\$1,873,529,286	\$1,822,371,493	\$51,157,793

FISD implemented GASB 96 during the 2023 fiscal year, a new accounting pronouncement related to the accounting and reporting of subscription-based information technology arrangements (SBITAs). The new accounting standard increased our reported capital assets by \$5.3 million.

More detailed information about the District's capital assets can be found in Note 6 on page 47 of this report.

Long-Term Debt

The District strives to maintain a favorable debt profile and financing structure while adhering to taxpayers' expectations that we will be a prudent and conservative steward of public funds. Our debt repayment schedule is structured to match assets' useful lives with the liabilities incurred to finance those assets. We also continuously monitor the interest rate climate and restructure or repay debt when we recognize positive savings. Taxable bonds may be issued to refund debt before its call date or when the project being financed relates to a public/private partnership; otherwise, all bonds issued are tax-exempt.

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

At the end of the 2023 fiscal year, the District had \$2.6 billion in bonded debt outstanding, all of which is direct tax supported debt. The remainder of the District's long-term obligations include leases, subscription-based IT arrangements, and the District's portions of the TRS net pension and OPEB liabilities.

Table A-9. Long-Term Debt

	As of June 30, 2023	As of June 30, 2022	Increases / (Decreases)
Bonds payable	\$2,336,734,996	\$2,347,704,523	\$(10,969,527)
Accreted interest	84,381,327	79,532,799	4,848,528
Unamortized bond premium	155,978,948	156,888,245	(909,297)
Total Bonded Debt	2,577,095,271	2,584,125,567	(7,030,296)
Leases Payable	1,703,287	2,250,842	(547,555)
Subscription-based IT arrangements (SBITA) payable	2,007,016	-	2,007,016
District's portion of TRS net pension liability	219,231,149	87,846,717	131,384,432
District's portion of TRS net OPEB liability	107,529,419	167,202,174	(59,672,755)
Total Long-Term Liabilities	\$2,907,566,142	\$2,841,425,300	\$66,140,842

Total outstanding long-term liabilities increased by 2.3% from the previous year. The District issued \$85.4 million of new bonds during the year to finance new construction and other bond program projects. We also refinanced \$115.8 million of outstanding debt to achieve future interest cost savings. Note 7 on pages 48-51 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules, and Notes 11 and 12 on pages 54-63 contain more information about the District's portion of the State's pension and OPEB liabilities.

The amount of general bonded debt outstanding and the total primary government debt per capita are also valuable indicators of the District's debt position. That data is represented in Exhibit S-11 on page 121 of this report.

Economic Factors and Next Year's Budget

The classroom is our first priority when developing a budget to ensure we maintain the academic and operational excellence Frisco ISD is known for. Unfortunately, we are not immune to the economic challenges facing the rest of the state and nation. Inflation has put a strain on the District as the cost of doing business has become increasingly expensive over the last four years, the last time funding for schools in Texas increased.

The 88th legislative session took place in the spring of 2023. We began the session hopeful that the state's \$33 billion surplus and positive future outlook would provide relief for school districts struggling to maintain the same level of services at historically high costs. We were also hopeful that the declaration of support for teacher recruitment and retention from our state lawmakers would translate into meaningful legislation providing raises and other resources for school district staff. Instead, our legislature focused on education savings accounts, or "vouchers," to subsidize private schools, and public education bills were held hostage as a negotiating tool. Ultimately, billions of dollars in school funding were left on the table.

District leaders developed a deficit budget for the second year in a row without a funding adjustment to combat inflation. The fiscal year 2024 budget was built with three goals in mind:

1. Find as much cost savings as possible without sacrificing student opportunities or the quality of education Frisco ISD is known for.
2. Ensure the hundreds of students and families that will call Frisco ISD home next year have all the support they need to succeed.

3. Provide a cost of living adjustment to staff without sacrificing long-term sustainability.

The School Board ultimately adopted a \$738.3 million General Fund budget with a projected deficit of \$24.4 million.

More information about the District's annual budget and economic challenges can be found in the 2024 Budget Book, which is published on the Frisco ISD website at:

<http://www.friscoisd.org/departments/finance/financial-transparency/budgets>

■ Contacting the District's Financial Management

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

Basic Financial Statements



Mariposa · Ananya Arun · Independence High School



Government-Wide Financial Statements

Frisco Independent School District

Statement of Net Position

June 30, 2023

Exhibit

A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and investments	\$740,806,035
1220	Property taxes receivable (delinquent)	7,210,714
1230	Allowance for uncollectable taxes	(1,225,821)
1240	Due from other governments	21,410,370
1290	Other receivables, net	2,089,198
1410	Prepaid expenses	3,304,357
1510	Land	205,743,093
1520	Buildings and improvements, net	1,388,417,945
1530	Furniture and equipment, net	19,023,235
1550	Right to use assets, net	5,257,191
1580	Construction in progress	255,087,822
1000	Total Assets	2,647,124,139
	Deferred Outflows of Resources	
1701	Deferred losses on debt refunding transactions	13,793,724
1705	Deferred pension outflows	103,470,983
1710	Deferred OPEB outflows	59,847,155
1700	Total Deferred Outflows of Resources	177,111,862
	Liabilities	
2110	Accounts payable	24,581,911
2113	Retainage payable	7,251,582
2140	Accrued interest payable	29,543,377
2150	Payroll deductions and withholdings	5,522,371
2160	Accrued wages payable	79,689,538
2180	Due to other governments	8,765,636
2200	Accrued expenses	5,806,837
2300	Unearned revenues	1,499,409
	Non-current Liabilities:	
2501	Due within one year	77,299,348
2502	Due in more than one year	2,503,506,226
2540	Net pension liability	219,231,149
2545	Net OPEB liability	107,529,419
2000	Total Liabilities	3,070,226,803
	Deferred Inflows of Resources	
2601	Deferred gains on debt refunding transactions	4,147,404
2605	Deferred pension inflows	21,193,546
2610	Deferred OPEB inflows	164,286,701
2600	Total Deferred Inflows of Resources	189,627,651
	Net Position	
3200	Net investment in capital assets	(401,824,214)
	Restricted for:	
3820	Federal, state, and local grant programs	14,894,677
3850	Debt service	107,837,891
3900	Unrestricted	(156,526,807)
3000	Total Net Position	\$(435,618,453)

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

Frisco Independent School District Statement of Activities

For the Year Ended June 30, 2023

Exhibit

B-1

Data Control Codes	1 Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	
Governmental Activities:				
11 Instruction	\$466,735,077	\$1,029,217	\$38,377,752	\$(427,328,108)
12 Instructional resources and media services	9,589,976		196,425	(9,393,551)
13 Curriculum and instructional staff development	16,845,431		1,403,431	(15,442,000)
21 Instructional leadership	11,661,415		99,445	(11,561,970)
23 School leadership	46,468,155		992,286	(45,475,869)
31 Guidance, counseling and evaluation services	31,228,811		6,107,248	(25,121,563)
32 Social work services	241,210		(1,937)	(243,147)
33 Health services	5,708,170		294,778	(5,413,392)
34 Student transportation	19,330,258		1,445,892	(17,884,366)
35 Food services	28,359,713	17,294,829	9,253,231	(1,811,653)
36 Extracurricular activities	30,319,051	3,881,766	1,331,172	(25,106,113)
41 General administration	17,697,321		294,958	(17,402,363)
51 Facilities maintenance and operations	97,622,662	15,374,973	1,071,299	(81,176,390)
52 Security and monitoring services	7,562,280		31,454	(7,530,826)
53 Data processing services	15,139,001		(13,627)	(15,152,628)
61 Community services	3,191,714		1,164,678	(2,027,036)
72 Debt service - interest on long-term debt	76,533,868			(76,533,868)
73 Debt service - bond issuance costs and fees	1,739,661			(1,739,661)
91 Contracted instructional services between schools	8,633,222			(8,633,222)
95 Payments to juvenile justice alternative education programs	19,046			(19,046)
97 Payments to tax increment fund	36,285,371			(36,285,371)
99 Other intergovernmental charges	4,314,075			(4,314,075)
TG Total Governmental Activities	<u>\$935,225,488</u>	<u>\$37,580,785</u>	<u>\$62,048,485</u>	<u>(835,596,218)</u>

Data Control Codes	General Revenues	
	Taxes:	
MT	Property taxes, levied for general purposes	507,881,325
DT	Property taxes, levied for debt service	175,723,423
	Other tax-related income - TIRZ	27,108,824
SF	State aid - formula grants	86,131,392
GC	Grants and contributions not restricted to specific programs	10,815,757
IE	Investment earnings	25,089,974
MI	Miscellaneous local and intermediate revenue	2,291,391
TR	Total General Revenues	<u>835,042,086</u>
CN	Change in net position	<u>(554,132)</u>
NB	Net position - beginning	<u>(435,064,321)</u>
NE	Net position - ending	<u>\$(435,618,453)</u>

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





Governmental Funds Financial Statements

Frisco Independent School District

Balance Sheet
Governmental Funds

June 30, 2023

Exhibit
C-1

Data Control Codes		10	50	60	Non-Major Governmental Funds	98 Total Governmental Funds
		General Fund	Debt Service Fund	Capital Projects Fund		
	Assets					
1110	Cash and investments	\$331,511,045	\$132,887,264	\$254,772,296	\$21,635,430	\$740,806,035
1220	Property taxes receivable (delinquent)	5,601,873	1,608,841			7,210,714
1230	Allowance for uncollectable taxes	(952,318)	(273,503)			(1,225,821)
1240	Due from other governments		3,158,666		18,251,704	21,410,370
1260	Due from other funds	15,891,599				15,891,599
1290	Other receivables, net	2,053,427			35,771	2,089,198
1410	Prepaid expenditures	792,400			2,511,957	3,304,357
1000	Total Assets	\$354,898,026	\$137,381,268	\$254,772,296	\$42,434,862	\$789,486,452
	Liabilities					
2110	Accounts payable	\$5,321,129		\$17,312,550	1,948,232	24,581,911
2113	Retainage payable			7,251,582		7,251,582
2140	Accrued interest payable		\$313,153			313,153
2150	Payroll deductions and withholdings	5,522,371				5,522,371
2160	Accrued wages payable	74,966,960			4,722,578	79,689,538
2170	Due to other funds				15,891,599	15,891,599
2180	Due to other governments	8,765,636				8,765,636
2200	Accrued expenditures	1,942,000		3,864,837		5,806,837
2300	Unearned revenue	82,463			1,416,946	1,499,409
2000	Total Liabilities	96,600,559	313,153	28,428,969	23,979,355	149,322,036
	Deferred Inflows of Resources					
2601	Unavailable property tax revenue	2,863,326	824,221			3,687,547
2602	Unavailable lease revenue	1,137,148				1,137,148
2600	Total Deferred Inflows of Resources	4,000,474	824,221	-	-	4,824,695
	Fund Balances					
	Nonspendable:					
3430	Prepaid expenditures	792,400			2,511,957	3,304,357
	Restricted for:					
3450	Federal and state grant programs				14,661,908	14,661,908
3470	Capital acquisitions and contractual obligations			211,424,427		211,424,427
3480	Retirement of long-term debt		136,243,894			136,243,894
3490	Local grants, awards and contributions				232,769	232,769
	Committed to:					
3545	Local grants, awards and contributions				3,411,460	3,411,460
	Assigned to:					
3560	Claims and judgments	6,000,000		2,786,846		8,786,846
3570	Capital expenditures			12,132,054		12,132,054
3590	Employee compensation	17,263,684				17,263,684
3590	Future expenditures	2,871,889				2,871,889
3600	Unassigned	227,369,020			(2,362,587)	225,006,433
3000	Total Fund Balances	254,296,993	136,243,894	226,343,327	18,455,507	635,339,721
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$354,898,026	\$137,381,268	\$254,772,296	\$42,434,862	\$789,486,452

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

Frisco Independent School District Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

Exhibit
C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$635,339,721
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Amounts reported for governmental activities in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	1,873,529,286
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Accounting gains and losses resulting from debt refunding transactions are deferred inflows and outflows of resources, respectively, on the government-wide Statement of Net Position and are amortized over the life of the debt but are not reported in the governmental funds financial statements.

Deferred losses on debt refunding transactions	13,793,724
Deferred gains on debt refunding transactions	(4,147,404)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities on the Balance Sheet of the governmental funds financial statements. Long-term liabilities at year-end consist of:

Bonds payable	(2,336,734,996)
Accrued interest on the bonds	(29,230,224)
Accreted interest on capital appreciation bonds	(84,381,327)
Unamortized bond premiums	(155,978,948)
Lease payable	(1,703,287)
SBITA Payable	(2,007,016)

Certain receivables will be earned this year but are not available soon enough to pay for the current period's expenditures and are therefore deferred inflows of resources at the fund level.	4,824,695
--	-----------

The District's proportionate share of the TRS net pension liability and related deferred inflows and outflows of resources are not current in nature and are therefore not reported in the governmental funds financial statements:

Proportionate share of net pension liability	(219,231,149)
Deferred pension inflows	(21,193,546)
Deferred pension outflows	103,470,983

The District's proportionate share of the TRS Net OPEB liability and related deferred inflows and outflows of resources are not current in nature and are therefore not reported in the governmental funds financial statements:

Proportionate share of net OPEB liability	(107,529,419)
Deferred OPEB inflows	(164,286,701)
Deferred OPEB outflows	59,847,155

Net Position - Governmental Activities (Exhibit A-1)	<u><u>\$ (435,618,453)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Frisco Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

Exhibit
C-2

Data Control Codes		10	50	60		98
		General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local and intermediate sources	\$557,416,001	\$179,014,285	\$8,046,836	\$20,453,617	\$764,930,739
5800	State program revenues	116,246,633	3,158,666		5,945,319	125,350,618
5900	Federal program revenues	10,815,757			43,713,513	54,529,270
5020	Total Revenues	684,478,391	182,172,951	8,046,836	70,112,449	944,810,627
	Expenditures					
	Current:					
0011	Instruction	394,667,100		696,970	29,111,111	424,475,181
0012	Instructional resources and media services	7,157,844			3,531	7,161,375
0013	Curriculum and instructional staff development	16,349,430			1,060,236	17,409,666
0021	Instructional leadership	12,051,786			106,103	12,157,889
0023	School leadership	38,845,366			1,001,035	39,846,401
0031	Guidance, counseling and evaluation services	26,509,337			5,844,962	32,354,299
0032	Social work services	253,802				253,802
0033	Health services	7,357,328			108,385	7,465,713
0034	Student transportation	16,530,814			1,282,496	17,813,310
0035	Food services	254,957			25,597,020	25,851,977
0036	Extracurricular activities	22,668,841		764,964	923,860	24,357,665
0041	General administration	17,168,048		9,252	345,947	17,523,247
0051	Facilities maintenance and operations	52,741,058		16,109,074	1,310,392	70,160,524
0052	Security and monitoring services	5,555,705			-	5,555,705
0053	Data processing services	8,728,571				8,728,571
0061	Community services	1,991,924			1,000,537	2,992,461
	Debt Service:					
0071	Principal on long-term debt	1,570,605	87,694,526		320,708	89,585,839
0072	Interest on long-term debt	124,262	85,567,312		8,872	85,700,446
0073	Bond issuance costs and fees		1,007,886	731,775		1,739,661
	Capital Outlay:					
0081	Facilities acquisition and construction	-		166,105,116		166,105,116
	Intergovernmental:					
0091	Contracted instructional services between schools	8,633,222				8,633,222
0095	Payments to juvenile justice alternative education programs	19,046				19,046
0097	Payments to tax increment fund	36,285,371				36,285,371
0099	Other intergovernmental charges	4,314,075				4,314,075
6030	Total Expenditures	679,778,492	174,269,724	184,417,151	68,025,195	1,106,490,562
1100	Excess (deficiency) of revenues over (under) expenditures	4,699,899	7,903,227	(176,370,315)	2,087,254	(161,679,935)
	Other Financing Sources (Uses)					
7901	Refunding bonds issued		107,080,000			107,080,000
7911	Capital related debt issued (regular bonds)			85,405,000		85,405,000
7912	Proceeds from the sale of property	45,261			23,125	68,386
7916	Premium on issuance of bonds		9,847,008	9,077,090		18,924,098
7915	Transfers in		316			316
7949	Insurance recoveries and other resources	504,136		12,500,000	108,117	13,112,253
8911	Transfers out			(316)		(316)
8949	Payment to refunded bond escrow agent		(115,918,916)			(115,918,916)
7080	Total Other Financing Sources (Uses)	549,397	1,008,408	106,981,774	131,242	108,670,821
1200	Net change in fund balances	5,249,296	8,911,635	(69,388,541)	2,218,496	(53,009,114)
0100	Fund balances - beginning	249,047,697	127,332,259	295,731,868	16,237,011	688,348,835
3000	Fund balances - ending	\$254,296,993	\$136,243,894	\$226,343,327	\$18,455,507	\$635,339,721

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

Frisco Independent School District

Exhibit

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities**C-2R**

For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$(53,009,114)
Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:	
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the costs of those assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$121,742,988) exceeded depreciation (\$55,827,743) in the current period.	51,157,793
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	785,542
Repayment of long-term debt principal (\$75,987,965) and payments of accreted interest on capital appreciation bonds (\$2,012,035) are expenditures in the governmental funds, but these activities reduce long-term liabilities in the Statement of Activities.	205,559,999
Bond issuances are reported as other resources in the governmental funds but are shown as increases in long-term debt in the Statement of Net Position:	
Bond issuances	(192,485,000)
Premiums on bonds	(18,924,098)
Certain debt related items that effect the Statement of Net Position but are not reported in the governmental funds:	
Amortization of bond premiums	19,833,395
Amortization of deferred gains and losses on refunding transactions	(3,121,412)
Increases in deferred (gains)/losses on refunding transactions	(3,976,489)
Accreted interest on capital appreciation bonds	(6,954,000)
Change in Lease payable	547,555
Change in SBITA payable	(2,007,016)
Change in interest payable	1,438,527
Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS net pension liabilities effect government-wide pension expense but have no impact on the governmental funds.	
Contributions during the measurement period	3,012,400
Contributions after the measurement date	15,930,631
Proportionate share of collective pension expense	(148,616,058)
Net proportionate share of deferred pension inflows/outflows	118,160,454
Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS net OPEB liabilities effect government-wide pension expense but have no impact on the governmental funds.	
Contributions prior to the measurement period	633,955
Contributions after the measurement date	3,232,664
Proportionate share of collective OPEB expense	55,984,220
Net proportionate share of deferred OPEB inflows/outflows	(47,738,080)
Change in Net Position of Governmental Activities (Exhibit B-1)	<u><u>\$(554,132)</u></u>

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





Fiduciary Fund Financial Statements

Frisco Independent School District
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Exhibit
E-1

Data Control Codes		Custodial Fund
Assets		
1110	Cash and investments	\$1,624,795
	Total Assets	<u>\$1,624,795</u>
Liabilities		
2110	Accounts payable	\$35,563
	Total Liabilities	<u>\$35,563</u>
Net Position		
	Restricted for:	
3490	Individuals, organizations, and other governments	1,589,232
	Total net position	<u>\$1,589,232</u>

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

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

For the Year Ended June 30, 2023

Exhibit

E-2

	Custodial Fund
Additions	
Donations	\$141,118
Miscellaneous additions:	
Student fees	1,378,631
Fundraisers	167,593
Other	447,574
Total miscellaneous additions	1,993,798
Total additions	2,134,916
Deductions	
Professional and contracted services:	
Rentals	\$42,308
Royalties	5,886
Contracted maintenance and repairs	938
Miscellaneous contracted services	405,497
Total professional and contracted services	454,629
Supplies and materials:	
Uniforms	681
Print shop charges	3,195
Furniture and equipment under \$5,000	17,958
Technology under \$5,000	3,170
Supplies	646,694
Total Supplies and materials	671,698
Other operating costs:	
Student travel	373,035
Travel	3,140
Dues	117,757
Graduation expenses	34,832
Donations	124,079
Miscellaneous operating costs	251,930
Sales Tax	6,006
Total other operating costs	910,779
Total deductions	2,037,106
Net increase in fiduciary net position	97,810
Net position - beginning	1,491,422
Net position - ending	\$1,589,232

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



Notes to the Basic Financial Statements

Note 1.**Summary of Significant Accounting Policies**

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property

taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

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

Revenues from local sources consist primarily of property taxes, which are susceptible to accrual and considered available if collected within 60 days of the end of the fiscal year. Under GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," property taxes are imposed non-exchange revenues. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable, legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. Therefore, the District recognized taxes receivable and a deferred inflow of resources for taxes assessed as of October 1, 2022, which were not available as of June 30, 2023.

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

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

Fiduciary Fund Financial Statements are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting.

Funds

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

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

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

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

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

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

Custodial Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

Assets, Liabilities and Deferred Inflows/Outflows of Resources

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

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

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

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

Leases

Lessee

The District is a lessee for noncancelable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease.

Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

Lessor

The District is a lessor for noncancelable lease of property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to the leases include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancelable period of the lease.

Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed-in-substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed-in-substance, and any lease incentives that are payable to the lessee.

The District monitors changes in circumstances as both a lessor and a lessee that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITAs) – The District has noncancelable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancelable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Capital Assets – Capital assets, which include land, buildings, and equipment, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated

useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of donation.

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

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

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

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

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

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

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

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

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

Fund Balances and Net Position

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

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

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

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

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

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources. Fund balances on the governmental funds' Balance Sheet include the following:

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

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

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

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. On June 20, 2016, the Board delegated through formal action the authority to assign fund balance to the Chief Financial Officer; the Board may also directly assign fund balance for specific purposes. This can be done through adoption and amendment of the budget. As of June 30, 2023, the District has assigned fund balance in the General Fund for the following purposes:

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

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

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

Data Control Codes

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

Management's Use of Estimates

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

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the goods or services. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. Management has assigned a portion of fund balance for future expenditures equal to outstanding encumbrances in the General Fund at June 30, 2023. None of the individual encumbrances reported are considered significant to the financial statements.

Implementation of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement (1) defines a SBITA; (2) establishes that a SBITA results in an intangible right-to-use subscription asset and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Frisco ISD implemented GASB 96 in the fiscal year 2023 financial statements with no impact to amounts previously reported.

Note 2.

Cash and Investments

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

At June 30, 2023, the carrying amount of the District's deposits (cash) and outstanding checks was \$58,723,975. The combined bank balance was \$ 28,008,787. At June 30, 2023, and during the year then ended, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

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

- Depository: JP Morgan Chase Bank, Frisco, TX
- The date of the highest deposit was January 12, 2023, when combined cash, savings and time deposits amounted to \$72,991,477.
- The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was \$90,000,177.
- The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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

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

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

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

- The Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the pool. Mellon Investments Corporation and American Beacon Advisors combined with Parent Company Resolute Investment Managers manage the investment of Lone Star's assets.
- The Texas Range Investment Program offers four portfolios, TexasDAILY, Texas TERM, TexasDAILY Select and TexasTERM Certificates of Deposit Purchase Program, is governed by a 6-member advisory board made up of experienced local government officials elected by the pool's investors. PFM Asset Management LLC manages the investments of Texas Range's assets.
- TexPool is a public funds pool administered by the State Comptroller of Texas. The portfolio of TexPool is managed by Federated Hermes and the assets are held in a separate custodial account at the State Street Bank in the name of TexPool.

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

- Credit risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standard and Poor's (S&P) or Moody's Investors Service.
- Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257

“Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District’s funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the District. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. The District’s policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the District to be held in a Safekeeping account in the District’s name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

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

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

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability. Frisco ISD does not have investments valued using Level 3 inputs.

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

The District has the following recurring fair value investments as of June 30, 2023:

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

	Value at June 30, 2023	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Days)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Cash and Cash Equivalents:					
Bank Deposits	\$58,723,975				
Total Cash and Cash Equivalents	58,723,975				
Investment measured at Amortized Costs:					
Tex Pool	27,852,827			4%	34
Lonestar Investment Pool	422,557,186			62%	49
Investments measured at Net Asset Value:					
Texas Range - TexasDAILY	21,287,798			3%	31
Investments by Fair Value Level:					
US Government Agency Securities:					
Federal Home Loan Bank	104,667,364	\$104,667,364		15%	58
US Treasury Bonds	44,360,864	44,360,864		7%	102
Commercial Paper	61,356,021		\$61,356,021	9%	141
Total Investments	682,082,060	149,028,228	61,356,021		
Total Cash and Investments	\$740,806,035	\$149,028,228	\$61,356,021		

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

- Transact at a net asset value of \$1.00 per share
- Have weighted average maturity of 60 days or less and weighted average life of 120 days or less
- Hold investments that are highly rated by nationally recognized statistical rating organizations
- Have no more than 5% of portfolio with one issuer (excluding US government securities)
- Meet reasonably foreseeable redemptions

Lone Star and TexPool investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on a major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. Lone Star and TexPool investment pools have earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

The Texas Range investment pool is an external investment pool measured at its net asset value. Texas Range's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to investment pools. The District participates in two separate Texas Range portfolios – TexasDAILY, which seeks to maintain a stable net asset value of \$1.00 per share and may be redeemed daily, and TexasTERM, which seeks to achieve a net asset value of \$1.00 per share at a stated maturity date. As of June 30, 2023, the District had no investments in the TexasTERM portfolio. \$21,287,798 was invested in the TexasDAILY portfolio. TexasDAILY has received an AAAMmf rating from Fitch Ratings, and the TexasTERM portfolio has received a rating of AAAf from Fitch Ratings, which meets the standards set by the Public Funds Investment Act.

Note 3.**Property Taxes**

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The taxable value of the roll as of the end of the fiscal year was \$57,110,581,645.

The tax rates levied for the fiscal year ended June 30, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9429 and \$0.2700 per \$100 valuation, respectively, for a total of \$1.2129 per \$100 valuation.

Current year tax collections for the period ended June 30, 2023, were 99.38% of the levy.

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

Allowances for uncollectable taxes within the General Fund and Debt Service Fund are based on historical experience. Uncollectable personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2023, the allowance for uncollectable taxes was approximately 17% of total delinquent property taxes receivable.

Tax Increment Financing

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

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

An Educational Facilities Account has been established with TIRZ proceeds to repay cash expenditures for project costs or the principal and interest on bonds or other indebtedness for educational facilities within or adjacent to the zone. As of June 30, 2023, approximately \$311.9 million of TIRZ proceeds have been used to finance the construction of FISD educational facilities since the agreement began.

Note 4.**Receivables**

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

Receivables due from other governments as of June 30, 2023, for the District's individual major funds and Non-Major Governmental Funds are described in the table below.

	Debt Service Fund	Non-Major Governmental Funds	Total
Due from the State of Texas	\$3,158,666		\$3,158,666
Due from the Federal Government		\$18,251,704	18,251,704
Total	\$3,158,666	\$18,251,704	\$21,410,370

Note 5.**Interfund Transactions**

Interfund balances at June 30, 2023, consisted of the individual fund receivables and payables detailed in the table below.

	Receivable	Payable
General Fund	\$15,891,599	
Non-Major Funds		\$15,891,599
Total	\$15,891,599	\$15,891,599

All interfund balances represent transactions between the General Fund and other funds. Non-major funds owed the General Fund for grant expenditures financed by General Fund cash prior to receiving reimbursements from federal or state agencies. All interfund balances reported at June 30, 2023, were liquidated shortly after year-end.

The table below summarizes the District's internal transfers for the fiscal year ended June 30, 2023.

From	To	Amount	Purpose
Capital Projects Fund	Debt Service Fund	\$316	Refund of bond issuance costs
	Total	\$316	

Note 6.

Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2023, include:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$205,743,093			\$205,743,093
Construction in Progress	157,413,803	\$98,927,547	\$1,253,528	255,087,822
Total capital assets not being depreciated/amortized	363,156,896	98,927,547	1,253,528	460,830,915
Capital assets being depreciated/amortized:				
Building & Improvements	1,987,485,998	1,577,517		1,989,063,515
Building & Improvements, leased right-to-use	238,261			238,261
Furniture & Equipment	83,948,561	5,175,112	898,011	88,225,662
Furniture & Equipment, leased right-to-use	2,506,916			2,506,916
Software-based IT arrangements (SBITA)		5,272,230		5,272,230
Total capital assets being depreciated/amortized	2,074,179,736	12,024,859	898,011	2,085,306,584
Less accumulated depreciation/amortization for:				
Building and Improvements	550,832,460	49,813,110		600,645,570
Building & Improvements, leased right-to-use	180,562	57,699		238,261
Furniture and Equipment	63,610,322	6,490,116	898,011	69,202,427
Furniture & Equipment, leased right-to-use	341,795	529,454		871,249
Software-based IT arrangements (SBITA)		1,650,706		1,650,706
Total accumulated depreciation/amortization	614,965,139	58,541,085	898,011	672,608,213
Total capital assets being depreciated/amortized, net	1,459,214,597	(46,516,226)		1,412,698,371
Governmental Activity capital assets, net	\$1,822,371,493	\$52,411,321	\$1,253,528	\$1,873,529,286

The current period's depreciation was expensed to individual functions as detailed in the table to the right. Right-to-use assets are leased, and the amortization expense for those leases is also included in the table to the right. Together, depreciation expense and amortization expense account for the increase in the accumulated depreciation/amortization of the District's capital assets.

Construction Commitments

The District was obligated at June 30, 2023, under major contracts, for construction of new facilities and renovations or repair of various existing facilities. The outstanding construction commitments associated with these projects totaled approximately \$72.4 million as of June 30, 2023.

Function	Depreciation Expensed	Lease Amortization Expensed	SBITA Amortization Expensed
11	\$35,821,118	\$538,338	\$1,274,430
12	1,988,391	741	
13		4,342	
21		3,918	
23	3,758,262	23,084	156,250
31		3,653	
32			
33	2,655	1,535	
34	2,971,262	1,112	
35	2,906,934		
36	5,329,301	3,441	
41	1,260,737	4,394	27,411
51	880,648	2,383	
52	891,050	53	85,641
53	237,671		106,974
61	255,197	159	
Total	\$56,303,226	\$587,153	\$1,650,706

Note 7.

Long-Term Debt

A detailed summary of changes in bonds payable and other long-term debt for the fiscal year ended June 30, 2023, is provided below and continues on the following page.

Description	Original Issue Amount	Interest Rate(s)	Maturity	Balance at June 30, 2022	Issued/Increases	Retired/Refunded	Balance at June 30, 2023	Amount Due Within One Year
Unlimited Tax School Building Bonds:								
Series 2010	\$20,195,000	0.00%	2/15/2027	\$6,745,000		\$1,345,000	\$5,400,000	\$1,350,000
Series 2013	\$90,845,000	3.000%-5.000%	8/15/2043	60,890,000		58,660,000	2,230,000	2,230,000
Series 2014	\$159,795,000	2.000%-5.000%	8/15/2044	140,105,000		3,825,000	136,280,000	4,015,000
Series 2015A	\$68,125,000	2.000%-5.000%	8/15/2045	61,150,000		1,560,000	59,590,000	1,640,000
Series 2016B	\$75,790,000	2.500%-5.000%	8/15/2046	70,445,000		1,510,000	68,935,000	1,545,000
Series 2018	\$49,865,000	3.000%-5.000%	8/15/2048	47,115,000		1,010,000	46,105,000	1,060,000
Series 2021	\$83,150,000	2.000%-5.000%	2/15/2051	81,770,000		2,515,000	79,255,000	2,140,000
Series 2022	\$42,315,000	2.000%-5.000%	2/15/2052	42,315,000		830,000	41,485,000	870,000
Series 2022	\$140,085,000	3.350%-5.000%	2/15/2052	140,085,000		4,045,000	136,040,000	3,705,000
Unlimited Tax School Refunding Bonds								
Series 2011	\$62,078,491	2.000%-5.000%	8/15/2030	3,383,491			3,383,491	
Series 2013	\$19,040,000	2.000%-5.000%	7/15/2033	13,960,000		13,960,000		
Series 2016	\$104,555,000	3.000%-5.000%	8/15/2037	84,320,000		4,230,000	80,090,000	4,425,000
Series 2020	\$183,585,000	0.795%-2.592%	2/15/2041	181,560,000		675,000	180,885,000	475,000
Series 2021	\$109,310,000	1.461%-4.000%	2/15/2041	99,325,000		7,290,000	92,035,000	1,570,000
Series 2021A	\$37,070,000	1.714%-5.000%	2/15/2035	36,820,000		380,000	36,440,000	400,000
Series 2022A	\$12,220,000	5.000%	2/15/2033		\$12,220,000	1,065,000	11,155,000	850,000
Series 2022B	\$44,760,000	5.000%	2/15/2029		44,760,000	8,080,000	36,680,000	5,880,000
Unlimited Tax School Building & Refunding Bonds								
Series 1999	\$40,033,092	4.300%-5.750%	8/15/2029	783,092			783,092	87,502
Series 2002A	\$38,018,141	3.000%-5.375%	8/15/2034	8,962,247		525,470	8,436,777	478,946
Series 2012	\$85,531,867	2.000%-5.000%	8/15/2041	12,956,867			12,956,867	
Series 2012B	\$99,545,000	2.000%-5.000%	8/15/2042	63,880,000		21,565,000	42,315,000	
Series 2013	\$68,471,992	2.000%-5.000%	8/15/2043	61,025,000		31,820,000	29,205,000	
Series 2014	\$111,455,000	2.000%-4.000%	8/15/2044	94,735,000		2,880,000	91,855,000	2,995,000
Series 2015	\$139,525,000	0.420%-5.00%	8/15/2045	111,445,000		3,690,000	107,755,000	3,875,000
Series 2016A	\$208,960,000	2.000%-5.000%	8/15/2046	180,035,000		7,355,000	172,680,000	7,730,000
Series 2017	\$206,445,000	2.000%-5.000%	8/15/2047	186,895,000		6,920,000	179,975,000	7,295,000
Series 2019	\$265,390,000	3.000%-5.000%	8/15/2049	252,205,000		8,745,000	243,460,000	5,985,000
Series 2020	\$101,705,000	2.000%-5.000%	8/15/2050	92,395,000		4,610,000	87,785,000	4,845,000
Series 2021	\$182,170,000	3.000%-4.000%	2/15/2051	178,030,000		2,915,000	175,115,000	4,005,000
Series 2023	\$135,505,000	4.2500%-5.000%	2/15/2053		135,505,000		135,505,000	3,510,000
CAB Premiums								
Series 1999				9,122,362			9,122,362	739,762
Series 2002A				13,433,141		531,076	12,902,065	500,401
Series 2012				1,161,610			1,161,610	
Series 2020				8,009,947		917,981	7,091,966	1,088,133
Series 2021				2,641,766			2,641,766	
Total bonds payable				\$2,347,704,523	\$192,485,000	\$203,454,527	\$2,336,734,996	\$75,289,744

	Balance at June 30, 2022	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2023	Amount Due Within One Year
Total bonds payable	\$2,347,704,523	\$192,485,000	\$203,454,527	\$2,336,734,996	\$75,289,744
Accreted interest on capital appreciation bonds	79,532,799	6,954,000	2,105,472	84,381,327	
Unamortized bond premium	156,888,245	18,924,098	19,833,395	155,978,948	
Total bonded debt	2,584,125,567	218,363,098	225,393,394	2,577,095,271	75,289,744
Lease payable	2,250,842	-	547,555	1,703,287	549,565
SBITA Payable	-	3,361,935	1,354,919	2,007,016	1,460,039
District's portion of net pension liability	87,846,717	148,616,058	17,231,626	219,231,149	
District's portion of net OPEB liability	167,202,174	5,218,520	64,891,275	107,529,419	
Total long-term debt	\$2,841,425,300	\$375,559,611	\$309,418,769	\$2,907,566,142	\$77,299,348

Changes in debt-related deferred outflows and inflows of resources for the fiscal year ended June 30, 2023, were:

	Balance at June 30, 2022	Issued / Increase	Retired / Refunded	Balance at June 30, 2023
Deferred loss on refunding transactions	\$17,098,153		\$3,304,429	\$13,793,724
Deferred gain on refunding transactions	\$353,932	\$3,976,489	\$183,017	\$4,147,404

During the year, the District issued the following bonds:

- \$12,220,000 of Unlimited Tax Refunding Bonds, Taxable Series 2022A with interest rates of 5.00%. Proceeds were delivered on October 20, 2022. Deposits to escrow agents of \$13,328,985 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment bond refunded of the \$13,100,000 of the District's Unlimited Tax School Refunding, Series 2013.
- The District's refunding resulted in an economic gain of \$1,237,624 and a book loss of \$831,259 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirements by \$1,621,819.
- \$44,760,000 of Unlimited Tax Refunding Bonds, Series 2022B with interest rates of 5.00%. Proceeds were delivered on November 22, 2022. Deposits to escrow agents of \$46,754,089 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded:
 - \$17,800,000 of the District's Unlimited Tax School Building & Refunding Bonds, Series 2012B
 - \$28,325,000 of the District's Unlimited Tax School Building & Refunding Bonds, Series 2013

The District's refunding resulted in an economic gain of \$1,934,101 and a book loss of \$199,591 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirements by \$2,879,967.

- \$135,505,000 of Unlimited Tax School Building & Refunding Bonds, Series 2023 with interest rates of 4.250% to 5.00%. Proceeds were delivered on May 18 as follows:
 - \$55,835,842 were deposited to escrow agents and was used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of the following bonds refunded \$56,535,000 of the District's Unlimited Tax School Building Bonds, Series 2013
 - \$93,750,000 was deposited to acquire, construct, renovate and equip school buildings.

The District's refunding resulted in an economic gain of \$2,527,141 and a book loss of \$3,683,057 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirements by \$4,334,638.

Capital Appreciation Bonds

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at a stated value. Accreted interest is the obligation associated with periodic increases in the obligation to reflect the bonds at their stated value at maturity. CAB premiums represent premiums received on the issuance of these bonds which must also be paid back at maturity. Current year accreted interest expense recognized in the government-wide financial statements was \$6,954,000, and \$2,105,472 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at June 30, 2023, is \$84,381,327, and total premiums on CABs are \$32,919,769, both of which are reported as long-term liabilities in the government-wide financial statements.

Bond Authorization and Obligations

General obligation bonds of the District are reported as long-term liabilities of the governmental activities. As of June 30, 2023, \$136,243,894 was available in the Debt Service Fund to service these bonds.

There are several limitations and restrictions contained in the general obligation bond indenture. Management asserts that the District complies with all significant limitations and restrictions at June 30, 2023.

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

In November 2018, voters in the District approved \$691,000,000 of general obligation bonds. As of June 30, 2021, \$32,000,000 of that bond program remains authorized but unissued.

The following table summarizes the annual debt service requirements of outstanding debt at June 30, 2023, to maturity:

Year ending June 30,	Principal*	Interest	Total
2024	75,289,744	87,948,314	163,238,058
2025	87,217,014	90,225,902	177,442,916
2026	87,058,624	84,395,437	171,454,061
2027	91,195,908	83,590,759	174,786,667
2028	88,663,970	79,934,463	168,598,433
2029-2033	495,725,683	349,528,244	845,253,927
2034-2038	599,069,053	266,996,941	866,065,994
2039-2043	506,130,000	104,097,732	610,227,732
2044-2048	227,765,000	33,665,673	261,430,673
2049-2053	78,620,000	5,908,899	84,528,899
Total	2,336,734,996	1,186,292,364	3,523,027,360

* includes premiums on capital appreciation bonds

Leases Payable

The District has entered into multiple lease agreements as lessee. The leases allow the right-to-use portable buildings and copier equipment over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate, or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

Governmental Activities	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Copiers	3.25%	\$2,506,916	3 - 5	\$1,678,287
Portables	3.25%	236,161	1 - 2	25,000
Total governmental activities				\$1,703,287

The future principal and interest lease payments as of fiscal year end are as follows:

Year ending June 30,	Principal	Interest	Total
2024	\$549,565	\$46,776	\$596,341
2025	542,527	28,814	571,341
2026	407,956	13,770	421,726
2027	203,239	181	203,420
Total	\$1,703,287	\$89,541	\$1,792,828

Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

Governmental Activities	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Software	4.13%	\$3,361,935	3	\$2,007,016
Total governmental activities				\$2,007,016

The future SBITA principal and interest payments as of June 30, 2023, are as follows:

Year ending June 30,	Principal	Interest	Total
2024	\$1,460,039	\$47,432	\$1,507,471
2025	377,097	13,621	390,718
2026	169,880	1,579	171,459
Total	\$2,007,016	\$62,632	\$2,069,648

The value of the subscription assets as of the June 30, 2023, net of accumulated amortization, was \$3,621,524.

Note 8:**Unearned Revenue**

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Non-Major Funds	Total
Cell tower rentals	\$5,427		\$5,427
Athletic facility rental	1,783		1,783
School lunch deposits		\$1,023,451	1,023,451
Student fees and charges	75,253		75,253
Principal/Teacher training		500	500
Federal grant reimbursements		392,995	392,995
Total	\$82,463	\$1,416,946	\$1,499,409

Note 9:**Revenues from Local and Intermediate Sources**

During fiscal year 2023, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Property tax	\$531,910,235	\$144,380,305			\$676,290,540
Penalties, interest and other tax related income	2,358,454	31,152,687			33,511,141
Food sales				\$17,294,829	17,294,829
Investment income	13,071,625	3,481,293	\$7,987,212	549,844	25,089,974
Co-Curricular student activities	3,881,766				3,881,766
Shared services revenue				17,625	17,625
Facilities rentals	2,874,973				2,874,973
Other miscellaneous revenue	3,318,948		59,624	2,591,319	5,969,891
Total	\$557,416,001	\$179,014,285	\$8,046,836	\$20,453,617	\$764,930,739

Note 10:**Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. \$5,000,000 of the \$6,000,000 fund balance assigned for claims and judgments is intended to cover potential insurance deductibles and related liabilities.

Health Care Coverage

For the year ending June 30, 2023, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan, which is a statewide health insurance program. The District contributed \$350 per month per enrolled employee to the plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Workers' Compensation

The District is self-funded for workers' compensation insurance and has an interlocal agreement with Claims Administrative Services, Inc. (CAS) to serve as the District's third party administrator. The District pays service fees to CAS for its claims management services. The District also maintains an excess workers compensation insurance policy with Midwest Employers Casualty Company (MECC) for claims exceeding the specific retention of \$350,000. As of June 30, 2023, the District's unpaid claims totaled \$1,942,000 which includes claims incurred but not reported. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the workers' compensation claims liability for fiscal year 2022 and fiscal year 2023 were:

	2022	2023
Beginning liability	\$2,001,000	\$3,031,000
Claims and changes in estimates	2,431,000	476,000
Claim payments	(1,401,000)	(1,565,000)
Ending liability	\$3,031,000	\$1,942,000

Litigation and Contingencies

The District is the defendant in a small number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements. \$1,000,000 of the \$6,000,000 fund balance assigned for claims and judgments is intended to cover potential legal fees and insurance deductibles for this type of litigation.

State and Federal Programs

The District participates in numerous state and federal funding programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 11.

Pension Plan

Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf> by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

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

including automatic COLAs (cost of living adjustment). 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, because of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

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

Contribution Rates	2022	2023
Member	8.00%	8.00%
Non-employer contributing entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
FISD 2023 fiscal year member contributions		\$38,577,035
FISD 2023 fiscal year State contributions		\$25,549,849
FISD 2023 fiscal year District contributions		\$18,902,208

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in plan year 2021, gradually increasing to 2% in plan year 2025.

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

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

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal Bond Rate as of August 2020	3.91%
<i>Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax- exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."</i>	
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2022.

Discount Rate - A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in plan year 2020, gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00% The long-term expected rate of return was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022, are summarized on the following page.

Asset Class ⁽¹⁾	Target Allocation ⁽²⁾	Long-Term Rate of Return ⁽³⁾	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00%)	3.60%	(0.05%)
Inflation Expectation			2.70%
Volatility Drag ⁽⁴⁾			(0.91%)
Expected Return	100.00%		8.19%

⁽¹⁾ Absolute Return includes Credit Sensitive Investments.

⁽²⁾ Target allocations are based on plan year 2022 policy model.

⁽³⁾ Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).

⁽⁴⁾ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis - The following schedule presents the District's proportion of the TRS Net Pension Liability using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
FISD's proportionate share of the net pension liability:	\$341,040,544	\$219,231,149	\$120,498,916

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

- At June 30, 2023, the District reported a liability of \$219,231,149 for its proportionate share of the TRS Net Pension Liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

FISD's proportionate share of the collective net pension liability	\$219,231,149
State's proportionate share that is associated with FISD	297,091,396
Total	\$516,322,545

The net pension liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021, through August 31, 2022.

At August 31, 2022, the District's proportion of the collective net pension liability was 0.3692784999%, which was an increase of 0.0243278745% from its proportion measured as of August 31, 2021.

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

For the year ended June 30, 2023, the District recognized pension expenses of \$36,020,630 and contributions paid by the state on-behalf of the District of \$25,549,849.

At June 30, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$3,178,834	(\$4,779,654)
Changes in actuarial assumptions	40,849,898	(10,180,935)
Changes in proportion and differences between District contributions and the proportionate share of contributions	21,852,284	(6,232,957)
Difference between projected and actual investment earnings	21,659,336	
District contributions paid to TRS subsequent to the measurement date	15,930,631	
Total	\$103,470,983	(\$21,193,546)

The amount reported as a deferred outflow of resources resulting from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as described in the table on the right.

Year ended June 30:	
2024	\$12,228,235
2025	8,332,634
2026	8,263,542
2027	30,748,821
2028	6,773,574
Total	\$66,346,806

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

Note 12.

Other Post-Employment Benefits

Defined Other Post-Employment Benefit Plan

Plan Description - The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees.

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

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for retirees are reflected in the following table:

	TRS-Care Monthly Premium Rates	
	Plan Year 2022	
	Medicare	Non-Medicare
Retiree or surviving spouse	\$135	\$200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

Contributions - Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions

and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates	2022	2023
Active Employees	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
FISD 2023 fiscal year member contributions		\$3,677,740
FISD 2023 fiscal year State contributions		\$5,788,471
FISD 2023 fiscal year District contributions		\$3,855,824

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When hiring a TRS retiree, employers are required to pay a TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during plan year 2022.

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022.

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. The demographic assumptions were developed in the experience study performed for TRS for the period ended August 31, 2017. Rates of mortality, retirement, termination, and disability, as well as general inflation, wage inflation, and expected payroll growth assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021, TRS pension actuarial valuation that was rolled forward to August 31, 2022.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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 include:

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected salary increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

Discount Rate – A single discount rate of 3.91% was used to measure the Total OPEB Liability. There was a increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay- as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumes that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 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 on the Net OPEB Liability if the discount rate used was one percentage point lower than and one percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
FISD's proportionate share of the net OPEB liability:	\$126,785,712	\$107,529,419	\$91,929,350

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs

– At June 30, 2023, FISD reported a liability of \$107,529,419 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction in State OPEB support provided to the District. The amount recognized by FISD as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

FISD's proportionate share of the collective net OPEB liability	\$107,529,419
State's proportionate share that is associated with FISD	131,168,997
Total	\$238,698,416

The Net OPEB Liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021, through August 31, 2022.

At June 30, 2023, FISD's proportion of the collective Net OPEB Liability was 0.4490870152% which was an increase of 0.015340616% from June 30, 2022.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
FISD's proportionate share of the net OPEB liability:	\$88,604,725	\$107,529,419	\$132,062,848

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 1.95% as of August 31, 2021, to 3.91% as of August 31, 2022. This change decreased the Total OPEB Liability.

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

For the year ended June 30, 2023, the District recognized negative OPEB expense of (\$38,454,678) and contributions paid by the state on-behalf of the District of \$5,788,471.

At June 30, 2023, 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	\$5,978,255	(\$89,581,658)
Changes in actuarial assumptions	16,378,860	(74,705,043)
Changes in proportion and differences between District contributions and the proportionate share of contributions	33,937,075	
Difference between projected and actual investment earnings	320,301	
District contributions paid to TRS subsequent to the measurement date	3,232,664	
Total	\$59,847,155	(\$164,286,701)

The amount reported as a deferred outflow of resources resulting from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized as pension expense as described in the table on the right.

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

Year ended June 30:	
2024	(\$20,042,893)
2025	(20,041,734)
2026	(15,481,722)
2027	(9,308,287)
2028	(14,010,134)
Thereafter	(28,787,440)
Total	(\$107,672,210)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the year ended June 30, 2023, these on-behalf payments were \$1,915,971 and were recorded as equal revenues and expenditures in the General Fund.



Required Supplementary Information (Unaudited)



Is It Over Yet · Camila Salinas · Lebanon Trail High School

Frisco Independent School District

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2023

Exhibit

F-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$521,554,700	\$545,144,500	\$557,416,001	\$12,271,501
5800	State program revenues	143,755,700	118,422,500	116,246,633	(2,175,867)
5900	Federal program revenues	5,000,000	5,000,000	10,815,757	5,815,757
5020	Total Revenues	670,310,400	668,567,000	684,478,391	15,911,391
Expenditures					
Current:					
0011	Instruction	416,408,901	401,118,298	394,667,100	(6,451,198)
0012	Instructional resources and media services	7,123,756	7,299,914	7,157,844	(142,070)
0013	Curriculum and instructional staff development	16,084,933	16,350,328	16,349,430	(898)
0021	Instructional leadership	12,566,682	13,011,933	12,051,786	(960,147)
0023	School leadership	41,427,556	41,099,844	38,845,366	(2,254,478)
0031	Guidance, counseling and evaluation services	27,305,116	27,256,032	26,509,337	(746,695)
0032	Social work services	305,831	456,694	253,802	(202,892)
0033	Health services	7,498,997	7,574,914	7,357,328	(217,586)
0034	Student transportation	14,933,582	17,019,546	16,530,814	(488,732)
0035	Food services	100,000	453,000	254,957	(198,043)
0036	Extracurricular activities	20,673,217	23,274,786	22,668,841	(605,945)
0041	General administration	17,696,605	18,134,218	17,168,048	(966,170)
0051	Facilities maintenance and operations	52,338,325	56,878,189	52,741,058	(4,137,131)
0052	Security and monitoring services	5,507,346	7,106,315	5,555,705	(1,550,610)
0053	Data processing services	9,486,151	9,310,924	8,728,571	(582,353)
0061	Community services	1,244,512	2,042,059	1,991,924	(50,135)
Debt Service:					
0071	Principal on long-term debt		1,700,000	1,570,605	(129,395)
0072	Interest on long-term debt		1,000,000	124,262	(875,738)
Capital Outlay:					
0081	Facilities acquisition and construction		250,000		(250,000)
0091	Contracted instructional services between schools	6,900,900	9,267,500	8,633,222	(634,278)
0095	Payments to juvenile justice alternative education programs	40,000	40,000	19,046	(20,954)
0097	Payments to tax increment fund	30,717,100	36,467,100	36,285,371	(181,729)
0099	Other intergovernmental charges	4,250,000	5,492,855	4,314,075	(1,178,780)
6030	Total Expenditures	692,609,510	702,604,449	679,778,492	(22,825,957)
1100	Excess (deficiency) of revenues over (under) expenditures	(22,299,110)	(34,037,449)	4,699,899	38,737,348
Other Financing Sources (Uses)					
7912	Proceeds from the sale of property			45,261	45,261
7949	Insurance recoveries and other resources			504,136	504,136
7080	Total Other Financing Sources (Uses)	-	-	549,397	549,397
1200	Net change in fund balances	(22,299,110)	(34,037,449)	5,249,296	39,286,745
0100	Fund balances - beginning	249,047,697	249,047,697	249,047,697	-
3000	Fund balances - ending	\$226,748,587	\$215,010,248	\$254,296,993	\$39,286,745

See notes to the Budgetary Comparison Schedule.

Frisco Independent School District

Notes to the Budgetary Comparison Schedule

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

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

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

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

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

Frisco Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas

For the Last Ten Plan Years⁽¹⁾

	Plan Year	2014	2015	2016
District's proportion of the net pension liability		0.002314258000	0.002881151000	0.002910236766
District's proportionate share of the net pension liability		\$61,817,031	\$101,844,853	\$109,973,520
State's Share of the net pension liability associated with the District		121,412,312	\$163,966,596	\$179,382,090
Total		\$183,229,343	\$265,811,449	\$289,355,610
District's covered payroll ⁽²⁾		\$253,369,679	\$279,985,062	\$304,425,906
District's proportionate share of the net pension liability as a percentage of its covered payroll		24.40%	36.38%	36.12%
Plan fiduciary net position as a percentage of the total pension liability		83.25%	78.43%	78.00%

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

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

Exhibit

F-2

2017	2018	2019	2020	2021	2022
0.003137632412	0.003097311248	0.003502637672	0.00324538055	0.00344950625	0.003692784999
\$100,324,581	\$170,483,528	\$182,078,056	\$173,815,951	\$87,846,717	\$219,231,149
\$155,507,727	\$249,283,125	\$249,283,125	\$285,365,085	\$137,753,868	\$297,091,396
\$255,832,308	\$419,766,653	\$431,361,181	\$459,181,036	\$225,600,585	\$516,322,545
\$331,387,964	\$336,805,214	\$376,024,626	\$411,742,285	\$435,799,597	\$458,035,274
30.27%	50.62%	48.42%	42.21%	20.16%	47.86%
82.17%	73.74%	75.24%	75.54%	88.79%	75.62%

Frisco Independent School District

Schedule of District Pension Contributions
Teacher Retirement System of Texas

For the Last Ten Fiscal Years

	2014	2015	2016
Contractually required contribution	\$5,667,342	\$8,087,677	\$9,123,803
Contributions in relation to the contractually required contribution	5,667,342	8,087,677	9,123,803
Contribution deficiency (excess)	\$-	\$-	\$-
District's covered payroll ⁽¹⁾	\$250,101,147	\$275,426,852	\$300,219,324
Contributions as a percentage of covered payroll	2.27%	2.94%	3.04%

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

Exhibit

F-3

2017	2018	2019	2020	2021	2022	2023
\$10,166,019	\$10,573,145	\$11,656,212	\$13,144,338	\$14,530,634	\$16,670,142	\$18,902,208
10,166,019	10,573,145	11,656,212	13,144,338	14,530,634	16,670,142	18,902,208
\$-	\$-	\$-	\$-	\$-	\$-	\$-
\$328,408,774	\$334,369,517	\$369,716,803	\$405,810,347	\$432,411,883	\$452,042,772	\$482,213,427
3.10%	3.16%	3.15%	3.24%	3.36%	3.69%	3.92%

Frisco Independent School District

Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas

For the Last Ten Plan Years⁽¹⁾

	Plan Year:	2017	2018	2019
District's proportion of the net OPEB liability		0.003631282831	0.003792675500	0.004123727000
District's proportionate share of the net OPEB liability as a percentage of its covered payroll		\$157,910,868	\$189,371,760	\$195,016,124
State's proportionate share associated with the District		271,372,899	300,003,424	259,132,805
Total		\$429,283,767	\$489,375,184	\$454,148,929
District's covered payroll ⁽²⁾		\$331,387,964	\$336,805,214	\$376,024,626
District's proportionate share of the net OPEB liability as a percentage of its covered payroll		47.65%	56.23%	51.86%
Plan fiduciary net position as a percentage of the total OPEB liability		0.91%	1.57%	2.66%

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

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

Exhibit

F-4

2020	2021	2022
0.004190748000	0.004334529536	0.004490870152
\$159,309,242	\$167,202,174	\$107,529,419
214,073,443	224,013,650	\$131,168,997
\$373,382,685	\$391,215,824	\$238,698,416
\$411,742,285	\$435,799,597	\$458,035,274
38.69%	38.37%	23.48%
4.99%	6.18%	11.52%

Frisco Independent School District

Schedule of District OPEB Contributions
Teacher Retirement System of Texas

For the Last Ten Fiscal Years

	2014	2015	2016
Contractually required contribution	\$1,420,486	\$1,563,710	\$1,699,880
Contributions in relation to the contractually required contribution	1,420,486	1,563,710	1,699,880
Contribution deficiency (excess)	\$-	\$-	\$-
District's covered payroll ⁽¹⁾	\$250,101,147	\$275,426,852	\$300,219,324
Contributions as a percentage of covered payroll	0.57%	0.57%	0.57%

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

Exhibit

F-5

2017	2018	2019	2020	2021	2022	2023
\$1,856,924	\$2,468,771	\$2,775,970	\$3,128,440	\$3,351,253	\$3,623,750	\$3,855,824
1,856,924	2,468,771	2,775,970	3,128,440	3,351,253	3,623,750	3,855,824
\$-	\$-	\$-	\$-	\$-	\$-	\$-
\$328,408,774	\$334,369,517	\$369,716,803	\$405,810,347	\$432,411,883	\$452,042,772	\$482,213,427
0.57%	0.74%	0.75%	0.77%	0.78%	0.80%	0.80%

Other Supplementary Information



The Cyber District · Neelesh Chevuri · Panther Creek High School



Budgetary Comparison Schedule

Frisco Independent School District
Budgetary Comparison Schedule
Debt Service Fund

For the Year Ended June 30, 2023

Exhibit
G-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$162,364,500	\$162,364,500	\$179,014,285	\$16,649,785
5800	State program revenues			3,158,666	3,158,666
5020	Total Revenues	162,364,500	162,364,500	182,172,951	19,808,451
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	76,406,500	87,694,526	87,694,526	-
0072	Interest on long-term debt	94,933,600	85,567,312	85,567,312	-
0073	Bond issuance costs and fees	1,500,000	1,016,327	1,007,886	(8,441)
6030	Total Expenditures	172,840,100	174,278,165	174,269,724	(8,441)
1100	Excess (deficiency) of revenues over (under) expenditures	(10,475,600)	(11,913,665)	7,903,227	19,816,892
	Other Financing Sources (Uses)				
7901	Refunding Bonds Issued			107,080,000	107,080,000
7916	Premium on issuance of bonds			9,847,008	9,847,008
7915	Transfers in			316	316
8946	Payment to refunded bond escrow agent			(115,918,916)	(115,918,916)
	Total Other Financing Sources (Uses)	-	-	1,008,408	1,008,408
1200	Net change in fund balances	(10,475,600)	(11,913,665)	8,911,635	20,825,300
0100	Fund balances - beginning	127,332,259	127,332,259	127,332,259	-
3000	Fund balances - ending	\$116,856,659	\$115,418,594	\$136,243,894	\$20,825,300



Non-Major Governmental Funds

Special Revenue Funds

The District's non-major governmental funds are Special Revenue funds that account for revenues that have been restricted or committed to expenditures for specific purposes other than expendable trusts or for major capital projects. The programs included in these funds are as follows:

ESEA, Title I, Part A Fund is used to account for supplemental funding allocated by the US Department of Education, as passed through the Region X Education Service Center, to acquire additional education resources at schools serving high concentrations of students from low-income homes.

IDEA, Part B Formula Funds is funded by the US Department of Education and passed through the State of Texas and is for the purpose of providing special education and related services to students with disabilities, ages 3-21.

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

IDEA, Part B Discretionary Fund is funded by the US Department of Education and passed through the State of Texas and is for the purpose of providing special education and related services to students with disabilities.

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

Career and Technical Basic Grant Fund is funded by the US Department of Education and passed through the State of Texas to develop new and/or improve existing career and technical education programs for paid and unpaid employment. The grant is limited to members of special populations at either (1) a limited number of campuses or (2) a limited number of program areas.

ESEA, Title II, Part A Fund is a teacher and principal training and recruiting program funded by the US Department of Education and passed through Region X Education Service Center. Funds are used to provide financial assistance to local education agencies to (1) increase student academic achievement through improving teacher and principal quality and (2) hold local education agencies and schools accountable for improving student academic achievement.

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

Medicaid Administrative Claiming Fund is used to account for funds from the US Department of Health and Human Services for reimbursement of eligible administrative costs related to the Medicaid State plan.

Texas COVID Learning Acceleration Supports (TCLAS) - ESSER III is a set of funding and targeted supports available to Local Education Agencies to accelerate student learning in the wake of COVID-19, utilizing both state and federal funds.

Elementary and Secondary School Emergency Relief Fund - ESSER III is funded by the US Department of Education, as passed through the State of Texas, through the CARES Act. These funds are federal stimulus funds intended to support our ability to operate and instruct our students during the COVID-19 pandemic.

Supplemental Elementary and Secondary School Emergency Relief Fund - ESSER-SUPP provides a portion of the discretionary funding allocated to the State of Texas under CRRSA ESSER II and ARP ESSER III to certain school districts to provide additional resources to pay for unreimbursed costs due to the coronavirus pandemic and for intensive educational supports for students.

IDEA, Part B, Formula - ARP is used to account for federal stimulus funds granted under the American Rescue Plan to operate educational programs for children with disabilities.

IDEA, Part B, Preschool - ARP is used to account for federal stimulus funds granted under the American Rescue Plan to operate educational programs for preschool children with disabilities.

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

Visually Impaired SSVI Fund is used to account for State supplemental visual impairment funds. This fund is used to account for, on a project basis, funds received from Region X Education Service Center as part of a shared service arrangement.

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

State Textbook Fund is an instructional materials allotment funded by the State of Texas to purchase textbooks and other instructional materials, including technological software or equipment that contributes to student learning and/or training for educational personnel involved in the use of these materials.

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

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

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

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

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

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

Frisco Independent School District

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2023

		211	224	225	226
Data Control Codes		ESEA, Title I, Part A Fund	IDEA-B Formula Funds	IDEA-B Preschool Fund	IDEA-B Discretionary Fund
	Assets				
1110	Cash and investments				
1240	Due from other governments	\$189,849	\$2,207,696	\$17,295	\$97,917
1290	Other receivables		1,679		
1410	Prepaid expenditures	1,802	8,500		
1000	Total Assets	<u>\$191,651</u>	<u>\$2,217,875</u>	<u>\$17,295</u>	<u>\$97,917</u>
	Liabilities				
2110	Accounts payable	8,787	18,438	4,768	
2160	Accrued wages payable	59,386	712,558		
2170	Due to other funds	123,478	1,486,879	12,527	97,917
2300	Unearned revenue				
2000	Total Liabilities	<u>191,651</u>	<u>2,217,875</u>	<u>17,295</u>	<u>97,917</u>
	Fund Balances				
	Nonspendable:				
3430	Prepaid expenditures	1,802	8,500		
	Restricted for:				
3450	Federal and state grant programs				
3490	Local grants, awards and contributions				
	Committed to:				
3545	Local grants, awards and contributions				
3600	Unassigned	(1,802)	(8,500)		
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$191,651</u>	<u>\$2,217,875</u>	<u>\$17,295</u>	<u>\$97,917</u>

Exhibit

G-2

240	244	255	263	272	279	282
Child Nutrition Fund	Career and Technical Basic Grant Fund	ESEA, Title II, Part A Fund	ESEA, Title III, Part A Fund	Medicaid Administrative Claiming Fund	Texas COVID Learning Acceleration Supports - ESSER III	Elementary and Secondary School Emergency Relief Fund III - ESSER III
\$17,432,756				\$147,361		
11,499	\$69,540	98,140	\$190,034	34,639	\$36,430	\$689,454
34,092						
7,114	6,348		13,200			
\$17,485,461	\$75,888	\$98,140	\$203,234	\$182,000	\$36,430	\$689,454
480,866	31,383	4,500	1,882	699		
1,493,559		44,609	91,029		7,273	248,327
	44,505	48,531	110,323		29,157	441,127
1,023,451		500				
2,997,876	75,888	98,140	203,234	699	36,430	689,454
7,114	6,348		13,200			
14,480,471				181,301		
	(6,348)		(13,200)			
14,487,585	-	-	-	181,301	-	-
\$17,485,461	\$75,888	\$98,140	\$203,234	\$182,000	\$36,430	\$689,454

(Continued)

Frisco Independent School District

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2023

		283	284	285	289
Data Control Codes		Supplemental Elementary and Secondary School Emergency Relief Fund - ESSER-SUPP	IDEA - Part B, Formula - ARP	IDEA - Part B, Preschool - ARP	Summer School LEP Fund
Assets					
1110	Cash and investments				
1240	Due from other governments	\$11,897,039	\$499,096	\$28,295	\$49,188
1290	Other receivables				
1410	Prepaid expenditures				
1000	Total Assets	\$11,897,039	\$499,096	\$28,295	\$49,188
Liabilities					
2110	Accounts payable	32,000		76	
2160	Accrued wages payable	1,711,419	228,960		
2170	Due to other funds	10,153,620	270,136	28,219	49,188
2300	Unearned revenue				
2000	Total Liabilities	11,897,039	499,096	28,295	49,188
Fund Balances					
Nonspendable:					
3430	Prepaid expenditures				
Restricted for:					
3450	Federal and state grant programs				
3490	Local grants, awards and contributions				
Committed to:					
3545	Local grants, awards and contributions				
3600	Unassigned				
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$11,897,039	\$499,096	\$28,295	\$49,188

Exhibit

G-2

(Continued)

385	397	410	429	459	461	480
Visually Impaired SSVI Fund	Advanced Placement Incentives Fund	State Textbook Fund	Read to Succeed Fund	Shared Services Arrangement	Campus Activity Fund	Restricted Donations and Grants
			\$105,770		\$3,294,481	\$232,769
		\$1,791,140	344,453			
		2,332,737			142,256	
\$-	\$-	\$4,123,877	\$450,223	\$-	\$3,436,737	\$232,769
		1,068,602	108,347		98,741	
			8,028			
		2,767,956	228,036			
		287,319	105,676			
-	-	4,123,877	450,087	-	98,741	-
		2,332,737			142,256	
			136			232,769
					3,195,740	
		(2,332,737)				
-	-	-	136	-	3,337,996	232,769
\$-	\$-	\$4,123,877	\$450,223	\$-	\$3,436,737	\$232,769

(Continued)

Frisco Independent School District
Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2023

Exhibit
G-2
 (Concluded)

		497	498	
Data Control Codes		Frisco Partners Funds	Child Development Center Fund	Total Non-Major Governmental Funds
Assets				
1110	Cash and investments	\$5,320	\$416,973	\$21,635,430
1240	Due from other governments			18,251,704
1290	Other receivables			35,771
1410	Prepaid expenditures			2,511,957
1000	Total Assets	<u>\$5,320</u>	<u>\$416,973</u>	<u>\$42,434,862</u>
Liabilities				
2110	Accounts payable	5,320	83,823	1,948,232
2160	Accrued wages payable		117,430	4,722,578
2170	Due to other funds			15,891,599
2300	Unearned revenue			1,416,946
2000	Total Liabilities	<u>5,320</u>	<u>201,253</u>	<u>23,979,355</u>
Fund Balances				
Nonspendable:				
3430	Prepaid expenditures			2,511,957
Restricted for:				
3450	Federal and state grant programs			14,661,908
3490	Local grants, awards and contributions			232,769
Committed to:				
3545	Local grants, awards and contributions		215,720	3,411,460
3600	Unassigned			(2,362,587)
3000	Total Fund Balances	<u>-</u>	<u>215,720</u>	<u>18,455,507</u>
4000	Total Liabilities and Fund Balances	<u>\$5,320</u>	<u>\$416,973</u>	<u>\$42,434,862</u>

Frisco Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*Non-Major Governmental Funds*

For the Year Ended June 30, 2023

Exhibit**G-3**

		211	224	225
Data Control Codes		ESEA, Title I, Part A Fund	IDEA-B Formula Funds	IDEA-B Preschool Fund
	Revenues			
5700	Local and intermediate sources			
5800	State program revenues			
5900	Federal program revenues	\$786,589	\$8,017,016	\$20,372
5020	Total Revenues	786,589	8,017,016	20,372
	Expenditures			
	Current:			
0011	Instruction	698,023	4,360,023	20,372
0012	Instructional resources and media services			
0013	Curriculum and instructional staff development	54,020	65,955	
0021	Instructional leadership	6,974		
0023	School leadership	24,140	57,218	
0031	Guidance, counseling and evaluation services		2,448,830	
0033	Health services			
0034	Student transportation		1,084,990	
0035	Food services			
0036	Extracurricular activities			
0041	General Administration			
0051	Facilities maintenance and operations			
0052	Security and monitoring services			
0061	Community services	3,432		
	Debt Service:			
0071	Principal on long-term debt			
0072	Interest on long-term debt			
6030	Total Expenditures	786,589	8,017,016	20,372
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	Other Financing Sources (Uses)			
7912	Proceeds from the sale of property			
7949	Insurance recoveries and other resources			
7080	Total Other Financing Sources (Uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning			
3000	Fund balances - ending	\$-	\$-	\$-

(Continued)

Frisco Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*Non-Major Governmental Funds*

For the Year Ended June 30, 2023

		226	240	244	255
Data Control Codes		IDEA-B Discretionary Fund	Child Nutrition Fund	Career and Technical Basic Grant Fund	ESEA, Title II, Part A Fund
	Revenues				
5700	Local and intermediate sources		\$17,846,976		
5800	State program revenues		128,210		
5900	Federal program revenues	\$402,853	9,700,503	\$281,085	\$503,192
5020	Total Revenues	402,853	27,675,689	281,085	503,192
	Expenditures				
	Current:				
0011	Instruction	402,853		281,085	307,505
0012	Instructional resources and media services				
0013	Curriculum and instructional staff development				191,187
0021	Instructional leadership				4,500
0023	School leadership				
0031	Guidance, counseling and evaluation services				
0033	Health services				
0034	Student transportation				
0035	Food services		25,597,020		
0036	Extracurricular activities				
0041	General Administration				
0051	Facilities maintenance and operations		314,073		
0052	Security and monitoring services				
0061	Community services				-
	Debt Service:				
0071	Principal on long-term debt				
0072	Interest on long-term debt				
6030	Total Expenditures	402,853	25,911,093	281,085	503,192
1100	Excess (deficiency) of revenues over (under) expenditures	-	1,764,596	-	-
	Other Financing Sources (Uses)				
7912	Proceeds from the sale of property		23,125		
7949	Insurance recoveries and other resources				
7080	Total Other Financing Sources (Uses)	-	23,125	-	-
1200	Net change in fund balances	-	1,787,721	-	-
0100	Fund balances - beginning		12,699,864		
3000	Fund balances - ending	\$-	\$14,487,585	\$-	\$-

Exhibit
G-3
(Continued)

263	272	279	282	283	284	285
ESEA, Title III, Part A Fund	Medicaid Administrative Claiming Fund	Texas COVID Learning Acceleration Supports - ESSER III	Elementary and Secondary School Emergency Relief Fund III - ESSER III	Supplemental Elementary and Secondary School Emergency Relief Fund - ESSER-SUPP	IDEA - Part B, Formula - ARP	IDEA - Part B, Preschool - ARP
\$524,463	\$129,764	\$248,301	\$1,777,640	\$19,402,491	\$1,689,359	\$91,231
524,463	129,764	248,301	1,777,640	19,402,491	1,689,359	91,231
477,157		100,208	651,174	16,088,385	77,350	28,295
47,306		148,093		255,675		
				94,629		
				894,866		
			1,126,466	656,412	1,612,009	
	107,949					
				197,506		
				345,868		
				819,298		62,936
				49,852		
524,463	107,949	248,301	1,777,640	19,402,491	1,689,359	91,231
-	21,815	-	-	-	-	-
-	-	-	-	-	-	-
-	21,815	-	-	-	-	-
	159,486	-	-	-	-	-
\$-	\$181,301	\$-	\$-	\$-	\$-	\$-

(Continued)

Frisco Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*Non-Major Governmental Funds*

For the Year Ended June 30, 2023

		289	385	397	410
Data Control Codes		Summer School LEP Fund	Visually Impaired SSVI Fund	Advanced Placement Incentives Fund	State Textbook Fund
	Revenues				
5700	Local and intermediate sources				
5800	State program revenues		\$18,362	\$22,330	\$4,522,505
5900	Federal program revenues	\$138,654			
5020	Total Revenues	138,654	18,362	22,330	4,522,505
	Expenditures				
	Current:				
0011	Instruction	89,654	18,362		4,301,042
0012	Instructional resources and media services				
0013	Curriculum and instructional staff development	49,000		22,330	
0021	Instructional leadership				
0023	School leadership				
0031	Guidance, counseling and evaluation services				
0033	Health services				
0034	Student transportation				
0035	Food services				
0036	Extracurricular activities				
0041	General Administration				
0051	Facilities maintenance and operations				
0052	Security and monitoring services				
0061	Community services				
	Debt Service:				
0071	Principal on long-term debt				320,708
0072	Interest on long-term debt				8,872
6030	Total Expenditures	138,654	18,362	22,330	4,630,622
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-	(108,117)
	Other Financing Sources (Uses)				
7912	Proceeds from the sale of property				
7949	Insurance recoveries and other resources				108,117
7080	Total Other Financing Sources (Uses)	-	-	-	108,117
1200	Net change in fund balances	-	-	-	-
0100	Fund balances - beginning	-	-	-	-
3000	Fund balances - ending	\$-	\$-	\$-	\$-

Exhibit
G-3
 (Concluded)

429	459	461	480	497	498	
Read to Succeed Fund	Shared Services Arrangement	Campus Activity Fund	Restricted Donations and Grants	Frisco Partners Fund	Child Development Center Fund	Total Non-Major Governmental Funds
	\$17,625	\$1,138,179	\$268,035	\$47,740	\$1,135,062	\$20,453,617
\$1,253,912						5,945,319
						43,713,513
1,253,912	17,625	1,138,179	268,035	47,740	1,135,062	70,112,449
1,044,762			119,780	45,081		29,111,111
63				3,468		3,531
209,045	17,625					1,060,236
						106,103
			24,043	768		1,001,035
			556	689		5,844,962
			436			108,385
						1,282,496
						25,597,020
		888,694	35,166			923,860
			79			345,947
			114,085			1,310,392
						-
					947,253	1,000,537
						320,708
						8,872
1,253,870	17,625	888,694	294,145	50,006	947,253	68,025,195
42	-	249,485	(26,110)	(2,266)	187,809	2,087,254
						23,125
						108,117
-	-	-	-	-	-	131,242
42	-	249,485	(26,110)	(2,266)	187,809	2,218,496
94		3,088,511	258,879	2,266	27,911	16,237,011
\$136	\$-	\$3,337,996	\$232,769	\$-	\$215,720	\$18,455,507


(Concluded)

Frisco Independent School District
Budgetary Comparison Schedule
Child Nutrition Fund

For the Year Ended June 30, 2023

Exhibit
G-4

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$19,545,440	\$19,545,400	\$17,846,976	\$(1,698,424)
5800	State program revenues	114,800	114,800	128,210	13,410
5900	Federal program revenues	7,608,560	7,608,560	9,700,503	2,091,943
5020	Total Revenues	27,268,800	27,268,760	27,675,689	406,929
	Expenditures				
	Current:				
0035	Food services	28,536,570	30,551,265	25,597,020	(4,954,245)
0051	Facilities maintenance and operations	229,200	319,200	314,073	(5,127)
6030	Total Expenditures	28,765,770	30,870,465	25,911,093	(4,959,372)
1100	Excess (deficiency) of revenues over (under) expenditures	(1,496,970)	(3,601,705)	1,764,596	5,366,301
	Other Financing Sources (Uses)				
7912	Proceeds from the sale of property			23,125	23,125
	Total Other Financing Sources (Uses)			23,125	23,125
1200	Net change in fund balances	(1,496,970)	(3,601,705)	1,787,721	5,389,426
0100	Fund balances - beginning	12,699,864	12,699,864	12,699,864	-
3000	Fund balances - ending	\$11,202,894	\$9,098,159	\$14,487,585	\$5,389,426



Required TEA Schedules

Frisco Independent School District Schedule of Delinquent Taxes Receivable

As of June 30, 2023

	1	2	3	10
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance
Last Ten Fiscal Years	Maintenance	Debt Service		
Prior to 2015	Various	Various	Various	\$(193,590)
2015	\$1.0400	\$0.4200	\$23,005,771,528	73,265
2016	\$1.0400	\$0.4200	\$26,230,139,504	213,363
2017	\$1.0400	\$0.4200	\$30,621,651,034	236,889
2018	\$1.0400	\$0.4200	\$35,570,550,343	298,783
2019	\$1.1700	\$0.2700	\$40,349,486,303	357,121
2020	\$1.0683	\$0.2700	\$43,491,816,275	413,558
2021	\$1.0402	\$0.2700	\$46,267,939,261	492,830
2022	\$0.9972	\$0.2700	\$49,483,508,443	3,026,799
2023	\$0.9429	\$0.2700	\$57,110,581,645	
Totals				<u><u>\$4,919,018</u></u>

Portion of total collections paid into Tax Increment Zone Under Chapter 311, Tax Code

Total amount of taxes refunded under section 26.1115(c), Tax Code, who received an exemption as provided by
Section 11.42(f), Tax Code

Exhibit

H-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance
	\$4,349	\$1,754	\$(80,640)	\$(280,333)
	2,240	905	(8,468)	61,652
	(45,367)	(18,321)	(80,183)	196,868
	(30,118)	(12,163)	(74,256)	204,914
	11,937	4,821	(19,033)	262,992
	52,746	12,172	165,464	457,667
	310,348	78,437	681,185	705,958
	52,454	13,615	328,843	755,604
	560,781	151,836	(1,692,687)	621,495
\$656,716,898	524,830,919	150,285,655	22,623,573	4,223,897
\$656,716,898	\$525,750,289	\$150,518,711	\$21,843,798	\$7,210,714
	\$27,710,824			
	\$73,238			

Frisco Independent School District
Schedule of Use of Funds Report
Select State Allotment Programs

For the Year Ended June 30, 2023

Exhibit
J-4

Data	1
Codes	Responses

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs.

Statutory Authority: Texas Education Code, Section 48.104.

AP1	Did your district expend any state compensatory education program allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education programs?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$13,641,339
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$7,003,668

Section B: Bilingual Education Programs

Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs.

Statutory Authority: Texas Education Code, Section 48.105.

AP1	Did your district expend any bilingual education program allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its bilingual education programs?	Yes
AP3	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$4,224,039
AP4	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25,35)	\$1,296,116

Statistical Section (Unaudited)



My Little Birthday Cakes · Yena Nam · Emerson High School

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

	Page
Financial Trends	99
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	111
These schedules contain information to help the reader assess the District's most significant local revenue source, property tax.	
Debt Capacity	119
These schedules present information to allow the reader to assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	125
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	129
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides that the activities it performs.	



Financial Trends

Frisco Independent School District Net Position by Component

Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016
Governmental Activities:			
Net investment in capital assets	\$(273,081,937)	\$(305,309,356)	\$(232,937,713)
Restricted for federal and state grant programs	3,789,148	5,261,965	4,489,444
Restricted for debt services	53,919,728	54,250,586	57,086,768
Unrestricted net position	66,159,069	353,464	(86,843,097)
Total Net Position	\$(149,213,992)	\$(245,443,341)	\$(258,204,598)

Source: Frisco ISD Annual Financial Reports

Exhibit

S-1

2017	2018	2019	2020	2021	2022	2023
\$(232,777,187)	\$(346,371,603)	\$(363,992,174)	\$(373,647,743)	\$(379,976,838)	\$(391,994,627)	\$(401,824,214)
5,475,019	6,591,918	11,690,601	5,300,585	3,649,399	13,111,853	14,894,677
80,911,177	110,066,081	105,581,772	103,312,274	105,339,980	97,297,297	107,837,891
(99,981,333)	(190,605,648)	(160,936,956)	(154,914,649)	(160,272,957)	(153,478,844)	(156,526,807)
\$(246,372,324)	\$(420,319,252)	\$(407,656,757)	\$(419,949,533)	\$(431,260,416)	\$(435,064,321)	\$(435,618,453)

Frisco Independent School District Expenses, Program Revenues, and Net (Expense)/Revenue

Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016
Expenses			
Governmental Activities:			
Instruction	\$237,776,317	\$284,653,714	\$305,605,412
Instructional resources and media services	7,563,264	9,187,036	9,796,673
Curriculum and instructional staff development	7,496,653	8,527,459	8,937,996
Instructional leadership	4,625,073	5,075,185	5,474,033
School leadership	21,657,026	28,254,017	30,178,920
Guidance, counseling and evaluation services	12,828,364	14,672,505	16,612,319
Social work services	360,371	352,044	361,960
Health services	3,885,439	4,700,476	5,183,496
Student transportation	10,489,264	11,631,466	12,127,267
Food services	20,138,815	22,671,955	25,943,835
Extracurricular activities	15,493,350	17,804,290	19,434,773
General administration	6,752,192	8,271,754	9,432,967
Facilities maintenance and operations	31,796,821	37,020,121	45,202,540
Security and monitoring services	3,595,026	3,808,630	3,916,348
Data processing services	7,194,012	9,499,233	9,131,244
Community services	1,516,206	1,992,750	1,857,437
Debt service - interest on long-term debt	45,233,434	73,966,028	81,825,335
Debt service - bond issuance costs and fees	1,288,269	2,511,829	3,518,708
Contracted instructional services between schools	1,004,896	1,177,873	217,771
Payments to juvenile justice alternative education programs	23,499	47,931	37,077
Payments to tax increment fund	17,605,466	19,317,219	20,698,870
Other intergovernmental charges	1,924,946	2,102,040	2,377,535
Total Governmental Activities Expenses	460,248,703	567,245,555	617,872,516
Program Revenues			
Governmental Activities:			
Charges for Services:			
Instruction	350,717	396,872	403,481
Food services	14,494,346	16,242,616	17,585,643
Extracurricular activities	1,525,824	1,605,535	1,798,238
Facilities maintenance and operations	2,394,812	2,554,502	2,864,952
Operating Grants and Contributions	26,278,448	38,071,093	34,845,658
Total Governmental Activities Program Revenues	45,044,147	58,870,618	57,497,972
Net (Expense) Revenue	\$(415,204,556)	\$(508,374,937)	\$(560,374,544)

Source: Frisco ISD Annual Financial Reports

Exhibit

S-2

2017	2018	2019	2020	2021	2022	2023
\$325,140,742	\$227,342,595	\$385,220,355	\$444,377,695	\$431,632,246	\$419,333,798	\$466,735,077
9,325,687	6,373,309	8,849,546	8,932,969	8,860,354	9,289,511	9,589,976
9,447,290	6,858,766	11,026,050	14,315,808	15,092,758	16,584,811	16,845,431
6,192,970	4,615,947	8,153,468	11,116,828	11,231,262	10,863,912	11,661,415
32,328,267	23,791,263	37,705,167	43,158,588	41,905,984	42,548,828	46,468,155
17,508,585	11,811,319	22,074,050	25,968,948	26,323,164	26,315,463	31,228,811
279,911	119,107	206,324	227,696	282,024	247,009	241,210
5,496,484	3,702,581	6,590,798	7,215,668	7,524,465	6,620,459	5,708,170
12,899,257	10,690,822	15,649,573	17,135,255	15,562,096	16,530,852	19,330,258
25,477,572	21,130,662	26,438,963	26,200,312	20,696,850	28,760,885	28,359,713
19,440,200	17,052,390	23,276,818	22,890,618	23,846,884	27,370,330	30,319,051
9,747,588	8,358,009	12,707,266	16,605,179	17,512,837	20,066,326	17,697,321
46,480,755	47,446,326	54,392,409	60,027,110	71,801,617	68,331,734	97,622,662
3,826,564	3,293,454	4,399,063	6,577,228	7,552,762	8,659,653	7,562,280
8,927,287	9,372,444	11,961,523	10,906,676	11,445,169	11,038,744	15,139,001
1,900,499	1,452,458	2,072,276	2,231,893	1,998,783	2,399,796	3,191,714
79,783,468	77,551,045	82,228,452	79,729,973	67,188,505	76,450,416	76,533,868
2,474,789	691,035	2,143,297	924,809	4,872,571	1,723,232	1,739,661
-	-	14,017,478	3,152,395	4,177,231	5,323,841	8,633,222
67,814	30,118	35,666	30,681	-	22,494	19,046
22,583,104	25,397,908	25,169,882	27,151,041	28,283,215	30,052,993	36,285,371
2,683,175	3,040,455	3,492,348	3,798,571	3,852,070	4,036,852	4,314,075
642,012,008	510,122,013	757,810,772	832,675,941	821,642,847	832,571,939	935,225,488
310,309	733,927	923,344	797,595	1,747,694	983,417	1,029,217
17,491,137	18,376,266	18,335,195	13,189,756	3,183,576	5,720,338	17,294,829
2,423,340	2,379,643	2,362,725	1,916,707	1,694,173	2,208,306	3,881,766
2,818,152	3,172,769	3,631,143	2,725,910	933,742	2,625,281	15,374,973
38,224,087	(58,806,085)	64,655,694	71,108,796	63,842,316	60,202,232	62,048,485
61,267,025	(34,143,480)	89,908,101	89,738,764	71,401,501	71,739,574	99,629,270
\$(580,744,983)	\$(544,265,493)	\$(667,902,671)	\$(742,937,177)	\$(750,241,346)	\$(760,832,365)	\$(835,596,218)

Frisco Independent School District General Revenues and Total Changes in Net Position

Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016
Net (Expense) Revenue	\$(415,204,556)	\$(508,374,937)	\$(560,374,544)
General Revenues			
Governmental Activities:			
Taxes:			
Property taxes, levied for general purposes	229,889,558	265,133,759	279,061,789
Property taxes, levied for debt service	80,937,836	93,922,813	105,578,096
Other tax-related income - TIRZ	-	-	16,498,229
State aid - formula grants	119,733,020	120,405,390	139,758,001
Grants and contributions not restricted to specific programs	-	-	2,332,383
Investment earnings	98,009	166,062	720,988
Extraordinary item - insurance claims	-	-	-
Miscellaneous local and intermediate revenue	2,754,365	3,625,774	3,663,801
Total General Revenue	433,412,788	483,253,798	547,613,287
Change in net position	18,208,232	(25,121,139)	(12,761,257)
Net position - beginning, as adjusted	(167,422,224)	(220,322,202)	(245,443,341)
Net position - ending	\$(149,213,992)	\$(245,443,341)	\$(258,204,598)

Exhibit

S-3

2017	2018	2019	2020	2021	2022	2023
\$(580,744,983)	\$(544,265,493)	\$(667,902,671)	\$(742,937,177)	\$(750,241,346)	\$(760,832,365)	\$(835,596,218)
328,154,575	375,184,044	471,611,015	466,660,821	478,566,522	490,824,666	507,881,325
124,819,619	142,848,448	104,085,263	112,411,956	118,266,811	126,247,863	175,723,423
17,388,992	20,079,470	19,944,733	21,487,152	22,605,521	24,369,169	27,108,824
115,510,634	98,313,792	64,028,393	97,396,084	104,693,320	103,591,855	86,131,392
2,320,903	2,858,270	6,520,666	4,663,718	5,271,823	6,917,910	10,815,757
1,994,950	5,260,009	9,862,834	8,429,226	420,973	737,996	25,089,974
-	-	-	17,500,000	7,500,000	-	-
2,387,584	2,996,448	4,512,262	2,100,444	1,600,493	4,339,001	2,291,391
592,577,257	647,540,481	680,565,166	730,649,401	738,925,463	757,028,460	835,042,086
11,832,274	103,274,988	12,662,495	(12,287,776)	(11,315,883)	(3,803,905)	(554,132)
(258,204,598)	(523,594,240)	(420,319,252)	(407,656,757)	(419,944,533)	(431,260,416)	(435,064,321)
\$(246,372,324)	\$(420,319,252)	\$(407,656,757)	\$(419,944,533)	\$(431,260,416)	\$(435,064,321)	\$(435,618,453)

Frisco Independent School District

Fund Balances

Governmental Funds

Last Ten Fiscal Years

(Unaudited)

	2014	2015	2016
GENERAL FUND			
Nonspendable	\$264,523	\$410,917	\$702,073
Assigned			11,058,554
Unreserved /Unassigned	84,900,184	92,068,189	111,732,514
Total General Fund	85,164,707	92,479,106	123,493,141
ALL OTHER GOVERNMENTAL FUNDS			
Nonspendable	71,910	45,631	64,406
Restricted	173,944,026	226,127,518	204,022,445
Committed	2,117,958	2,088,957	2,225,283
Assigned			
Unreserved/Unassigned			
Total All Other Governmental Funds	176,133,894	228,262,106	206,312,134
Total Governmental Funds	\$261,298,601	\$320,741,212	\$329,805,275

Source: Frisco ISD Annual Financial Reports

Exhibit

S-4

2017	2018	2019	2020	2021	2022	2023
\$905,361	\$171,510	\$315,816	\$200,193	\$737,454	\$292,324	\$792,400
3,750,957	3,665,783	37,077,190	36,077,190	45,994,395	35,139,749	26,135,573
128,605,979	158,970,627	169,214,689	198,853,860	202,789,572	213,615,624	227,369,020
133,262,297	162,807,920	206,607,695	235,131,243	249,521,421	249,047,697	254,296,993
65,712	53,232	59,389	94,680	3,429	320,701	2,511,957
175,399,955	205,123,183	319,200,288	266,330,856	386,273,468	416,177,381	362,562,998
2,469,521	2,516,879	2,691,345	2,755,728	2,706,009	3,035,873	3,411,460
5,889,126	6,803,546	13,017,077	25,967,844	20,904,222	19,998,599	14,918,900
			(9,265)	(1,161)	(231,416)	(2,362,587)
183,824,314	214,496,840	334,968,099	295,139,843	409,885,967	439,301,138	381,042,728
\$317,086,611	\$377,304,760	\$541,575,794	\$530,271,086	\$659,407,388	\$688,348,835	\$635,339,721

Frisco Independent School District

Changes in Fund Balance

Governmental Funds

Last Ten Fiscal Years

(Unaudited)

	2014	2015	2016
Revenues			
Local and intermediate sources	\$333,806,178	\$381,193,995	\$432,689,498
State program revenues	133,799,695	133,975,235	161,187,530
Federal program revenues	11,423,023	12,432,495	13,641,401
Total Revenues	479,028,896	527,601,725	607,518,429
Expenditures			
Current:			
Instruction	210,384,860	234,760,839	259,362,734
Instructional resources and media services	5,272,336	5,578,571	5,903,740
Curriculum and instructional staff development	7,496,653	8,307,911	8,808,991
Instructional leadership	4,625,073	4,893,191	5,399,089
School leadership	21,321,892	23,588,233	26,215,585
Guidance, counseling and evaluation services	12,827,113	14,112,899	16,381,866
Social work services	360,371	343,027	356,988
Health services	3,872,931	4,566,068	5,079,075
Student transportation	8,769,634	9,558,458	10,435,043
Food services	18,146,918	19,973,220	23,090,610
Extracurricular activities	12,380,344	13,161,741	14,863,418
General administration	5,685,941	6,470,414	7,823,941
Facilities maintenance and operations	28,974,793	30,974,767	33,256,966
Security and monitoring services	2,510,096	3,091,852	3,279,043
Data processing services	5,307,632	6,206,388	6,138,332
Community services	1,514,385	1,633,826	1,582,736
Debt Service:			
Principal on long-term debt	27,935,713	28,407,368	33,165,766
Interest on long-term debt	61,273,182	70,090,988	79,264,169
Bond issuance costs and fees	1,288,269	2,511,829	3,518,708
Capital Outlay:			
Facilities acquisition and construction	167,713,439	231,716,698	213,578,123
Intergovernmental:			
Contracted instructional services between schools	1,004,896	1,177,873	217,771
Payments to fiscal agent/member districts of SSA	-	-	-
Payments to juvenile justice alternative education programs	23,499	47,931	37,077
Payments tax increment fund	17,605,466	19,317,219	20,698,870
Other intergovernmental charges	1,924,946	2,102,040	2,377,535
Total Expenditures	628,220,382	742,593,351	780,836,176
Excess (deficiency) of revenues over (under) expenditures	(149,191,486)	(214,991,626)	(173,317,747)
Other Financing Sources (Uses)			
Capital related debt issued (regular and refunding bonds)	202,300,000	299,320,000	381,640,000
Premium on issuance of bonds	10,436,146	19,187,662	38,051,415
Sale of real and personal property	2,253,199	6,916,575	3,884,912
Right-to-use leases	-	-	-
Transfers in	14,511,144	7,774,470	7,119,500
Insurance recoveries and other resources	-	-	-
Transfers out	(14,511,144)	(7,774,470)	(7,119,500)
Payment to refunded bond escrow agent	(5,155,000)	(50,990,000)	(241,194,517)
Total Other Financing Sources (Uses)	209,834,345	274,434,237	182,381,810
Net change in fund balances	60,642,859	59,442,611	9,064,063
Fund balances - beginning, as adjusted	200,655,742	261,298,601	320,741,212
Fund balances - ending	\$261,298,601	\$320,741,212	\$329,805,275
Debt service as a percentage of non-capital expenditures	19.18%	18.35%	18.35%

Source: Frisco ISD Annual Financial Reports

Exhibit

S-5

2017	2018	2019	2020	2021	2022	2023
\$499,188,264	\$573,074,722	\$637,277,478	\$631,957,895	\$630,171,643	\$659,811,376	\$764,930,739
139,189,304	123,769,796	94,347,646	131,288,669	139,945,509	138,361,804	125,350,618
14,684,530	16,954,826	24,786,725	21,495,039	29,429,144	68,792,643	54,529,270
653,062,098	713,799,344	756,411,849	784,741,603	799,546,296	866,965,823	944,810,627
288,828,129	297,585,386	325,454,888	365,856,240	378,513,995	401,990,934	424,475,181
6,586,387	5,953,569	6,152,141	6,330,263	6,563,275	6,794,831	7,161,375
9,040,748	9,439,319	10,506,123	13,224,409	14,765,386	17,796,971	17,409,666
6,099,992	7,157,033	7,682,331	10,141,919	10,938,751	11,905,292	12,157,889
28,479,181	30,234,448	32,036,475	35,137,900	35,833,696	38,118,362	39,846,401
17,262,743	18,196,373	20,788,270	23,739,846	25,662,226	28,764,252	32,354,299
275,677	192,909	193,601	207,193	274,222	271,925	253,802
5,408,782	5,603,653	6,208,788	6,674,429	7,350,802	7,065,985	7,465,713
11,284,361	11,852,424	13,318,672	14,072,406	12,616,229	14,716,693	17,813,310
23,401,047	22,890,630	23,179,124	23,337,085	17,734,958	26,784,351	25,851,977
15,354,435	16,207,142	17,841,039	18,536,705	19,789,755	22,636,724	24,357,665
8,223,475	9,498,014	10,994,089	14,290,225	15,992,552	20,177,727	17,523,247
34,121,457	36,606,690	39,209,444	48,138,179	57,487,691	52,500,923	70,160,524
3,568,407	3,527,117	3,833,841	4,807,226	5,858,589	5,110,094	5,555,705
5,982,344	10,321,078	9,112,233	7,597,709	9,781,231	8,638,992	8,728,571
1,624,382	1,588,321	1,738,209	1,863,633	1,712,894	2,279,336	2,992,461
40,208,068	58,941,144	49,984,001	53,331,260	63,679,472	75,178,157	89,585,839
82,689,419	77,339,248	83,323,903	79,716,249	81,723,285	82,497,244	85,700,446
2,474,790	691,035	2,143,297	924,810	4,872,571	1,723,232	1,739,661
166,980,903	51,958,032	37,922,746	127,456,227	171,623,163	166,102,646	166,105,116
-	-	14,017,478	3,152,395	4,177,231	5,323,841	8,633,222
-	-	-	-	-	-	-
67,814	30,118	35,666	30,681	-	22,494	19,046
22,583,104	25,397,908	25,169,882	27,151,041	28,283,215	30,052,993	36,285,371
2,683,175	3,040,455	3,492,348	3,798,571	3,852,070	4,036,852	4,314,075
783,228,820	704,252,046	744,338,589	889,516,601	979,087,259	1,030,490,851	1,106,490,562
(130,166,722)	9,547,298	12,073,260	(104,774,998)	(179,540,963)	(163,525,028)	(161,679,935)
282,235,000	49,865,000	265,390,000	101,705,000	595,285,000	182,400,000	192,485,000
32,747,133	805,851	30,280,211	8,771,130	67,453,385	7,310,872	18,924,098
-	-	75,538	62,790	20,489	10,426	68,386
-	-	-	-	-	2,745,177	-
6,051,998	7,285,940	10,033,495	5,136,835	4,565,703	6,106,786	316
-	-	-	17,500,000	7,516,266	-	13,112,253
(6,051,998)	(7,285,940)	(10,033,495)	(5,136,835)	(4,565,703)	(6,106,786)	(316)
(197,534,075)	-	(143,547,975)	(34,568,630)	(361,597,875)	-	(115,918,916)
117,448,058	50,670,851	152,197,774	93,470,290	308,677,265	192,466,475	108,670,821
(12,718,664)	60,218,149	164,271,034	(11,304,708)	129,136,302	28,941,447	(53,009,114)
329,805,275	317,086,611	377,304,760	541,575,794	530,271,086	659,407,388	688,348,835
\$317,086,611	\$377,304,760	\$541,575,794	\$530,271,086	\$659,407,388	\$688,348,835	\$635,339,721
19.64%	20.16%	18.26%	15.20%	15.07%	17.30%	17.49%





Revenue Capacity

Frisco Independent School District

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years
(Unaudited)

Actual Value						
Fiscal Year	Single Family Property	Multi-Family Property	Vacant Lots Tracts	Acreage (Land Only)	Farm and Ranch Improvements	Commercial & Industrial (Real)
2014	\$13,675,913,279	\$1,413,163,612	\$298,801,710	\$1,393,693,816	\$321,808,894	\$3,764,176,806
2015	15,793,610,094	1,704,527,510	397,306,356	1,564,168,999	371,885,899	4,178,276,253
2016	18,531,227,482	1,953,611,983	432,451,349	1,691,512,254	519,090,462	4,778,991,671
2017	21,617,912,704	2,308,485,474	548,452,795	1,677,217,322	683,537,417	5,613,500,147
2018	24,266,454,955	2,863,423,379	574,861,150	1,636,247,637	651,465,813	7,029,248,675
2019	26,446,203,218	3,475,935,845	592,806,009	1,544,597,794	534,068,422	8,646,055,811
2020	27,700,222,652	4,312,749,169	716,778,295	1,555,046,008	386,943,453	9,323,706,887
2021	28,858,661,067	5,143,741,573	818,924,974	1,377,349,895	363,530,881	10,126,029,542
2022	31,700,467,837	5,545,805,013	1,019,017,715	1,360,286,585	88,891,677	10,479,963,916
2023	42,941,811,664	6,515,780,179	1,011,689,455	1,300,765,880	133,248,305	11,552,730,897

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

Exhibit

S-6

Actual Value

Utilities	Commercial & Industrial (Personal)	Other	Total Assessed Value	Less: Exemptions	Total Taxable Value	Total District Rate
\$136,448,465	\$828,032,175	\$353,434,184	\$22,185,472,941	\$2,112,698,722	\$20,072,774,219	\$1.4600
151,707,976	888,658,217	361,313,589	25,411,454,893	2,405,683,365	23,005,771,528	\$1.4600
163,717,344	940,465,225	398,329,187	29,409,396,957	3,179,257,453	26,230,139,504	\$1.4600
174,364,345	983,165,673	527,152,241	34,133,788,118	3,512,137,084	30,621,651,034	\$1.4600
219,739,241	1,092,637,491	639,966,905	38,974,045,246	3,403,494,903	35,570,550,343	\$1.4600
257,452,561	1,274,799,591	736,850,877	43,508,770,128	3,159,283,825	40,349,486,303	\$1.4400
302,354,814	1,537,918,110	839,940,492	46,675,659,880	3,183,843,605	43,491,816,275	\$1.3383
320,762,579	1,509,492,044	727,493,890	49,245,986,445	2,978,047,184	46,267,939,261	\$1.3102
346,669,753	1,470,220,405	561,558,313	52,572,881,214	3,089,372,771	49,483,508,443	\$1.2672
385,871,268	1,602,292,907	544,953,181	65,989,143,736	8,878,562,091	57,110,581,645	\$1.2129

Frisco Independent School District Direct and Overlapping Tax Rates

Last Ten Fiscal Years
(Unaudited)

Tax Year	Frisco ISD Direct Rate			Overlapping Rates		
	Maintenance & Operations Rate	Interest & Sinking Rate	Total Direct Rate	City of Frisco	Collin County	Collin County Community College (CCCC)
2013	\$1.04000	\$0.42000	\$1.46000	\$0.46200	\$0.24000	\$0.08630
2014	\$1.04000	\$0.42000	\$1.46000	\$0.46200	\$0.23800	\$0.08630
2015	\$1.04000	\$0.42000	\$1.46000	\$0.46200	\$0.23800	\$0.08360
2016	\$1.04000	\$0.42000	\$1.46000	\$0.45000	\$0.20840	\$0.08120
2017	\$1.04000	\$0.42000	\$1.46000	\$0.44660	\$0.19260	\$0.07980
2018	\$1.17000	\$0.27000	\$1.44000	\$0.44660	\$0.18080	\$0.08120
2019	\$1.06830	\$0.27000	\$1.33830	\$0.44660	\$0.17500	\$0.08120
2020	\$1.04020	\$0.27000	\$1.31020	\$0.44660	\$0.17250	\$0.08120
2021	\$0.99720	\$0.27000	\$1.26720	\$0.44660	\$0.16809	\$0.08122
2022	\$0.94290	\$0.27000	\$1.21290	\$0.44660	\$0.15244	\$0.08122

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

Exhibit

S-7

Overlapping Rates

City of McKinney	City of Plano	Denton County	Town of Little Elm	City of Hackberry	Denton County FWSD
\$0.61000	\$0.48860	\$0.28290	\$0.66500	\$0.48570	\$1.00000
\$0.61000	\$0.48860	\$0.28290	\$0.66500	\$0.46270	\$1.00000
\$0.58550	\$0.48860	\$0.28500	\$0.66500	\$0.46270	\$1.00000
\$0.58300	\$0.47860	\$0.24840	\$0.66170	\$0.33820	\$1.00000
\$0.57300	\$0.46860	\$0.23780	\$0.65770	\$0.23430	\$1.00000
\$0.52520	\$0.46030	\$0.22560	\$0.64990	\$0.25270	\$1.00000
\$0.51560	\$0.44820	\$0.22530	\$0.64990	\$0.24030	\$1.00000
\$0.50860	\$0.44820	\$0.22500	\$0.64970	\$0.25120	\$1.00000
\$0.49766	\$0.44650	\$0.23309	\$0.64395	\$0.24356	\$1.00000
\$0.45749	\$0.41760	\$0.21754	\$0.62990	\$0.22361	NA

Frisco Independent School District

Principal Property Tax Payers

Current Year and Nine Years Ago
(Unaudited)

Exhibit S-8

Taxpayer	Business Type	2023	Percentage of Total Taxable Value
		Taxable Value	
JP Morgan Chase Bank NA	Banking & Finance	\$626,490,539	1.10%
Liberty Mutual Plano LLC	Banking & Finance	381,938,992	0.67%
Toyota Motor North America Inc.	Automotive	261,511,678	0.46%
Capital One National Association	Banking & Finance	235,215,970	0.41%
Blue Star HQ Inc.	Real Estate Development	217,920,051	0.38%
BPR Shopping Center LP	Real Estate Development	158,600,000	0.28%
5765 Bozeman (TX) Owner LP	Real Estate Development	157,445,023	0.28%
Blue Star Land Phase III LLC	Real Estate Development	151,587,636	0.27%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	147,621,308	0.26%
Bell Fund VII Frisco Market Center LLC	Real Estate Development	128,988,155	0.23%
		\$2,467,319,352	4.32%

Taxpayer	Business Type	2014	Percentage of Total Taxable Value
		Taxable Value	
BPR Shopping Center	Shopping Center/Mall	\$118,471,637	0.59%
Capital One National Association	Banking & Finance	101,899,766	0.51%
Tollway/121 Partners LTD	Real Estate Development	91,668,177	0.46%
Tenet Frisco LTD	Medical Clinic	73,088,732	0.36%
Hall Office Portfolio DB LLC	Commercial Development	60,400,000	0.30%
Specified Properties LLP	Real Estate Development	58,872,060	0.28%
Capital One National Association	Banking & Finance	56,214,886	0.28%
HRT Properties of Texas LTD	Medical Clinic	52,412,013	0.26%
FPMC Frisco Realty Partners LP	Real Estate Development	51,683,705	0.26%
Estancia Apartment Partners	Apartments	47,843,467	0.24%
		\$712,554,443	3.54%

Source: Municipal Advisory Council of Texas

Frisco Independent School District

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

Exhibit
S-9

Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Current Year Adjusted Levy ²	Total Collections to Date	
		Amount	Percentage of Levy			Amount ³	Percentage of Levy
2014	292,572,378	289,972,453	99.11%	9,821,003	299,932,958	299,793,456	99.95%
2015	333,326,629	330,473,983	99.14%	9,167,097	339,702,732	339,641,080	99.98%
2016	376,824,814	374,597,170	99.41%	6,571,460	381,365,498	381,168,630	99.95%
2017	440,260,516	437,197,385	99.30%	4,831,774	442,234,073	442,029,159	99.95%
2018	510,093,437	508,013,897	99.59%	1,989,110	510,265,999	510,003,007	99.95%
2019	570,724,935	566,895,872	99.33%	2,676,136	570,029,675	569,572,008	99.92%
2020	575,910,091	572,307,980	99.37%	1,524,136	574,538,074	573,832,116	99.88%
2021	596,301,000	591,967,622	99.27%	628,868	593,352,094	592,596,490	99.87%
2022	616,847,966	613,821,167	99.51%	712,617	615,155,279	614,533,784	99.90%
2023	679,340,472	675,116,574	99.38%	-	679,340,472	675,116,574	99.38%

¹ Includes adjustments during the year of the levy.

² Includes all adjustments to the levy made in subsequent years.

³ Includes penalties and interest.

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





Debt Capacity

Frisco Independent School District Estimated Overlapping Debt Statement

June 30, 2023
(Unaudited)

Exhibit
S-10

Taxing Body	Amount	Percentage Overlapping	Amount Overlapping
Collin County	\$478,430,000	20.17%	\$96,499,331
Collin County CCD	498,565,000	20.17%	100,560,561
Denton County	652,580,000	10.98%	71,653,284
Frisco West WC&ID	36,606,000	99.35%	36,368,061
City of Frisco	855,890,000	88.63%	758,575,307
Town of Little Elm	108,570,000	28.47%	30,909,879
City of McKinney	380,690,000	18.35%	69,856,615
City of Plano	591,760,000	13.87%	82,077,112
City of The Colony	123,445,000	0.16%	197,512
Subtotal, overlapping debt			1,246,697,662
District gross bonded debt			2,580,805,574
Total direct and overlapping debt			\$3,827,503,236
Ratio of net direct and overlapping debt to net taxable valuation			6.70%
Per capita direct and overlapping debt			\$12,661.78

Frisco Independent School District

Exhibit

Ratios of Debt to Taxable Assessed Value and Net Debt per Capita

S-11

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Debt Outstanding at Year-End				Resources Restricted for Payment of Principal	Ratio of Debt to Taxable Assessed Value ¹	Taxable Assessed Value per Capita ²	Debt per Capita ²	Ratio of Debt to Personal Income ²
	Bonded Debt	Leases	SBITAs	Total Debt					
2014	\$1,679,166,027			\$1,679,166,027	\$53,919,728	8.37%	\$103,222	\$8,635	22.28%
2015	1,911,006,819			1,911,006,819	54,250,586	8.31%	112,487	9,344	21.10%
2016	2,066,361,628			2,066,361,628	57,086,768	7.88%	120,116	9,462	21.81%
2017	2,147,871,338			2,147,871,338	80,911,177	7.01%	133,555	9,368	19.23%
2018	2,137,073,341			2,137,073,341	110,066,081	6.01%	138,905	8,345	18.02%
2019	2,236,379,576			2,236,379,576	105,581,772	5.54%	151,194	8,380	17.15%
2020	2,252,532,141			2,252,532,141	103,312,274	5.18%	154,695	8,012	16.96%
2021	2,479,321,275			2,479,321,275	105,339,980	5.36%	167,187	8,959	17.73%
2022	2,584,125,567	\$2,250,842		2,586,376,409	97,297,297	5.23%	169,665	8,868	16.58%
2023	2,580,805,574	1,703,287	\$2,007,016	2,584,515,877	107,837,891	4.53%	188,928	8,550	14.26%

¹ Taxable assessed value is disclosed in Exhibit S-6, Assessed Value and Actual Value of Taxable Property

² Taxable assessed value is disclosed in Exhibit S-6, Assessed Value and Actual Value of Taxable Property

Sources:

Frisco ISD Annual Financial Reports

US Census Bureau - Information obtained from the US Census Bureau is for the calendar year ending during the fiscal year (e.g. calendar year 2022 for the 2022-2023 fiscal year).

Frisco Independent School District

Legal Debt Margin Information

Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017
Debt limit	\$2,007,277,422	\$2,300,577,153	\$2,623,013,950	\$3,062,165,103
Total net debt applicable to limit	1,504,107,915	1,721,846,816	1,830,193,568	2,040,369,266
Legal debt margin	\$503,169,507	\$578,730,337	\$792,820,382	\$1,021,795,837
Total net debt applicable to the limit as a percentage of the debt limit	74.93%	74.84%	69.77%	66.63%

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

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

Source: Frisco ISD Annual Financial Reports

Exhibit


S-12

Legal Debt Margin Calculation for the Fiscal Year 2023:

Taxable Assessed value	\$57,110,581,645
Debt limit (10% of assessed value) ¹	5,711,058,165
Total bonded debt	\$2,577,095,271
Less reserve for retirement of debt ²	136,243,894
Debt applicable to limit	2,440,851,377
Legal debt margin	\$3,270,206,788

2018	2019	2020	2021	2022	2023
\$3,557,055,034	\$4,034,948,630	\$4,349,181,628	\$4,626,793,926	\$4,948,350,844	\$5,711,058,165
1,999,830,262	2,104,376,669	2,116,909,224	2,346,939,275	2,456,793,308	2,440,851,377
\$1,557,224,772	\$1,930,571,961	\$2,232,272,404	\$2,279,854,651	\$2,491,557,536	\$3,270,206,788
56.22%	52.15%	48.67%	50.72%	49.65%	42.74%





Demographic Information

Frisco Independent School District

Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

Exhibit S-13

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2014	194,463	\$7,536,219,102	\$38,754	4.30%
2015	204,520	9,054,918,480	44,274	4.10%
2016	218,374	9,476,339,730	43,395	3.60%
2017	229,282	11,170,848,322	48,721	3.80%
2018	256,078	11,858,716,102	46,309	2.30%
2019	266,872	13,039,099,048	48,859	3.30%
2020	281,146	13,284,991,938	47,253	3.00%
2021	276,743	13,981,886,589	50,523	3.70%
2022	291,654	15,595,322,688	53,472	5.60%
2023	302,288	18,120,049,584	59,943	2.30%

Source:

US Census Bureau - Information obtained from the US Census Bureau is for the calendar year ending during the fiscal year (e.g. calendar year 2022 for the 2022-2023 fiscal year).

Frisco Independent School District

Principal Employers

Current Year and Nine Years Ago
(Unaudited)

Exhibit

S-14

2023			
Employer	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	8,799	8.58%	1
T-Mobile	1,500	1.46%	2
City of Frisco	1,102	1.07%	3
Mario Sinacola & Sons Excavating	603	0.59%	4
CCCD Preston Ridge Campus	550	0.54%	5
Amerisource Bergen Specialty Group	500	0.49%	6
CLA USA, Inc.	450	0.44%	7
IKEA Frisco	400	0.39%	8
Tenet of Texas RBO	300	0.29%	9
Market Street	300	0.29%	10
	14,504		

2014			
Employer	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	5,499	9.62%	1
T-Mobile	1,500	2.62%	2
City of Frisco	1,102	1.93%	3
Mario Sinacola & Sons Excavating	603	1.06%	4
CCCDE Preston Ridge Campus	550	0.96%	5
Amerisource Bergens Specialty Group	500	0.87%	6
CLA USA, Inc.	450	0.79%	7
IKEA Frisco	400	0.70%	8
Tenet Texas RBO	300	0.52%	9
Market Street	300	0.52%	10
	11,204		

Source: Municipal Advisory Council of Texas





Operating Information

Frisco Independent School District

Full-Time Equivalent Employees by Identifiable Activities

Fiscal Year Ended June 30, 2023

(Unaudited)

Exhibit

S-15

	FTE Count	Average Base Pay
Teaching Staff		
Pre-Kindergarten	11.5	\$64,886
Kindergarten	202.3	63,626
Elementary (Grades 1-6)	1,298.5	64,281
Middle School (Grades 6-8)	903.8	64,811
High School (Grades 9-12)	1,523.7	65,873
All Grade Levels	569.4	61,499
Total Teaching Staff	4,509.2	64,546
Support Staff		
Athletics - other than Athletic Director	12.3	105,886
Audiologist	1.0	80,316
Business Service Professional	17.0	87,611
Communications Professional	10.0	85,416
Custodial - serving in professional/management role	1.0	143,351
Educational Diagnostician	83.0	72,538
Family and Community Liaison	6.0	78,953
Food Service Professional	16.0	74,292
Instruction Materials Coordinator	38.9	92,715
Internal Auditor	2.0	105,929
LEA/Comp Info Tech Professional	36.0	88,920
Legal Services	4.0	113,630
Librarian	70.6	70,631
LSSP/Psychologist	40.0	71,867
Maintenance - serving in professional/management role	2.0	112,500
Music Therapist	3.4	59,852
Occupational Therapist	19.6	68,953
Orientation/Mobility Specialist (COMS)	5.1	64,502
Other Camp Exempt Professional Auxiliary	57.0	69,534
Other LEA Exempt Professional Auxiliary	117.2	82,354
Physical Therapist	5.9	77,312
Psychological Associate	2.0	31,800
School Counselor	150.0	77,892
School Nurse	76.5	63,282
Security	1.0	143,364
Speech Therapist/Speech Language Pathologist	91.3	67,904
Teacher Facilitator	62.2	68,364
Transportation	3.0	96,546
Truant Officer/Visiting Teacher	3.0	70,790
Total Support Staff	937.0	75,513
Administrative Staff		
Assistant Principal	142.3	85,772
Asst/Assoc/Deputy Superintendent	9.0	188,385
Athletic Director	4.0	126,669
Business Manager	1.0	230,000
Director of Personnel/Human Resources	5.0	137,238
District Instructional Program Director or Executive Director	25.0	134,771
Instructional Coach	103.4	67,511
Principal	76.0	110,030
Superintendent/CAO/CEO/President	1.0	348,000
Total Administrative Staff	366.7	93,764
Paraprofessional Staff/Auxiliary		
Paraprofessional Staff	583.8	27,809
Auxiliary	1,482.0	32,969
Total Paraprofessional Staff/Auxiliary	2,065.8	31,511
Total Staff	7,878.7	\$58,548

Source: Public Education Information Management System (TEA)

Frisco Independent School District

Expenditures, Enrollment, and Per-Pupil Costs

Last Ten Fiscal Years
(Unaudited)

Exhibit

S-16

Fiscal Year	Operating Expenditures ¹	Enrollment	Cost per Pupil	Student to Teacher Ratio	Percentage of Students Receiving Free or Reduced-price Meals
2014	\$316,372,082	46,053	\$6,869.74	15.1	11.3%
2015	353,341,296	49,644	7,117.50	15.1	12.2%
2016	387,843,616	53,301	7,276.48	15.1	10.6%
2017	431,116,219	55,923	7,709.00	14.7	10.5%
2018	443,167,551	58,450	7,581.99	15.3	10.9%
2019	496,856,462	60,182	8,255.90	14.8	12.5%
2020	539,466,885	62,705	8,603.25	14.7	12.9%
2021	568,535,328	63,493	8,954.30	14.5	12.9%
2022	598,519,510	65,825	9,092.59	14.9	12.8%
2023	630,526,778	66,916	9,422.66	14.8	14.2%

¹ Excludes intergovernmental charges.

Source: Frisco ISD Financial Statements

Frisco Independent School District

School Building Information

High Schools

Last Ten Fiscal Years

(Unaudited)

			2014	2015	2016
High Schools (Grades 9-12):					
Frisco High					
	Site: 45.10 acres	Square Feet	289,866	352,978	357,510
	Opened: 1995	Enrollment	1,923	2,136	1,813
Centennial High					
	Site: 76.48 acres	Square Feet	335,346	379,897	370,350
	Opened: 2000	Enrollment	2,189	2,064	2,038
Wakeland High					
	Site: 71.39 acres	Square Feet	339,716	345,646	354,413
	Opened: 2006	Enrollment	2,014	2,220	2,067
Liberty High					
	Site: 63.33 acres	Square Feet	344,261	348,496	346,994
	Opened: 2007	Enrollment	2,227	2,039	2,083
Heritage High					
	Site: 46.81 acres	Square Feet	355,695	356,738	357,001
	Opened: 2009	Enrollment	1,984	1,844	1,940
Lone Star High					
	Site: 56.32 acres	Square Feet	354,722	345,445	352,564
	Opened: 2010	Enrollment	1,244	1,365	1,722
Independence High					
	Site: 63.43 acres	Square Feet	NA	345,969	382,158
	Opened: 2014	Enrollment	NA	1,161	1,715
Reedy High					
	Site: 56 acres	Square Feet	NA	NA	390,207
	Opened: 2015	Enrollment	NA	NA	915
Lebanon Trail High					
	Site: 69.3 acres	Square Feet	NA	NA	NA
	Opened: 2016	Enrollment	NA	NA	NA
Memorial High					
	Site: 100.1 acres	Square Feet	NA	NA	NA
	Opened: 2018	Enrollment	NA	NA	NA
Emerson High					
	Site: 64.34 acres	Square Feet	NA	NA	NA
	Opened: 2021	Enrollment	NA	NA	NA
Panther Creek High					
	Site: 62.343 acres	Square Feet	NA	NA	NA
	Opened: 2023	Enrollment	NA	NA	NA

Source: Frisco ISD real property inventory and demographic records

Exhibit

S-17

2017	2018	2019	2020	2021	2022	2023
357,510	357,510	357,510	357,510	357,510	357,510	357,510
1,674	1,525	1,567	1,765	1,836	1,942	2,081
370,350	370,350	370,350	370,350	370,350	370,350	370,350
2,042	2,022	1,986	1,994	2,092	2,069	2,082
354,413	354,413	354,413	354,413	354,413	354,413	354,413
2,133	2,195	2,064	2,050	2,099	2,095	2,147
346,994	346,994	346,994	346,994	346,994	346,994	346,994
2,063	1,983	1,968	1,901	2,002	1,936	1,846
357,001	357,001	357,001	357,001	357,001	357,001	357,001
2,077	2,188	1,994	2,013	2,102	2,055	2,127
352,564	352,564	352,564	352,564	352,564	352,564	352,564
1,951	2,131	2,090	2,091	2,147	2,254	2,036
382,158	382,158	382,158	382,158	382,158	382,158	382,158
1,825	1,958	2,071	2,143	2,278	1,817	1,665
390,207	390,207	390,207	390,207	390,207	390,207	390,207
1,335	1,819	1,883	1,943	2,100	2,299	2,275
368,260	368,260	368,260	368,260	368,260	368,260	368,260
452	946	1,413	1,872	1,886	2,019	2,136
NA	NA	387,898	387,898	387,898	387,898	387,898
NA	NA	1,136	1,653	1,821	1,975	1,565
NA	NA	NA	NA	NA	380,000	380,000
NA	NA	NA	NA	NA	828	1,321
NA	NA	NA	NA	NA	NA	389,694
NA	NA	NA	NA	NA	NA	753

Frisco Independent School District

School Building Information

Middle Schools

Last Ten Fiscal Years

(Unaudited)

				2014	2015	2016
Middle Schools (Grades 6-8):						
Staley	Site:	74.87 acres	Square Feet	128,330	128,330	128,330
	Opened:	1987	Enrollment	719	715	722
Clark	Site:	36.69 acres	Square Feet	147,926	147,926	147,926
	Opened:	2000	Enrollment	868	853	845
Pioneer	Site:	39.99 acres	Square Feet	135,803	135,803	135,803
	Opened:	2000	Enrollment	883	1,080	729
Wester	Site:	20.35 acres	Square Feet	135,803	135,803	135,803
	Opened:	2002	Enrollment	900	878	894
Griffin	Site:	31.43 acres	Square Feet	138,428	138,428	138,428
	Opened:	2004	Enrollment	699	815	851
Roach	Site:	20.21 acres	Square Feet	138,651	138,428	138,428
	Opened:	2005	Enrollment	860	963	1,109
Fowler	Site:	20.47 acres	Square Feet	138,650	138,650	138,651
	Opened:	2006	Enrollment	871	1,001	1,058
Scoggins	Site:	21.47 acres	Square Feet	142,108	142,108	142,108
	Opened:	2008	Enrollment	684	790	932
Stafford	Site:	21.40 acres	Square Feet	142,108	142,108	142,108
	Opened:	2008	Enrollment	1,018	1,146	735
Cobb	Site:	21.65 acres	Square Feet	143,160	143,160	143,160
	Opened:	2010	Enrollment	908	909	951
Maus	Site:	25.00 acres	Square Feet	143,160	143,160	143,160
	Opened:	2010	Enrollment	808	891	985
Hunt	Site:	32.44 acres	Square Feet	143,160	143,160	143,160
	Opened:	2010	Enrollment	744	785	795
Vandeventer	Site:	20 acres	Square Feet	143,160	143,160	143,160
	Opened:	2012	Enrollment	885	1,034	1,122
Pearson	Site:	25 acres	Square Feet	NA	NA	143,160
	Opened:	2015	Enrollment	NA	NA	592
Trent	Site:	25.378 acres	Square Feet	NA	NA	143,160
	Opened:	2015	Enrollment	NA	NA	653
Nelson	Site:	17.781 acres	Square Feet	NA	NA	NA
	Opened:	2016	Enrollment	NA	NA	NA
Lawler	Site:	34.34 acres	Square Feet	NA	NA	NA
	Opened:	2018	Enrollment	NA	NA	NA

Source: Frisco ISD real property inventory and demographic records

Exhibit S-18

2017	2018	2019	2020	2021	2022	2023
128,330	128,330	128,330	128,330	128,330	128,330	128,330
673	662	648	666	585	580	591
147,926	147,926	147,926	147,926	147,926	147,926	147,926
822	791	805	776	856	887	876
135,803	135,803	135,803	135,803	135,803	135,803	135,803
813	877	945	976	1,035	1,091	1,076
135,803	135,803	135,803	135,803	135,803	135,803	135,803
964	1,010	807	830	791	799	843
138,428	138,428	138,428	138,428	138,428	138,428	138,428
901	867	844	831	809	786	830
138,428	138,428	138,428	138,428	138,428	138,428	138,428
777	855	925	968	952	929	928
138,651	138,651	138,651	138,651	138,651	138,651	138,651
1,086	1,141	1,044	1,056	1,002	963	1,034
142,108	142,108	142,108	142,108	142,108	142,108	142,108
991	1,001	912	964	1,035	1,109	946
142,108	142,108	142,108	142,108	142,108	142,108	142,108
818	871	897	932	970	952	927
143,160	143,160	143,160	143,160	143,160	143,160	143,160
950	949	916	929	887	895	905
143,160	143,160	143,160	143,160	143,160	143,160	143,160
966	987	972	964	914	922	939
143,160	143,160	143,160	143,160	143,160	143,160	143,160
828	811	837	867	898	881	839
143,160	143,160	143,160	143,160	143,160	143,160	143,160
1,066	1,084	854	926	896	919	982
143,160	143,160	143,160	143,160	143,160	143,160	143,160
689	770	868	982	1,001	1,021	997
143,160	143,160	143,160	143,160	143,160	143,160	143,160
788	887	920	957	1,061	1,130	1,115
145,000	145,000	145,000	145,000	145,000	145,000	145,000
638	767	788	934	1,016	1,126	1,130
NA	NA	155,000	155,000	155,000	155,000	155,000
NA	NA	709	821	923	953	1,026

Frisco Independent School District

School Building Information*Elementary Schools*

Last Ten Fiscal Years

(Unaudited)

				2014	2015	2016
Elementary Schools (Grades K-5):						
Rogers						
	Site:	9.81 acres	Square Feet	64,586	64,586	64,586
	Opened:	1987	Enrollment	612	565	542
Curtisinger						
	Site:	15.22 acres	Square Feet	76,762	76,762	76,762
	Opened:	1995	Enrollment	828	624	703
Smith						
	Site:	Shared	Square Feet	73,922	73,922	73,922
	Opened:	1997	Enrollment	646	603	599
Anderson						
	Site:	7.99 acres	Square Feet	74,010	74,010	74,010
	Opened:	1999	Enrollment	649	684	704
Christie						
	Site:	8.83 acres	Square Feet	74,010	74,010	74,010
	Opened:	1999	Enrollment	692	685	660
Shawnee						
	Site:	9.51 acres	Square Feet	74,977	74,977	74,977
	Opened:	2000	Enrollment	591	584	587
Borchardt						
	Site:	8.31 acres	Square Feet	71,806	71,806	71,806
	Opened:	2001	Enrollment	702	727	739
Bright						
	Site:	10.36 acres	Square Feet	74,591	74,591	74,591
	Opened:	2001	Enrollment	552	551	508
Fisher						
	Site:	10.00 acres	Square Feet	73,327	73,327	73,327
	Opened:	2001	Enrollment	650	663	668
Sparks						
	Site:	8.00 acres	Square Feet	72,399	72,399	72,399
	Opened:	2002	Enrollment	659	715	712
Spears						
	Site:	9.76 acres	Square Feet	71,755	71,755	71,755
	Opened:	2002	Enrollment	731	764	752
Gunstream						
	Site:	8.67 acres	Square Feet	71,755	71,755	71,755
	Opened:	2002	Enrollment	697	698	710
Riddle						
	Site:	9.38 acres	Square Feet	73,572	73,572	73,572
	Opened:	2003	Enrollment	761	753	760
Boals						
	Site:	8.08 acres	Square Feet	75,736	75,736	75,736
	Opened:	2003	Enrollment	669	704	746
Isbell						
	Site:	12.00 acres	Square Feet	75,904	75,904	75,904
	Opened:	2004	Enrollment	740	687	634
Pink						
	Site:	Shared	Square Feet	75,326	75,326	75,326
	Opened:	2005	Enrollment	714	584	552
Ashley						
	Site:	9.15 acres	Square Feet	75,904	75,904	75,904
	Opened:	2005	Enrollment	866	848	566

Exhibit

S-19

2017	2018	2019	2020	2021	2022	2023
64,586	64,586	64,586	64,586	64,586	64,586	64,586
533	518	503	526	561	577	535
76,762	76,762	76,762	76,762	76,762	76,762	76,762
813	757	519	572	563	582	614
73,922	73,922	73,922	73,922	73,922	73,922	73,922
585	630	606	652	615	603	613
74,010	74,010	74,010	74,010	74,010	74,010	74,010
676	646	704	712	713	736	773
74,010	74,010	74,010	74,010	74,010	74,010	74,010
609	534	491	425	354	417	593
74,977	74,977	74,977	74,977	74,977	74,977	74,977
551	596	512	471	500	498	575
71,806	71,806	71,806	71,806	71,806	71,806	71,806
705	754	764	742	745	727	684
74,591	74,591	74,591	74,591	74,591	74,591	74,591
437	383	533	522	491	473	449
73,327	73,327	73,327	73,327	73,327	73,327	73,327
631	584	559	559	532	538	665
72,399	72,399	72,399	72,399	72,399	72,399	72,399
732	725	755	751	683	714	598
71,755	71,755	71,755	71,755	71,755	71,755	71,755
722	734	650	761	729	787	740
71,755	71,755	71,755	71,755	71,755	71,755	71,755
699	651	628	647	558	587	614
73,572	73,572	73,572	73,572	73,572	73,572	73,572
730	772	769	736	691	754	813
75,736	75,736	75,736	75,736	75,736	75,736	75,736
762	689	642	639	622	660	692
75,904	75,904	75,904	75,904	75,904	75,904	75,904
588	704	679	639	648	815	688
75,326	75,326	75,326	75,326	75,326	75,326	75,326
515	481	541	556	611	653	671
75,904	75,904	75,904	75,904	75,904	75,904	75,904
638	658	650	617	588	653	611

(Continued)

Frisco Independent School District

School Building Information

Elementary Schools

Last Ten Fiscal Years

(Unaudited)

			2014	2015	2016
Bledsoe	Site: 8.00 acres	Square Feet	75,326	75,326	75,326
	Opened: 2005	Enrollment	819	697	745
Taylor	Site: 10.70 acres	Square Feet	75,904	75,904	75,904
	Opened: 2006	Enrollment	662	666	633
Corbell	Site: 9.00 acres	Square Feet	75,904	75,904	75,904
	Opened: 2006	Enrollment	654	714	712
Ogle	Site: 10.00 acres	Square Feet	75,904	75,904	75,904
	Opened: 2006	Enrollment	678	650	655
Sem	Site: 10.00 acres	Square Feet	75,904	75,904	75,904
	Opened: 2006	Enrollment	595	624	706
Carroll	Site: 12.03 acres	Square Feet	75,902	75,902	75,902
	Opened: 2007	Enrollment	721	508	469
Mooneyham	Site: 10.55 acres	Square Feet	75,902	75,902	75,902
	Opened: 2007	Enrollment	830	791	768
Robertson	Site: 7.69 acres	Square Feet	75,902	75,902	75,902
	Opened: 2007	Enrollment	839	757	842
Elliott	Site: 9.12 acres	Square Feet	75,902	75,902	75,902
	Opened: 2008	Enrollment	551	536	528
Tadlock	Site: 8.18 acres	Square Feet	77,184	77,184	77,184
	Opened: 2008	Enrollment	760	703	713
Allen	Site: 9.78 acres	Square Feet	83,960	83,960	83,960
	Opened: 2009	Enrollment	633	614	591
Purefoy	Site: 8.75 acres	Square Feet	79,844	79,844	79,844
	Opened: 2010	Enrollment	705	682	647
Sonntag	Site: 9.38 acres	Square Feet	77,184	77,184	77,184
	Opened: 2010	Enrollment	782	688	675
Comstock	Site: 15.09 acres	Square Feet	79,844	79,844	79,844
	Opened: 2012	Enrollment	523	626	712
Nichols	Site: 10.95 acres	Square Feet	83,332	83,332	83,332
	Opened: 2012	Enrollment	715	672	736
Phillips	Site: 12.52 acres	Square Feet	79,844	79,844	79,844
	Opened: 2012	Enrollment	760	749	751
Newman	Site: 9.43 acres	Square Feet	NA	82,530	82,530
	Opened: 2014	Enrollment	NA	617	830

Exhibit

S-19

(Continued)

2017	2018	2019	2020	2021	2022	2023
75,326 739	75,326 683	75,326 693	75,326 679	75,326 759	75,326 753	75,326 708
75,904 704	75,904 706	75,904 708	75,904 715	75,904 725	75,904 767	75,904 797
75,904 707	75,904 722	75,904 719	75,904 667	75,904 652	75,904 703	75,904 572
75,904 651	75,904 685	75,904 666	75,904 713	75,904 719	75,904 725	75,904 716
75,904 775	75,904 828	75,904 654	75,904 634	75,904 591	75,904 725	75,904 664
75,902 448	75,902 528	75,902 516	75,902 585	75,902 616	75,902 617	75,902 508
75,902 804	75,902 826	75,902 669	75,902 621	75,902 626	75,902 661	75,902 630
75,902 714	75,902 741	75,902 725	75,902 743	75,902 676	75,902 679	75,902 712
75,902 564	75,902 605	75,902 609	75,902 638	75,902 609	75,902 649	75,902 528
77,184 678	77,184 636	77,184 677	77,184 648	77,184 602	77,184 565	77,184 557
83,960 624	83,960 630	83,960 569	83,960 613	83,960 653	83,960 810	83,960 808
79,844 595	79,844 585	79,844 521	79,844 523	79,844 550	79,844 548	79,844 649
77,184 626	77,184 591	77,184 546	77,184 541	77,184 562	77,184 521	77,184 545
79,844 752	79,844 732	79,844 702	79,844 715	79,844 689	79,844 670	79,844 754
83,332 449	83,332 551	83,332 726	83,332 814	83,332 743	83,332 725	83,332 714
79,844 631	79,844 673	79,844 653	79,844 670	79,844 676	79,844 697	79,844 694
82,530 738	82,530 813	82,530 684	82,530 721	82,530 788	82,530 835	82,530 622

(Continued)

Frisco Independent School District

School Building Information

Elementary Schools

Last Ten Fiscal Years

(Unaudited)

				2014	2015	2016
Scott						
	Site:	8.56 acres	Square Feet	NA	82,530	82,530
	Opened:	2014	Enrollment	NA	622	630
McSpedden						
	Site:	17.99 acres	Square Feet	NA	81,118	81,118
	Opened:	2012	Enrollment	NA	516	633
Hosp						
	Site:	9.05 acres	Square Feet	NA	81,118	81,118
	Opened:	2014	Enrollment	NA	459	646
Norris						
	Site:	9.254 acres	Square Feet	NA	NA	79,844
	Opened:	2015	Enrollment	NA	NA	567
Miller						
	Site:	9.549 acres	Square Feet	NA	NA	NA
	Opened:	2016	Enrollment	NA	NA	NA
Vaughn						
	Site:	9.675 acres	Square Feet	NA	NA	NA
	Opened:	2016	Enrollment	NA	NA	NA
Talley						
	Site:	14.64 acres	Square Feet	NA	NA	NA
	Opened:	2018	Enrollment	NA	NA	NA
Liscano						
	Site:	14.61 acres	Square Feet	NA	NA	NA
	Opened:	2018	Enrollment	NA	NA	NA
Minett						
	Site:	12.045 acres	Square Feet	NA	NA	NA
	Opened:	2022	Enrollment	NA	NA	NA

Source: Frisco ISD real property inventory and demographic records

Exhibit

S-19

(Concluded)

2017	2018	2019	2020	2021	2022	2023
82,530 678	82,530 728	82,530 681	82,530 674	82,530 651	82,530 671	82,530 667
81,118 653	81,118 714	81,118 593	81,118 582	81,118 782	81,118 717	81,118 778
81,118 676	81,118 743	81,118 701	81,118 677	81,118 670	81,118 674	81,118 725
79,844 683	79,844 817	79,844 411	79,844 521	79,844 739	79,844 702	79,844 728
79,844 517	79,844 631	79,844 687	79,844 739	79,844 742	79,844 807	79,844 602
79,844 508	79,844 572	79,844 598	79,844 697	79,844 651	79,844 700	79,844 729
NA NA	NA NA	84,128 521	84,128 567	84,128 586	84,128 631	84,128 725
NA NA	NA NA	84,128 753	84,128 821	84,128 713	84,128 681	84,128 703
NA NA	NA NA	NA NA	NA NA	NA NA	NA NA	83,472 465

Federal Awards Section



Golden Hour · Sehar Kapadia · Emerson High School



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2023.

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) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Frisco Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 3, 2023



**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance in
Accordance with the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Frisco Independent School District's (the District) 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 the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the 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 the District's federal programs.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
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CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Frisco Independent School District

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 the 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 GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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.

The Board of Trustees of
Frisco Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 3, 2023

Frisco Independent School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Exhibit

K-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass Through Organization	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Impact Aid - P.L. 81874	Direct Program	84.041		\$19,688
IDEA B - Part B, Formula	Texas Education Agency	84.027A	21660001-043905-6600	705,970
IDEA B - Part B, Formula	Texas Education Agency	84.027A	22660001-043905-6600	1,734,773
IDEA B - Part B, Formula	Texas Education Agency	84.027A	23660001-043905-6610	5,576,273
IDEA B - Part B, Discretionary	Texas Education Agency	84.027A	66002312	358,874
IDEA B - Part B, High Cost Risk	Texas Education Agency	84.027A	66002206	43,979
COVID-19 - IDEA-B Formula ARP	Texas Education Agency	84.027A	22535001-043905-5350	1,689,359
Total Assistance Listing Number 84.027A				10,109,228
IDEA B - Part B - Preschool	Texas Education Agency	84.173A	21661001-043905-6610	899
IDEA B - Part B - Preschool	Texas Education Agency	84.173A	22661001-043905-6610	2,962
IDEA B - Part B - Preschool	Texas Education Agency	84.173A	23661001-043905-6610	16,511
Total Assistance Listing Number 84.173A				20,372
COVID-19 - IDEA B - Preschool ARP	Texas Education Agency	84.173X	22536001-043905-5360	91,231
Total Assistance Listing Number 84.173X				91,231
Total Special Education Cluster (IDEA)				10,220,831
Title I, Part A - Improving Basic Programs	Texas Education Agency	84.010A	22610101-043905	88,212
Title I, Part A - Improving Basic Programs	Texas Education Agency	84.010A	23610101-043905	698,378
Total Assistance Listing Number 84.010A				786,590
Title II, Part A - Supporting Effective Instruction	Texas Education Agency	84.367A	22694501-043905	161,111
Title II, Part A - Supporting Effective Instruction	Texas Education Agency	84.367A	23694501-043905	342,081
Title IV, Party A - Subprt 1 - Student Support and Academic Enrichment	Texas Education Agency	84.367A	23680101-043905	39,813
Total Assistance Listing Number 84.367A				543,005
Title III - Part A - English Language Acquisition	Texas Education Agency	84.365A	22671001-043905	53,804
Title III - Part A - English Language Acquisition	Texas Education Agency	84.365A	23671001-043905	465,697
Title III - Part A - Immigrant	Texas Education Agency	84.365A	22671003-043905	4,961
Total Assistance Listing Number 84.365A				524,462
Title IV, Party A - Subprt 1 - Student Support and Academic Enrichment	Texas Education Agency	84.424A	22680101-043905	11,099
Total Assistance Listing Number 84.424A				11,099
COVID-19 - TX COVID Learning Acceleration Supports (TCLAS) - ESSER III	Texas Education Agency	84.425U	21528042-043905	248,301
COVID-19 - ESSER III	Texas Education Agency	84.425U	21528001-043905	1,777,640
COVID-19 - ESSER-SUPP*	Texas Education Agency	84.425U	21528043-043905	21,841,955
Total Assistance Listing Number 84.425U				23,867,896

Frisco Independent School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Exhibit

K-1

(Concluded)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass Through Organization	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (continued)				
Perkins V: Strengthening CTE for The 21st Century	Texas Education Agency	84.048A	2240006-043905	2,323
Perkins V: Strengthening CTE for The 21st Century	Texas Education Agency	84.048A	2240006-043905	<u>278,763</u>
Total Assistance Listing Number 84.048A				<u>281,086</u>
LEP Summer School	Texas Education Agency	84.369A	69552102	35,970
LEP Summer School	Texas Education Agency	84.369A	69552102	<u>51,772</u>
Total Assistance Listing Number 84.369A				<u>87,742</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>36,342,399</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medicaid Administrative Claiming	Direct Program	93.778		<u>107,949</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>107,949</u>
U.S. DEPARTMENT OF AGRICULTURE				
*National School Lunch Program - Noncash Assistance (Commodities)	Texas Dept. of Human Services	10.555		1,805,350
*National School Breakfast Program	Texas Dept. of Agriculture	10.553		957,256
*National School Lunch Program	Texas Dept. of Agriculture	10.555		<u>6,937,897</u>
Total Child Nutrition Cluster				<u>9,700,503</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>9,700,503</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$46,150,851</u>

See notes to the Schedule of Expenditures of Federal Awards.

Frisco Independent School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

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

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

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

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

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period end date, in accordance with Section H: Period of Availability of Federal Funds, Part 3 OMB Compliance Supplement.
4. The District received like kind goods under the National School Lunch Program (CFDA 10.555), which are reported on the Schedule of Expenditures of Federal Awards (SEFA) as a non-cash award. The monetary value of those goods was \$1,805,350 for the year ended June 30, 2023.
5. School Health and Related Services reimbursements of \$8,356,604 were recorded as federal program revenue in the General Fund but are not considered federal awards for the purposes of the SEFA.
6. Certain programs included in the SEFA are not cost reimbursement grants and therefore revenues do not equal expenditures. Revenues on non-reimbursement grants exceeded expenditures by \$21,815.
7. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.
8. The District did not elect to use the de minimus indirect cost rate as allowed by the Uniform Guidance, Section 414, for the fiscal year ended June 30, 2023.

Frisco Independent School District

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2023

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

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ NoSignificant deficiency(ies) identified that are not considered a material weakness? ☐ Yes ☒ None reportedNoncompliance material to financial statements noted. ☐ Yes ☒ No**Major Federal Programs**

Internal control over major federal programs:

Material weakness(es) identified? ☐ Yes ☒ NoSignificant deficiency(ies) identified that are not considered a material weakness? ☐ Yes ☒ None reported

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

Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs:

COVID-19 – TX COVID Learning Acceleration Supports (TCLAS) – ESSER III - 84.425U

COVID-19 – ESSER III – 84.425U

COVID-19 – ESSER - SUPP – 84.425U

The dollar threshold used to distinguish between Type A and Type B programs. \$1,384,526Auditee qualified as a low-risk auditee. ☒ Yes ☐ No

Frisco Independent School District

Schedule of Findings and Questioned Costs – Continued

Fiscal Year Ended June 30, 2023

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

None

Section 3. Findings and Questioned Costs for Federal Awards

None

Section 4. Summary of Prior Year Audit Findings

None

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



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 United States 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 through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard").

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. In July 2023, the PSFC Board appointed an Acting chief executive officer to perform those duties while the PSFC Board conducts a search to hire a permanent replacement for the chief executive officer who retired at the end of March. 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 Fund¹

<u>Fiscal Year Ending</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
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.

<u>State Fiscal Biennium</u>	<u>2008-09</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>
<u>SBOE Distribution Rate¹</u>	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%
<i>Total Equity</i>	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%
<i>Total Fixed Income</i>	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%
<i>Total Alternatives</i>	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	<u>4,730.4</u>	<u>6,218.7</u>	<u>(1,488.3)</u>	<u>-23.9%</u>
Total Domestic Equity	7,088.8	8,816.0	(1,727.2)	-19.6%
International Equity	<u>5,972.5</u>	<u>8,062.1</u>	<u>(2,089.6)</u>	<u>-25.9%</u>
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	-	<u>1,142.5</u>	<u>N/A</u>
Emerging Market Debt	<u>1,142.5</u>	<u>2,683.7</u>	<u>(1,492.8)</u>	<u>-55.6%</u>
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	<u>1,412.0</u>	<u>1,675.5</u>	<u>(263.5)</u>	<u>-15.7%</u>
TOT ALT INVESTMENTS	16,673.0	16,652.1	20.9	0.1%
UNALLOCATED CASH	<u>196.5</u>	<u>262.9</u>	<u>(66.4)</u>	<u>-25.3%</u>
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, 2022¹

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	<u>1,671.7</u>	<u>578.6</u>	<u>1,093.1</u>	<u>188.9%</u>
Total Domestic Equity	2,171.7	806.9	1,364.8	169.1%
International Equity	<u>1,225.5</u>	<u>392.6</u>	<u>832.9</u>	<u>212.1%</u>
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	<u>208.2</u>	<u>213.9</u>	<u>(5.7)</u>	<u>-2.7%</u>
TOTAL FIXED INCOME	1,512.4	1,701.8	(189.4)	-11.1%
Unallocated Cash	<u>35.2</u>	<u>1,420.5</u>	<u>(1,385.3)</u>	<u>-97.5%</u>
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

Asset Class	As of 8-31-22	As of 8-31-21	Increase (Decrease)	Percent Change
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	<u>1,921.2</u>	<u>1,276.8</u>	<u>644.4</u>	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	<u>1,257.5</u>	<u>699.2</u>	<u>558.3</u>	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 July 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 July 31, 2023, there were 184 active open-enrollment charter schools in the State and there were 1,103 charter school campuses authorized under such charters, though as of such date, 208 of such campuses are not currently serving students for various reasons; therefore, there are 895 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 CDBG 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 CDBG 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 CDBG 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 "CDBG Capacity"), which further increased the amount of the CDBG Capacity. The CDBG 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 CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, 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 after the IRS updated regulations relating to the PSF and similar funds.

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 will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

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

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds. 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 May 10, 2023, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

The IRS Notice changes the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of June 30, 2023 the cost value of the Guarantee Program was \$43,704,948,910 (unaudited), thereby producing an IRS Limit of \$218,344,585,245 in principal amount of guaranteed bonds outstanding.

As of June 30, 2023, the estimated State Capacity Limit is \$152,967,321,185, which is lower than the IRS Limit, making the State Capacity Limit 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.

With the change in the Capacity Reserve from 5% to 0.25%, effective March 1, 2023, as discussed above, and the change in the IRS Limit making the State Capacity Limit the current Capacity Limit, the net Guarantee Program capacity as of June 30, 2023 is \$152,556,827,260. No representation is made as to how the capacity 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. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

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 June 30, 2023, the Charter District Reserve Fund contained \$90,293,027, which represented approximately 2.23% 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 the applicable rating section within the Official Statement to which this is attached for information regarding a district’s underlying rating and the enhanced rating applied to a given series of bonds.

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	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
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 State Capacity Limit of \$152,556,827,260 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of June 30, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of June 30, 2023, the amount of outstanding bond guarantees represented 70.06% of the Capacity Limit (which is currently the State Capacity Limit). June 30, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

<u>School District Bonds</u>			<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal</u> <u>Year Ended</u> <u>8/31</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal Amount</u> <u>(\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>
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 June 30, 2023 (based on unaudited data, which is subject to adjustment), there were \$107,163,538,633 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,424 school district issues, aggregating \$103,112,917,633 in principal amount and 107 charter district issues, aggregating \$4,050,621,000 in principal amount. At June 30, 2023 the projected guarantee capacity available was \$30,224,526,888 (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 8-31-2022¹		
<u>Portfolio</u>	<u>Return</u>	Benchmark <u>Return²</u>
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](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.

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