

PROSPER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2023

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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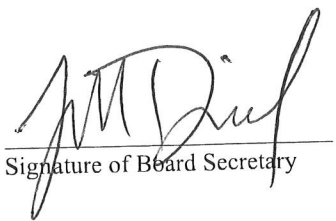
CERTIFICATE OF BOARD

Prosper Independent School District
Name of School District

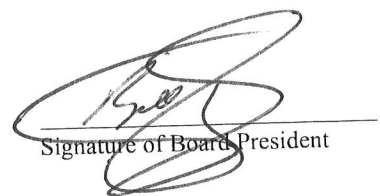
Collin
County

043-912
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2024.



Signature of Board Secretary



Signature of Board President

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Independent Auditor's Report

Prosper Independent School District
Prosper, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prosper Independent School District as of and for the year ended August 31, 2023 and the related notes to the financial statements, which collectively comprise Prosper Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Prosper Independent School District as of August 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prosper Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosper Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 16 and the Teacher Retirement System schedules on page 76 through 84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and required TEA schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 January 2, 2024 on our consideration of Prosper Independent School District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Prosper Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prosper Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 2, 2024

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**PROSPER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)**

As management of Prosper Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2023. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Prosper Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$39,772,295.
- The District's total net position increased by \$10,772,267 during the fiscal year as the result of current year operations, and \$1,268,359 as the result of prior period adjustments.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$414,139,211. Over 18% of this total amount (\$75,000,648) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, committed, unassigned and assigned fund balance of the general fund of \$150,854,769 was 60.62% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 19 and 21). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 22) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 37) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 19. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

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

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—Activities in which the District charges a fee to “customers” to help cover the cost of services it provides are reported as business-type activities. The District had no business-type activities at August 31, 2023.

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements begin on page 22 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

- Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other twenty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 22 through 30 of this report.
- Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (one category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's workers compensation insurance program.
- Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District’s own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 34 and 35. These activities are excluded from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Governmental Activities

Net Position. The net position of the District's governmental activities at August 31, 2023 was \$39,772,295. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a \$51,923,802 deficit at August 31, 2023. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$24,075,113) represents resources that are subject to external restrictions on how they may be used.

Net position of the District's governmental activities increased from \$27,731,669 at August 31, 2022 to \$39,772,295 at August 31, 2023. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$67,620,984 at August 31, 2023. The current year operating increase was the result of several factors. First, the District's revenues exceeded expenditures by \$37,375,428 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the carrying value of District assets, in the amount of \$37,742,114. Also, various adjustments totaling \$16,525,319 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting. Changes in the net pension and OPEB activity decreased net position by \$5,386,366, while a prior period adjustment related to the implementation of GASB 96 increased net position by \$1,268,359.

Changes in Net Position. The District's total revenues of its governmental activities were \$408,233,739. A significant portion, approximately 59.1%, of the revenue comes from property taxes. Another 21.0% comes from state aid - formula grants while 4.3% relates to charges for services. This reflects a \$76.2 million increase in revenues from 2021-2022, primarily from increases in property taxes and investment earnings. The total revenues were used to fund the cost of all programs and services in the amount of \$397,461,472, and to pay down the District's debt. This reflects a \$73.4 million increase in expenses from 2021-2022.

Governmental Activities. The District's total net position of its governmental activities increased \$12,040,626. The total cost of all government activities for the fiscal year ended August 31, 2023 was \$397,461,472. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$54,091,324 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$343,370,148, which were primarily funded by property taxes in the amount of \$241,376,528 and state revenue of \$85,562,757.

**Table I
NET POSITION**

	Governmental Activities		
	2023	2022	Change
Current and other assets	\$ 494,715,205	\$ 516,459,129	\$ (21,743,924)
Capital assets	1,396,873,278	1,099,818,774	297,054,504
Total assets	1,891,588,483	1,616,277,903	275,310,580
Deferred outflows of resources	126,375,591	88,621,385	37,754,206
Total assets and deferred outflows of resources	2,017,964,074	1,704,899,288	313,064,786
Current and other liabilities	76,250,144	44,427,029	31,823,115
Long-term liabilities	1,728,324,370	1,503,612,875	224,711,495
Net pension liability (District's share)	64,868,973	23,074,392	41,794,581
Net OPEB liability (District's share)	33,710,364	46,996,905	(13,286,541)
Total liabilities	1,903,153,851	1,618,111,201	285,042,650
Deferred inflows of resources	75,037,928	59,056,418	15,981,510
Total liabilities and deferred inflows of resources	1,978,191,779	1,677,167,619	301,024,160
Net Position (Deficit):			
Net investments in capital assets	(51,923,802)	(46,912,117)	(5,011,685)
Restricted	24,075,113	19,547,343	4,527,770
Unrestricted	67,620,984	55,096,443	12,524,541
Total Net Position (Deficit)	\$ 39,772,295	\$ 27,731,669	\$ 12,040,626

Table II
CHANGES IN NET POSITION

	Governmental Activities		Change
	2023	2022	
Revenues:			
Program Revenues:			
Charges for services	\$ 17,367,778	\$ 14,658,508	\$ 2,709,270
Operating grants and contributions	36,723,546	30,384,185	6,339,361
General Revenues:			
Maintenance and operations taxes	157,849,987	124,448,398	33,401,589
Debt service taxes	83,526,541	64,679,019	18,847,522
State aid - formula grants	85,562,757	92,394,752	(6,831,995)
Grants & contributions not restricted	-	502,024	(502,024)
Investment earnings	22,139,702	2,240,879	19,898,823
Land contribution	4,530,240	-	4,530,240
Gain on sale of capital asset	151,725	-	151,725
Miscellaneous	381,463	2,670,794	(2,289,331)
Total Revenue	<u>408,233,739</u>	<u>331,978,559</u>	<u>76,255,180</u>
Expenses:			
Instruction, curriculum and media services	199,522,680	178,109,318	21,413,362
Instructional and school leadership	17,286,531	13,981,687	3,304,844
Student support services	24,782,115	16,566,935	8,215,180
Food services	10,693,248	9,019,279	1,673,969
Extracurricular activities	13,705,865	11,604,519	2,101,346
General administration	9,277,468	7,237,482	2,039,986
Plant maintenance, security and data process	37,433,642	30,256,967	7,176,675
Community services	8,612	30,670	(22,058)
Non-capital facilities costs	26,395,381	5,803,960	20,591,421
Debt services	56,443,151	49,987,203	6,455,948
Intergovernmental charges	1,912,779	1,406,750	506,029
Total Expenses	<u>397,461,472</u>	<u>324,004,770</u>	<u>73,456,702</u>
Change in Net Position	10,772,267	7,973,789	2,798,478
Net Position - beginning of year	27,731,669	(6,262,464)	33,994,133
Prior period adjustments	1,268,359	26,020,344	(24,751,985)
Net Position - end of year	<u>\$ 39,772,295</u>	<u>\$ 27,731,669</u>	<u>\$ 12,040,626</u>

The cost of all governmental activities for the current fiscal period was \$397,461,472. However, as shown in the Statement of Activities on page 21, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$241,376,528 because some of the costs were paid by those who directly benefited from the programs (\$17,367,778) or by State equalization funding (\$85,562,757).

THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$414,139,211 a decrease of \$58,503,253. Approximately 39% of this total amount (\$161,680,450) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted for debt service (\$19,270,534), capital projects (\$222,918,351), Federal grants (\$1,925,195), or other purposes (\$3,195,706), or already spent on prepaid items (\$5,148,975).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$75,058,630, while the total fund balance was \$152,297,542. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 30.16% of the total general fund expenditures, while the total fund balance represents 61.20% of that same amount.

The fund balance of the District's general fund increased by \$23,507,866 during the current fiscal year, compared to a \$20,109,768 increase in the previous year. Key factors related to this change are as follows:

- A \$33,182,145 increase in property tax and other local revenues along with a \$6,510,370 increase in investment earnings contributed to a \$36,489,245 or 15.4% overall increase in total revenues. Expenditures increased \$39,897,870 or 19.1% with the majority of the increase in the areas of instructional and facilities costs.

The debt service fund has a total fund balance of \$19,270,534, all of which is reserved for the payment of debt service. The net increase in fund balance during the period from current year operations was \$3,194,146, compared to a \$1,163,799 increase in the previous year. Tax revenues were \$18,718,388 higher than the previous year, while debt service expenditures net of a remarketing were \$20,599,301 higher.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$86,413,370 due primarily to \$250,000,000 proceeds from bond sales offset by \$349,580,693 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2022). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$152,297,542 reported on page 22 differs from the General Fund's budgetary fund balance of \$129,043,853 reported in the budgetary comparison schedule on page 30. For the year ended August 31, 2023, actual general fund expenditures on a budgetary basis were \$248,854,617, below the original budget expenditures of \$259,084,000 and the revised final budget of \$259,083,999. The majority of the actual variance of \$10,229,382 consists of savings achieved in payroll costs in several areas. Actual revenue on a budgetary basis was \$273,913,943 compared to the original budget of \$250,479,000 and a revised budget of \$261,838,174. The majority of the actual variance of \$12,075,769 consists of additional property tax revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2023, the District had \$1,396,873,278 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$294,254,577, or 26.7%, above last year.

This fiscal year's major additions include:

Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds.	\$ 90,424,006
Initial construction costs on a new high school, paid for with proceeds of general obligation bonds	20,317,806
Continuing construction costs on two new elementary schools, paid for with proceeds of general obligation bonds.	60,761,606
Initial construction costs on two new elementary schools, paid for with proceeds of general obligation bonds.	6,195,971
Continuing construction costs on an early childhood center, paid for with proceeds of general obligation bonds.	32,831,601
Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds.	54,501,922
Initial construction costs on a new middle school, paid for with proceeds of general obligation bonds.	7,990,761
155.37 acres land purchase	40,134,304
13.308 acres land purchase	2,020,607
Land donation for middle school site	4,530,240
Bus and vehicle purchases	<u>3,393,552</u>
Totaling	<u>\$323,102,376</u>

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

Debt Administration

At year-end, the District had \$1,593,259,524 in bonds outstanding (including accreted interest on bonds) versus \$1,373,427,534 last year—an increase of 16.0%. New debt incurred during the fiscal period consists of one building bond series, the remarketing of one bond series and several right-to-use leases and subscriptions. The District's underlying rating for unlimited tax bonds is "Aa3" by Moody's, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2024 budget and tax rates. Those factors included the economy, the District's population growth and funding levels by the State of Texas. The District has adopted a surplus budget for its debt service fund and a balanced budget for its child nutrition fund for fiscal year 2024, and adopted a general fund budget with a projected deficit of \$9,796,139. For fiscal year 2024 the District has adopted a maintenance and operations tax rate of \$0.7575 per \$100 valuation, which is lower than the fiscal year 2023 rate of \$0.9429. The District's interest and sinking tax rate has remained at \$0.50 per \$100 valuation for fiscal year 2024. Significant growth in student enrollment is expected to continue in fiscal year 2024. As a result, the coming year will see significant construction activity taking place in the District, in order to provide additional needed facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1 (Cont'd)

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 75,495,366
1120 Current Investments	384,760,768
1220 Property Taxes - Delinquent	3,122,288
1230 Allowance for Uncollectible Taxes	(16,955)
1240 Due from Other Governments	26,195,360
1267 Due from Fiduciary Funds	7,243
1290 Other Receivables, Net	2,160
1410 Prepayments	5,148,975
Capital Assets:	
1510 Land	170,335,440
1520 Buildings, Net	754,196,765
1530 Furniture and Equipment, Net	36,951,564
1540 Other Capital Assets, Net	7,875,622
1550 Right-to-Use Leased Assets, Net	2,331,223
1553 SBITA Assets, Net	2,113,411
1580 Construction in Progress	423,069,253
1000 Total Assets	1,891,588,483
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	23,331,005
1705 Deferred Outflow Related to TRS Pension	60,366,358
1706 Deferred Outflow Related to TRS OPEB	42,678,228
1700 Total Deferred Outflows of Resources	126,375,591

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
LIABILITIES	
2110 Accounts Payable	52,395,543
2130 Short Term Right-to-Use Leases Payable	34,107
2140 Interest Payable	2,792,783
2150 Payroll Deductions and Withholdings	1,858,232
2160 Accrued Wages Payable	16,682,877
2180 Due to Other Governments	524,788
2190 Due to Student Groups	1,025,086
2300 Unearned Revenue	936,728
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	39,047,520
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	1,689,276,850
2540 Net Pension Liability (District's Share)	64,868,973
2545 Net OPEB Liability (District's Share)	33,710,364
2000 Total Liabilities	1,903,153,851
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	23,533,849
2606 Deferred Inflow Related to TRS OPEB	51,504,079
2600 Total Deferred Inflows of Resources	75,037,928
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	(51,923,802)
Restricted:	
3820 Restricted for Federal and State Programs	1,925,195
3850 Restricted for Debt Service	19,270,534
3870 Restricted for Campus Activities	2,437,543
3890 Restricted for Other Purposes	441,841
3900 Unrestricted	67,620,984
3000 Total Net Position	\$ 39,772,295

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Net (Expense)
Revenue and
Changes in Net
Position

6
Primary Gov.
Governmental
Activities

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 187,990,517	\$ 2,665,330	\$ 17,506,844	\$ (167,818,343)
12	Instructional Resources and Media Services	3,599,449	-	164,937	(3,434,512)
13	Curriculum and Instructional Staff Development	7,932,714	-	2,700,435	(5,232,279)
21	Instructional Leadership	1,867,659	-	137,985	(1,729,674)
23	School Leadership	15,418,872	-	826,795	(14,592,077)
31	Guidance, Counseling, and Evaluation Services	10,741,778	-	3,312,127	(7,429,651)
33	Health Services	2,812,185	1,212,073	422,048	(1,178,064)
34	Student (Pupil) Transportation	11,228,152	-	1,798,851	(9,429,301)
35	Food Services	10,693,248	9,778,859	1,693,793	779,404
36	Extracurricular Activities	13,705,865	829,244	4,762,773	(8,113,848)
41	General Administration	9,277,468	1,539,671	414,850	(7,322,947)
51	Facilities Maintenance and Operations	24,961,744	1,342,601	1,212,664	(22,406,479)
52	Security and Monitoring Services	4,153,125	-	306,904	(3,846,221)
53	Data Processing Services	8,318,773	-	196,089	(8,122,684)
61	Community Services	8,612	-	6,317	(2,295)
72	Debt Service - Interest on Long-Term Debt	54,270,411	-	1,260,134	(53,010,277)
73	Debt Service - Bond Issuance Cost and Fees	2,172,740	-	-	(2,172,740)
81	Non-Capital Facilities Costs	26,395,381	-	-	(26,395,381)
91	Contracted Instructional Services Between Schools	233,023	-	-	(233,023)
93	Payments Related to Shared Services Arrangements	201,184	-	-	(201,184)
95	Payments to Juvenile Justice Alternative Ed. Prg.	1,415	-	-	(1,415)
99	Other Intergovernmental Charges	1,477,157	-	-	(1,477,157)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 397,461,472	\$ 17,367,778	\$ 36,723,546	(343,370,148)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	157,849,987
DT	Property Taxes, Levied for Debt Service	83,526,541
SF	State Aid - Formula Grants	85,562,757
GC	Land Contribution	4,530,240
IE	Investment Earnings	22,139,702
MI	Miscellaneous Local and Intermediate Revenue	381,463
E2	Gain on Sale of Capital Asset	151,725
TR	Total General Revenues & Extraordinary Items	354,142,415
CN	Change in Net Position	10,772,267
NB	Net Position - Beginning	27,731,669
PA	Prior Period Adjustment	1,268,359
NE	Net Position - Ending	\$ 39,772,295

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

PROSPER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 61,317,840	\$ 21,652	\$ 6,824,165
1120 Investments - Current	86,677,353	19,520,561	276,062,518
1220 Property Taxes - Delinquent	2,078,808	1,043,480	-
1230 Allowance for Uncollectible Taxes	(12,209)	(4,746)	-
1240 Due from Other Governments	22,444,708	20,086	-
1260 Due from Other Funds	3,484,497	-	66,914
1290 Other Receivables	-	-	-
1410 Prepayments	1,442,773	-	3,648,220
1000 Total Assets	<u>\$ 177,433,770</u>	<u>\$ 20,601,033</u>	<u>\$ 286,601,817</u>
LIABILITIES			
2110 Accounts Payable	\$ 2,764,915	\$ -	\$ 49,140,550
2130 Right-to-Use Lease Liability Payable - Current	34,107	-	-
2150 Payroll Deductions and Withholdings Payable	1,858,232	-	-
2160 Accrued Wages Payable	16,682,877	-	-
2170 Due to Other Funds	1,365,517	-	11,033
2180 Due to Other Governments	233,023	291,765	-
2190 Due to Student Groups	-	-	-
2300 Unearned Revenue	130,958	-	-
2000 Total Liabilities	<u>23,069,629</u>	<u>291,765</u>	<u>49,151,583</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,066,599	1,038,734	-
2600 Total Deferred Inflows of Resources	<u>2,066,599</u>	<u>1,038,734</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	1,442,773	-	3,648,220
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	222,918,351
3480 Retirement of Long-Term Debt	-	19,270,534	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	66,000,000	-	10,883,663
Assigned Fund Balance:			
3590 Projected 2023-24 Budget Deficit	9,796,139	-	-
3600 Unassigned Fund Balance	75,058,630	-	-
3000 Total Fund Balances	<u>152,297,542</u>	<u>19,270,534</u>	<u>237,450,234</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 177,433,770</u>	<u>\$ 20,601,033</u>	<u>\$ 286,601,817</u>

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

Other Funds	Total Governmental Funds
\$ 6,711,141	\$ 74,874,798
-	382,260,432
-	3,122,288
-	(16,955)
3,730,566	26,195,360
397,558	3,948,969
2,160	2,160
57,982	5,148,975
<u>\$ 10,899,407</u>	<u>\$ 495,536,027</u>
\$ 481,429	\$ 52,386,894
-	34,107
-	1,858,232
-	16,682,877
3,466,221	4,842,771
-	524,788
1,025,086	1,025,086
805,770	936,728
<u>5,778,506</u>	<u>78,291,483</u>
-	3,105,333
-	3,105,333
57,982	5,148,975
1,925,195	1,925,195
-	222,918,351
-	19,270,534
3,195,706	3,195,706
-	76,883,663
-	9,796,139
(57,982)	75,000,648
<u>5,120,901</u>	<u>414,139,211</u>
<u>\$ 10,899,407</u>	<u>\$ 495,536,027</u>

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PROSPER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	414,139,211
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.		3,460,197
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		1,642,431,908
3 Accumulated depreciation is not reported in the fund financial statements.		(245,558,630)
4 Bonds payable, leases, and subscriptions payable are not reported in the fund financial statements.		(1,589,255,908)
5 Bond premiums and discounts are not recognized in the fund financial statements.		(131,206,074)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(2,792,783)
7 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		3,105,333
8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$64,868,973, a Deferred Resource Inflow related to TRS in the amount of \$23,533,849, and a Deferred Resource Outflow related to TRS in the amount of \$60,366,358. This amounted to a decrease in Net Position in the amount of \$28,036,464.		(28,036,464)
9 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$33,710,364, a Deferred Resource Inflow related to TRS OPEB in the amount of \$51,504,079, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$42,678,228. This amounted to a decrease in Net Position in the amount of \$42,536,215.		(42,536,215)
10 Deferred charge on bond refundings is not recognized in the fund financial statements.		23,331,005
11 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(7,309,285)
19 Net Position of Governmental Activities	<u>\$</u>	<u>39,772,295</u>

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31,2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 170,021,996	\$ 85,119,970	\$ 12,951,373
5800 State Program Revenues	98,780,060	1,259,714	-
5900 Federal Program Revenues	5,111,887	-	-
5020 Total Revenues	<u>273,913,943</u>	<u>86,379,684</u>	<u>12,951,373</u>
EXPENDITURES:			
Current:			
0011 Instruction	150,929,739	-	-
0012 Instructional Resources and Media Services	3,019,544	-	-
0013 Curriculum and Instructional Staff Development	4,460,814	-	-
0021 Instructional Leadership	1,567,198	-	-
0023 School Leadership	12,755,771	-	-
0031 Guidance, Counseling, and Evaluation Services	6,325,081	-	-
0033 Health Services	2,074,269	-	-
0034 Student (Pupil) Transportation	10,649,233	-	-
0035 Food Services	160,121	-	-
0036 Extracurricular Activities	8,279,664	-	-
0041 General Administration	7,986,629	-	-
0051 Facilities Maintenance and Operations	24,798,821	-	-
0052 Security and Monitoring Services	3,581,802	-	-
0053 Data Processing Services	8,081,908	-	-
0061 Community Services	2,295	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	833,230	76,168,898	-
0072 Interest on Long-Term Liabilities	72,380	59,846,515	-
0073 Bond Issuance Cost and Fees	-	955,503	1,217,237
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,363,339	-	349,580,693
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	233,023	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	201,184	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	1,415	-	-
0099 Other Intergovernmental Charges	1,477,157	-	-
6030 Total Expenditures	<u>248,854,617</u>	<u>136,970,916</u>	<u>350,797,930</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25,059,326</u>	<u>(50,591,232)</u>	<u>(337,846,557)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	52,160,413	244,869,587
7912 Sale of Real and Personal Property	12,982	-	215,950
7913 Proceeds of Right-to-Use Leases and Subscriptions	935,558	-	-
7916 Premium or Discount on Issuance of Bonds	-	1,624,965	6,347,650
8911 Transfers Out (Use)	(2,500,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>(1,551,460)</u>	<u>53,785,378</u>	<u>251,433,187</u>
1200 Net Change in Fund Balances	23,507,866	3,194,146	(86,413,370)
0100 Fund Balance - September 1 (Beginning)	<u>128,789,676</u>	<u>16,076,388</u>	<u>323,863,604</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 152,297,542</u>	<u>\$ 19,270,534</u>	<u>\$ 237,450,234</u>

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

	Other Funds	Total Governmental Funds
\$	14,928,919	\$ 283,022,258
	1,450,597	101,490,371
	10,993,289	16,105,176
	<u>27,372,805</u>	<u>400,617,805</u>
	5,966,617	156,896,356
	6,076	3,025,620
	2,120,002	6,580,816
	34,957	1,602,155
	67,061	12,822,832
	2,398,681	8,723,762
	230,554	2,304,823
	27,711	10,676,944
	10,567,366	10,727,487
	4,231,531	12,511,195
	69,523	8,056,152
	241,169	25,039,990
	197,135	3,778,937
	-	8,081,908
	6,317	8,612
	-	77,002,128
	-	59,918,895
	-	2,172,740
	-	350,944,032
	-	233,023
	-	201,184
	-	1,415
	-	1,477,157
	<u>26,164,700</u>	<u>762,788,163</u>
	1,208,105	(362,170,358)
	-	297,030,000
	-	228,932
	-	935,558
	-	7,972,615
	-	(2,500,000)
	-	303,667,105
	1,208,105	(58,503,253)
	<u>3,912,796</u>	<u>472,642,464</u>
\$	<u>5,120,901</u>	<u>\$ 414,139,211</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (58,503,253)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	332,073,898
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(37,742,114)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	688,241
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	813,883
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	5,280,109
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	1,029,112
The net profit (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	2,880,987
Current year principal payments on bonds payable, leases, and subscriptions payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	77,002,128
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2022 caused the ending net position to increase in the amount of \$6,270,752. These contributions were replaced with the District's pension expense for the year of \$11,997,373, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$5,726,621.	(5,726,621)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made during the current fiscal year caused the ending net position to increase in the amount of \$1,330,153. These contributions were replaced with the District's OPEB expense for the year, which was \$989,898 and caused a decrease in net position. The impact of both of these is to increase net position by \$340,255.	340,255
Proceeds from bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(297,030,000)
Premium received on bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(7,972,615)

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

PROSPER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

Proceeds from right-to-use leases and subscriptions are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(935,558)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(1,348,978)
The basis of capital assets sold is not recorded in the fund financial statements but is shown as a reduction in capital assets in the government-wide financial statements.	(77,207)
Change in Net Position of Governmental Activities	<u>\$ 10,772,267</u>

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

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 161,578,000	\$ 163,574,238	\$ 170,021,996	\$ 6,447,758
5800 State Program Revenues	88,001,000	95,013,936	98,780,060	3,766,124
5900 Federal Program Revenues	900,000	3,250,000	5,111,887	1,861,887
5020 Total Revenues	250,479,000	261,838,174	273,913,943	12,075,769
EXPENDITURES:				
Current:				
0011 Instruction	163,526,000	151,978,491	150,929,739	1,048,752
0012 Instructional Resources and Media Services	3,160,000	3,342,571	3,019,544	323,027
0013 Curriculum and Instructional Staff Development	6,463,000	5,183,854	4,460,814	723,040
0021 Instructional Leadership	1,777,000	2,145,515	1,567,198	578,317
0023 School Leadership	12,648,000	13,094,073	12,755,771	338,302
0031 Guidance, Counseling, and Evaluation Services	4,282,000	6,483,222	6,325,081	158,141
0033 Health Services	2,229,000	2,448,111	2,074,269	373,842
0034 Student (Pupil) Transportation	10,092,000	11,360,505	10,649,233	711,272
0035 Food Services	70,000	236,981	160,121	76,860
0036 Extracurricular Activities	8,137,000	8,653,134	8,279,664	373,470
0041 General Administration	8,377,000	8,561,472	7,986,629	574,843
0051 Facilities Maintenance and Operations	23,670,000	25,765,972	24,798,821	967,151
0052 Security and Monitoring Services	2,828,000	4,102,119	3,581,802	520,317
0053 Data Processing Services	8,700,000	10,583,920	8,081,908	2,502,012
0061 Community Services	7,000	21,759	2,295	19,464
Debt Service:				
0071 Principal on Long-Term Liabilities	623,000	1,350,620	833,230	517,390
0072 Interest on Long-Term Liabilities	50,000	72,380	72,380	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	735,000	1,533,036	1,363,339	169,697
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	25,000	390,040	233,023	157,017
0093 Payments to Fiscal Agent/Member Districts of SSA	185,000	216,184	201,184	15,000
0095 Payments to Juvenile Justice Alternative Ed. Prg.	-	40,040	1,415	38,625
0099 Other Intergovernmental Charges	1,500,000	1,520,000	1,477,157	42,843
6030 Total Expenditures	259,084,000	259,083,999	248,854,617	10,229,382
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,605,000)	2,754,175	25,059,326	22,305,151
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	12,982	12,982
7913 Proceeds of Right-to-Use Leases and Subscriptions	-	-	935,558	935,558
8911 Transfers Out (Use)	-	(2,500,000)	(2,500,000)	-
7080 Total Other Financing Sources (Uses)	-	(2,500,000)	(1,551,460)	948,540
1200 Net Change in Fund Balances	(8,605,000)	254,175	23,507,866	23,253,691
0100 Fund Balance - September 1 (Beginning)	128,789,676	128,789,676	128,789,676	-
3000 Fund Balance - August 31 (Ending)	\$ 120,184,676	\$ 129,043,851	\$ 152,297,542	\$ 23,253,691

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2023

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 620,568
Investments - Current	2,500,336
Due from Other Funds	901,045
Total Assets	4,021,949
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,649
Claims Payable	250,000
Total Current Liabilities	258,649
Noncurrent Liabilities:	
Claims Payable	303,103
Total Noncurrent Liabilities	303,103
Total Liabilities	561,752
NET POSITION	
Unrestricted Net Position	3,460,197
Total Net Position	\$ 3,460,197

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 414,736
Total Operating Revenues	414,736
OPERATING EXPENSES:	
Other Operating Costs	34,085
Total Operating Expenses	34,085
Operating Income	380,651
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	336
Total Nonoperating Revenues (Expenses)	336
Income Before Transfers	380,987
Transfers In	2,500,000
Change in Net Position	2,880,987
Total Net Position - September 1 (Beginning)	579,210
Total Net Position - August 31 (Ending)	\$ 3,460,197

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from District	\$ 392,269
Cash Payments for Claims	(295,120)
Net Cash Provided by Operating Activities	97,149
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Transfers In	2,500,000
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(2,500,336)
Interest and Dividends on Investments	22,803
Net Cash Provided by (Used for) Investing Activities	(2,477,533)
Net Increase in Cash and Cash Equivalents	119,616
Cash and Cash Equivalents at Beginning of Year	500,952
Cash and Cash Equivalents at End of Year	\$ 620,568
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 380,651
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	8,649
Increase (decrease) in Claims Payable	(292,151)
Net Cash Provided by Operating Activities	\$ 97,149

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

PROSPER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 196,617
Total Assets	<u>196,617</u>
LIABILITIES	
Accounts Payable	11,962
Due to Other Funds	<u>7,243</u>
Total Liabilities	<u>19,205</u>
NET POSITION	
Unrestricted Net Position	<u>177,412</u>
Total Net Position	<u><u>\$ 177,412</u></u>

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

PROSPER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	\$ 310,712
Total Additions	310,712
DEDUCTIONS:	
Student Groups	336,938
Total Deductions	336,938
Change in Fiduciary Net Position	(26,226)
Total Net Position - September 1 (Beginning)	203,638
Total Net Position - August 31 (Ending)	\$ 177,412

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

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PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

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

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Fund Financial Statements:

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

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

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Fund** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service fund for its workers compensation self-insurance plan.
3. **Fiduciary Funds** - The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student and employee groups. Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board. The District's Custodial Fund is the Student Activity Fund.

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

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

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

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

PROSPER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

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

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

D. BUDGETARY CONTROL

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

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

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

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

	August 31, 2023 <u>Fund Balance</u>
Appropriated Budget Funds	\$1,925,195
Nonappropriated Budget Funds	<u>3,195,706</u>
All Special Revenue Funds	<u>\$5,120,901</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

E. ENCUMBRANCE ACCOUNTING

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

F. PREPAID ITEMS

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

G. INVENTORIES

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

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

H. RECEIVABLE AND PAYABLES

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at various rates based upon historical trends of outstanding property taxes receivable as of August 31, 2023.

I. INTERFUND RECEIVABLES AND PAYABLES

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

J. CAPITAL ASSETS

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

PROSPER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

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

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

The District has no restriction on any capital asset.

K. COMPENSATED ABSENCES

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

L. CASH EQUIVALENTS

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

M. NET POSITION

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

N. LONG-TERM OBLIGATIONS

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

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

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2023 was \$23,331,005.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.7052 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the statement of net position for deferred pension expenses at August 31, 2023 was \$60,366,358.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2179 years. The amount of deferred outflows reported in the statement of net position for deferred OPEB expense at August 31, 2023 was \$42,678,228.

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

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2023 was \$3,105,333.

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2023, the District reported deferred inflows of resources for pensions in the statement of net position in the amount of \$23,533,849.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2179 years for the 2022 measurement year). In fiscal year 2023, the District reported deferred inflows of resources for OPEB in the statement of net position in the amount of \$51,504,079.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 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.

Q. ESTIMATES

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

R. GRANT FUND ACCOUNTING

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

NOTE 2. FUND BALANCE AND NET POSITION

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

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

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

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

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

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

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2023 for future construction needs.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of August 31, 2023 for a projected 2023-24 budget deficit.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

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

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The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 22 and 23) and are described below:

General Fund

The General Fund has unassigned fund balance of \$75,058,630 at August 31, 2023. Deferred expenditures (prepaid items) of \$1,442,773 are considered nonspendable fund balance. \$66,000,000 of fund balance has been committed for future construction needs. \$9,796,139 of fund balance has been assigned for a projected 2023-24 budget deficit.

Other Major Funds

The Debt Service Fund has restricted funds of \$19,270,534 at August 31, 2023 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$222,918,351 at August 31, 2023 consisting of unspent bond funds and \$10,883,663 of non-bond funds assigned for future capital replacement projects. Deferred expenditures (prepaid items) of \$3,648,220 are considered nonspendable fund balance.

Other Funds

In the Food Service Fund, the Food Service Fund fund balance of \$1,925,195 is shown as restricted for food service operations. The fund balance of \$2,437,543 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy restricting those funds to campus activities. The fund balances of the Children's Health and Prosper Education Foundation funds (special revenue funds) consist of funds donated for specific purposes that are restricted to those purposes.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2023, the carrying amount of the District's deposits in cash, checking accounts, certificates of deposit and interest-bearing savings accounts was \$75,639,673 and the bank balance was \$81,438,962. The District's cash deposits at August 31, 2023 and at all times during the year then ended were entirely covered by FDIC insurance or by pledged collateral or letters of credit held by the District's agent bank in the District's name.

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

- a. Depository: Farmers Bank & Trust, Prosper, Texas
- b. The highest combined balance of cash, savings, and time deposit accounts amounted to \$31,301,348, and occurred during the month of August, 2023.
- c. The amount of letters of credit pledged as of the date of the highest combined balance on deposit was \$38,000,000.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$273,793.

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2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2023, the District’s cash balances totaled \$81,438,962. This entire amount was either secured by a letter of credit held by the District’s financial institution’s agent in the District’s name or covered by FDIC insurance. Thus, the District’s deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2023, the District held all of its investments in four public funds investment pools (TexPool, Lone Star, Texas Term, and Texas Fit). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool, Texas Term, and Texas Fit at year-end was AAAm (Standard & Poor’s), and the credit quality rating for Lone Star was AAAf (Standard & Poor’s).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Term, Texas Fit and Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2023, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

The District’s investments at August 31, 2023, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$ 75,163,586	\$ 75,163,586
Lone Star	268,631,743	268,631,743
Texas Fit	28,555,554	28,555,554
Texas Term	11,434,200	11,434,200
US Treasury Bill	975,685	975,685
Total	<u>\$384,760,768</u>	<u>\$384,760,768</u>

Fair Value Measurements

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

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

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

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2023, was as follows:

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 123,410,988	\$ 47,001,659	\$ (77,207)	\$ 170,335,440
Construction in Progress	177,138,804	276,272,713	(30,342,264)	423,069,253
Total capital assets, not being depreciated	<u>300,549,792</u>	<u>323,274,372</u>	<u>(30,419,471)</u>	<u>593,404,693</u>
Capital assets, being depreciated:				
Buildings and Improvements	874,362,885	32,636,238	-	906,999,123
Equipment	107,618,480	2,200,276	-	109,818,756
Vehicles	21,271,979	3,369,718	-	24,641,697
Right-to-Use Leases	4,364,112	419,499	(35,928)	4,747,683
Right-to-Use Subscriptions	2,303,897	516,059	-	2,819,956
Total capital assets, being depreciated	<u>1,009,921,353</u>	<u>39,141,790</u>	<u>(35,928)</u>	<u>1,049,027,215</u>
Less accumulated depreciation for:				
Buildings and Improvements	(129,152,508)	(23,649,850)	-	(152,802,358)
Equipment	(61,176,336)	(11,690,856)	-	(72,867,192)
Vehicles	(15,294,140)	(1,471,935)	-	(16,766,075)
Right-to-Use Leases	(1,972,654)	(479,734)	35,928	(2,416,460)
Right-to-Use Subscriptions	(256,806)	(449,739)	-	(706,545)
Total accumulated depreciation	<u>(207,852,444)</u>	<u>(37,742,114)</u>	<u>35,928</u>	<u>(245,558,630)</u>
Total capital assets being depreciated, net	<u>802,068,909</u>	<u>1,399,676</u>	<u>-</u>	<u>803,468,585</u>
Governmental activities capital assets, net	<u>\$ 1,102,618,701</u>	<u>\$ 324,674,048</u>	<u>\$ (30,419,471)</u>	<u>\$ 1,396,873,278</u>

Construction in progress includes the following primary construction contracts in progress as of August 31, 2023:

Project	Estimated Cost to Complete	Expended to Date	Balance to Complete
High School Construction	\$ 207,433,668	\$ 204,785,221	\$ 2,648,447
High School Construction	282,743,503	8,450,621	274,292,882
Middle School Construction	104,060,335	52,280,501	51,779,834
Middle School Construction	106,162,582	3,300,456	102,862,126
Elementary School Construction	32,188,453	31,504,933	683,520
Elementary School Construction	36,341,242	34,740,292	1,600,950
Elementary School Construction	36,809,563	3,882,689	32,926,874
Early Childhood Center Construction	38,819,200	37,807,216	1,011,984
Total	<u>\$ 844,558,546</u>	<u>\$ 376,751,929</u>	<u>\$ 467,806,617</u>

**PROSPER INDEPENDENT SCHOOL DISTRICT
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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$26,493,062
Instructional Resources & Media Services	489,565
Curriculum & Instructional Staff Development	1,044,019
Instructional Leadership	210,854
School Leadership	2,193,053
Guidance, Counseling & Evaluation Services	1,533,495
Health Services	405,787
Student (Pupil) Transportation	1,431,248
Cocurricular/Extracurricular Activities	1,011,569
General Administration	1,093,371
Plant Maintenance and Operations	607,258
Security and Monitoring Services	490,600
Data Processing Services	<u>738,233</u>
Total depreciation expense-Governmental activities	<u>\$37,742,114</u>

NOTE 5. LONG-TERM DEBT

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2023:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 9/1/2022	Additions	Refunded/ Retired	Amounts Outstanding 8/31/2023	Due Within One Year
Bonded Indebtedness:							
2002 CAB	5.13-5.72%	943,041	\$ 194,137	\$ -	\$ 43,898	\$ 150,239	\$ 37,272
2014 Bldg/Refunding	2.00-4.00%	32,180,000	1,705,000	-	835,000	870,000	870,000
2015 Refunding	2.00-5.00%	158,565,000	137,780,000	-	4,175,000	133,605,000	4,410,000
2016 Building	2.00-5.00%	68,465,000	62,130,000	-	1,410,000	60,720,000	1,485,000
2016 Refunding	2.00-5.00%	16,910,000	14,980,000	-	370,000	14,610,000	365,000
2017 Building	2.00-5.00%	112,350,000	107,725,000	-	1,775,000	105,950,000	1,870,000
2018 Building	3.00-5.00%	177,015,000	170,925,000	-	3,175,000	167,750,000	3,335,000
2019 Building	3.00-5.00%	176,455,000	167,735,000	-	3,200,000	164,535,000	3,365,000
2019 Refunding	3.00-5.00%	6,900,000	6,835,000	-	625,000	6,210,000	640,000
2019A Building	4.00-5.00%	45,015,000	43,060,000	-	805,000	42,255,000	850,000
2019B Building	2.00%	50,000,000	50,000,000	49,320,000	50,000,000	49,320,000	-
2020 Building	4.00-5.00%	44,740,000	43,995,000	-	925,000	43,070,000	965,000
2020 Refunding	2.26%	86,485,000	83,895,000	-	1,215,000	82,680,000	1,210,000
2021 Building	2.00-5.00%	47,705,000	47,705,000	-	-	47,705,000	535,000
2021A Building	1.625-5.00%	187,155,000	187,155,000	-	-	187,155,000	785,000
2022 Building	4.00-5.00%	189,690,000	189,690,000	-	7,615,000	182,075,000	5,975,000
2022 Bldg (variable)	2.47%	49,580,000	49,580,000	-	-	49,580,000	-
2023 Building	4.00-5.00%	247,710,000	-	247,710,000	-	247,710,000	4,555,000
Total Bonded Indebtedness			<u>1,365,089,137</u>	<u>297,030,000</u>	<u>76,168,898</u>	<u>1,585,950,239</u>	<u>31,252,272</u>
Accreted Interest			8,338,397	491,990	1,521,102	7,309,285	1,532,728
Premiums on Bond Issuance			128,513,568	7,972,615	5,280,109	131,206,074	5,515,554
Lease Liabilities			2,395,184	419,499	416,831	2,397,852	533,830
Subscription Liabilities			808,157	516,059	416,399	907,817	213,136
Total Other Obligations			<u>140,055,306</u>	<u>9,400,163</u>	<u>7,634,441</u>	<u>141,821,028</u>	<u>7,795,248</u>
Total Obligations of District			<u>\$ 1,505,144,443</u>	<u>\$ 306,430,163</u>	<u>\$ 83,803,339</u>	<u>\$ 1,727,771,267</u>	<u>\$ 39,047,520</u>

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The 2002 bond series include outstanding capital appreciation bonds in the principal amount of \$150,239. The bonds mature variously beginning in 2024 through 2028. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2023.

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2024	\$ 31,252,272	\$ 64,692,602	\$ 95,944,874
2025	31,096,541	63,246,498	94,343,039
2026	31,366,690	62,338,734	93,705,424
2027	32,787,520	60,916,558	93,704,078
2028	33,172,216	60,530,732	93,702,948
2029-2033	203,500,000	265,030,478	468,530,478
2034-2038	247,640,000	220,888,030	468,528,030
2039-2043	303,980,000	164,541,942	468,521,942
2044-2048	362,685,000	95,158,294	457,843,294
2049-2053	<u>308,470,000</u>	<u>26,937,113</u>	<u>335,407,113</u>
	<u>\$1,585,950,239</u>	<u>\$1,084,280,981</u>	<u>\$2,670,231,220</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2023, \$65,280,000 of bonds outstanding are considered defeased.

NOTE 8. LEASES

For the year ended 8/31/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

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On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 1. An initial lease liability was recorded in the amount of \$438,682. As of 08/31/2023, the value of the lease liability is \$362,282. The District is required to make monthly fixed payments of \$4,241. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$438,6812 with accumulated amortization of \$87,014 is included with Infrastructure on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 4. An initial lease liability was recorded in the amount of \$116,173. As of 08/31/2023, the value of the lease liability is \$95,744. The District is required to make monthly fixed payments of \$1,131. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$116,173 with accumulated amortization of \$23,203 is included with Infrastructure on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 6. An initial lease liability was recorded in the amount of \$38,724. As of 08/31/2023, the value of the lease liability is \$31,915. The District is required to make monthly fixed payments of \$377. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$38,724 with accumulated amortization of \$7,734 is included with Infrastructure on the Lease Class activities table found below.

On 08/17/2022, the District entered into a 60 month lease as Lessee for the use of Zayo Group 7. An initial lease liability was recorded in the amount of \$21,061. As of 08/31/2023, the value of the lease liability is \$16,967. The District is required to make monthly fixed payments of \$377. The lease has an interest rate of 2.1860%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$21,061 with accumulated amortization of \$4,365 is included with Infrastructure on the Lease Class activities table found below.

On 06/13/2023, the District entered into a 120 month lease as Lessee for the use of Zayo Group 9. An initial lease liability was recorded in the amount of \$80,138. As of 08/31/2023, the value of the lease liability is \$78,996. The District is required to make monthly fixed payments of \$754. The lease has an interest rate of 2.2900%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$80,138 with accumulated amortization of \$1,715 is included with Infrastructure on the Lease Class activities table found below.

On 07/01/2023, the District entered into a 24 month lease as Lessee for the use of Canon Copiers. An initial lease liability was recorded in the amount of \$222,171. As of 08/31/2023, the value of the lease liability is \$212,676. The District is required to make monthly fixed payments of \$9,841. The lease has an interest rate of 1.8680%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$222,171 with accumulated amortization of \$18,216 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 23 month lease as Lessee for the use of Synovia Equipments for Vehicles. An initial lease liability was recorded in the amount of \$35,928. As of 08/31/2023, the value of the lease liability is \$0. The District is required to make annual fixed payments of \$18,000. The lease has an interest rate of 0.1980%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$0 with accumulated amortization of \$0 is included with Equipment on the Lease Class activities table found below.

On 07/01/2022, the District entered into a 61 month lease as Lessee for the use of District Copy Machines. An initial lease liability was recorded in the amount of \$1,345,677. As of 08/31/2023, the value of the lease liability is \$1,071,984. The District is required to make monthly fixed payments of \$24,289. The lease has an interest rate of 3.1827%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$1,345,677 with accumulated amortization of \$308,132 is included with Equipment on the Lease Class activities table found below.

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FOR THE YEAR ENDED AUGUST 31, 2023

On 06/18/2022, the District entered into a 60 month lease as Lessee for the use of Prosper Town Center Office. An initial lease liability was recorded in the amount of \$298,721. As of 08/31/2023, the value of the lease liability is \$229,953. The District is required to make monthly fixed payments of \$5,317. The lease has an interest rate of 3.1827%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$298,721 with accumulated amortization of \$71,184 is included with Buildings on the Lease Class activities table found below.

On 07/01/2023, the District entered into a 60 month lease as Lessee for the use of Quadient Postage Machine. An initial lease liability was recorded in the amount of \$37,452. As of 08/31/2023, the value of the lease liability is \$36,242. The District is required to make monthly fixed payments of \$666. The lease has an interest rate of 2.6560%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$37,452 with accumulated amortization of \$1,228 is included with Equipment on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 2. An initial lease liability was recorded in the amount of \$122,547. As of 08/31/2023, the value of the lease liability is \$101,205. The District is required to make monthly fixed payments of \$1,185. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$122,547 with accumulated amortization of \$24,288 is included with Infrastructure on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 3. An initial lease liability was recorded in the amount of \$41,380. As of 08/31/2023, the value of the lease liability is \$34,174. The District is required to make monthly fixed payments of \$400. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$41,380 with accumulated amortization of \$8,199 is included with Infrastructure on the Lease Class activities table found below.

On 09/01/2021, the District entered into a 120 month lease as Lessee for the use of Zayo Group 5. An initial lease liability was recorded in the amount of \$58,497. As of 08/31/2023, the value of the lease liability is \$48,309. The District is required to make monthly fixed payments of \$566. The lease has an interest rate of 3.1827%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$58,497 with accumulated amortization of \$11,594 is included with Infrastructure on the Lease Class activities table found below.

On 05/11/2023, the District entered into a 120 month lease as Lessee for the use of Zayo Group 8. An initial lease liability was recorded in the amount of \$40,064. As of 08/31/2023, the value of the lease liability is \$39,196. The District is required to make monthly fixed payments of \$377. The lease has an interest rate of 2.2900%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$40,064 with accumulated amortization of \$1,213 is included with Infrastructure on the Lease Class activities table found below.

On 03/31/2023, the District entered into a 120 month lease as Lessee for the use of Zayo Group 10. An initial lease liability was recorded in the amount of \$39,674. As of 08/31/2023, the value of the lease liability is \$38,210. The District is required to make monthly fixed payments of \$377. The lease has an interest rate of 2.6731%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 08/31/2023 of \$39,674 with accumulated amortization of \$1,653 is included with Infrastructure on the Lease Class activities table found below.

**PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Infrastructure	996,941	170,978
Equipment	3,452,021	2,174,297
Buildings	298,721	71,184
Total Leases	4,747,683	2,416,460

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	533,830	64,944	598,774
2025	529,623	49,468	579,092
2026	445,798	34,883	480,681
2027	424,671	20,710	445,381
2028	107,081	12,468	119,549
2029 - 2033	356,849	18,731	375,580
Total	2,397,852	201,204	2,599,057

GOVERNMENTAL ACTIVITIES:

	Balance as of August 31, 2022	Additions	Reductions	Balance as of August 31, 2023
Lease Liability				
Equipment				
District Copy Machines	\$ 1,324,957	\$ -	\$ 252,973	\$ 1,071,984
Synovia Equipments for Vehicles	17,964	-	17,964	-
Canon Copiers	-	222,171	9,495	212,676
Quadient Postage Machine	-	37,452	1,210	36,242
Total Equipment Lease Liability	\$ 1,342,921	\$ 259,622	\$ 281,643	\$ 1,320,901
Buildings				
Prosper Town Center Office	\$ 285,474	\$ -	\$ 55,520	\$ 229,953
Total Building Lease Liability	\$ 285,474	\$ -	\$ 55,520	\$ 229,953
Infrastructure				
Zayo Group 1	\$ 400,971	\$ -	\$ 38,689	\$ 362,282
Zayo Group 2	112,012	-	10,808	101,205
Zayo Group 3	37,823	-	3,649	34,174
Zayo Group 4	106,090	-	10,346	95,744
Zayo Group 5	53,469	-	5,159	48,309
Zayo Group 7	21,061	-	4,094	16,967
Zayo Group 6	35,363	-	3,449	31,915
Zayo Group 8	-	40,064	868	39,196
Zayo Group 9	-	80,138	1,142	78,996
Zayo Group 10	-	39,674	1,464	38,210
Total Infrastructure Lease Liability	\$ 766,789	\$ 159,877	\$ 79,668	\$ 846,998
Total Lease Liability	\$ 2,395,184	\$ 419,499	\$ 416,831	\$ 2,397,852

**PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

GOVERNMENTAL ACTIVITIES:	Balance as of		Additions	Reductions	Balance as of
	August 31, 2022				August 31, 2023
Lease Assets					
Equipment					
District Copy Machines	\$ 1,345,677	\$ -	\$ -	\$ -	\$ 1,345,677
Ricoh Copy Machines	1,846,721	-	-	-	1,846,721
Synovia Equipment for Vehicles	35,928	-	35,928	-	-
Canon Copiers	-	222,171	-	-	222,171
Quadient Postage Machine	-	37,452	-	-	37,452
Total Equipment Lease Assets	\$ 3,228,326	\$ 259,622	\$ 35,928	\$ -	\$ 3,452,021
Buildings					
Prosper Town Center Office	\$ 298,721	\$ -	\$ -	\$ -	\$ 298,721
Total Building Lease Assets	\$ 298,721	\$ -	\$ -	\$ -	\$ 298,721
Infrastructure					
Zayo Group 1	\$ 438,682	\$ -	\$ -	\$ -	\$ 438,682
Zayo Group 2	122,547	-	-	-	122,547
Zayo Group 3	41,380	-	-	-	41,380
Zayo Group 4	116,173	-	-	-	116,173
Zayo Group 5	58,497	-	-	-	58,497
Zayo Group 7	21,061	-	-	-	21,061
Zayo Group 6	38,724	-	-	-	38,724
Zayo Group 8	-	40,064	-	-	40,064
Zayo Group 9	-	80,138	-	-	80,138
Zayo Group 10	-	39,674	-	-	39,674
Total Infrastructure Lease Assets	\$ 837,065	\$ 159,877	\$ -	\$ -	\$ 996,941
Total Lease Assets	\$ 4,364,112	\$ 419,499	\$ 35,928	\$ -	\$ 4,747,683
Lease Accumulated Amortization					
Equipment					
District Copy Machines	\$ 43,409	\$ 264,723	\$ -	\$ -	\$ 308,132
Ricoh Copy Machines	1,817,757	28,964	-	-	1,846,721
Synovia Equipment for Vehicles	18,560	17,368	35,928	-	-
Canon Copiers	-	18,216	-	-	18,216
Quadient Postage Machine	-	1,228	-	-	1,228
Total Equipment Lease Accumulated Amortization	\$ 1,879,726	\$ 330,499	\$ 35,928	\$ -	\$ 2,174,297
Buildings					
Prosper Town Center Office	\$ 11,868	\$ 59,316	\$ -	\$ -	\$ 71,184
Total Building Lease Accumulated Amortization	\$ 11,868	\$ 59,316	\$ -	\$ -	\$ 71,184
Infrastructure					
Zayo Group 1	\$ 43,449	\$ 43,566	\$ -	\$ -	\$ 87,014
Zayo Group 2	12,127	12,160	-	-	24,288
Zayo Group 3	4,094	4,105	-	-	8,199
Zayo Group 4	11,586	11,617	-	-	23,203
Zayo Group 5	5,789	5,805	-	-	11,594
Zayo Group 7	153	4,212	-	-	4,365
Zayo Group 6	3,862	3,872	-	-	7,734
Zayo Group 8	-	1,213	-	-	1,213
Zayo Group 9	-	1,715	-	-	1,715
Zayo Group 10	-	1,653	-	-	1,653
Total Infrastructure Lease Accumulated Amortization	\$ 81,060	\$ 89,919	\$ -	\$ -	\$ 170,978
Total Lease Accumulated Amortization	\$ 1,972,654	\$ 479,734	\$ 35,928	\$ -	\$ 2,416,460
Total Governmental Lease Assets, Net	\$ 2,391,458	\$ (60,235)	\$ -	\$ -	\$ 2,331,223

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Subscriptions Payable

For the year ended 8/31/2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On 03/14/2022, the District entered into a 48 month subscription for the use of Texas Go Math Package. An initial subscription liability was recorded in the amount of \$119,606. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$120,960. The subscription has an interest rate of 2.1120%. The value of the right to use asset as of 08/31/2023 is \$119,606 with accumulated amortization of \$44,852.

On 09/01/2022, the District entered into a 13 month subscription for the use of Seesaw for Schools. An initial subscription liability was recorded in the amount of \$46,962. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$46,962. The subscription has an interest rate of 1.5803%. The value of the right to use asset as of 08/31/2023 is \$46,962 with accumulated amortization of \$43,350.

On 02/10/2022, the District entered into a 24 month subscription for the use of Texas ScienceFusion Package. An initial subscription liability was recorded in the amount of \$68,164. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$68,640. The subscription has an interest rate of 1.5803%. The value of the right to use asset as of 08/31/2023 is \$68,164 with accumulated amortization of \$53,963.

On 10/12/2022, the District entered into a 41 month subscription for the use of Fortinet - Threat Protection. An initial subscription liability was recorded in the amount of \$3,936. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$3,936. The subscription has an interest rate of 3.1213%. The value of the right to use asset as of 08/31/2023 is \$3,936 with accumulated amortization of \$1,021.

On 10/25/2021, the District entered into a 37 month subscription for the use of SkillSets Online. An initial subscription liability was recorded in the amount of \$8,856. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$8,883. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of 08/31/2023 is \$8,856 with accumulated amortization of \$5,505.

On 07/14/2023, the District entered into a 36 month subscription for the use of Google Workspace Edu. An initial subscription liability was recorded in the amount of \$314,839. As of 08/31/2023, the value of the subscription liability is \$207,815. The District is required to make annual fixed payments of \$107,950. The subscription has an interest rate of 2.5827%. The value of the right to use asset as of 08/31/2023 is \$314,839 with accumulated amortization of \$13,701. The District had a termination period of 2 months as of the subscription commencement.

On 04/23/2020, the District entered into a 96 month subscription for the use of Into Literature Digital Package. An initial subscription liability was recorded in the amount of \$668,932. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$678,940. The subscription has an interest rate of 2.3217%. The value of the right to use asset as of 08/31/2023 is \$668,932 with accumulated amortization of \$285,689.

**PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

On 05/24/2023, the District entered into a 60 month subscription for the use of Literature Digital Learning Package. An initial subscription liability was recorded in the amount of \$73,278. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$73,278. The subscription has an interest rate of 2.2300%. The value of the right to use asset as of 08/31/2023 is \$73,278 with accumulated amortization of \$3,949.

On 03/08/2023, the District entered into a 24 month subscription for the use of Destiny Cloud Subscription. An initial subscription liability was recorded in the amount of \$74,506. As of 08/31/2023, the value of the subscription liability is \$28,803. The District is required to make annual fixed payments of \$45,702. The subscription has an interest rate of 2.6470%. The value of the right to use asset as of 08/31/2023 is \$74,506 with accumulated amortization of \$17,902.

On 09/01/2022, the District entered into a 84 month subscription for the use of Skyward Qmlativ Software License. An initial subscription liability was recorded in the amount of \$761,195. As of 08/31/2023, the value of the subscription liability is \$671,199. The District is required to make annual fixed payments of \$89,996. The subscription has an interest rate of 2.4473%. The value of the right to use asset as of 08/31/2023 is \$1,352,518 with accumulated amortization of \$191,771. The District had a termination period of 4 months as of the subscription commencement.

On 03/16/2023, the District entered into a 15 month subscription for the use of Gale In Context Subscription. An initial subscription liability was recorded in the amount of \$49,500. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$49,500. The subscription has an interest rate of 2.8443%. The value of the right to use asset as of 08/31/2023 is \$49,500 with accumulated amortization of \$18,150.

On 4/22/2020, the District entered into a 60 month subscription for the use of HMD Go Math Package. An initial subscription liability was recorded in the amount of \$26,474. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$26,820. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of 08/31/2023 is \$26,474 with accumulated amortization of \$18,091.

On 08/01/2021, the District entered into a 36 month subscription for the use of Mind Missions Digital License. An initial subscription liability was recorded in the amount of \$12,385. As of 08/31/2023, the value of the subscription liability is \$0. The District is required to make annual fixed payments of \$12,600. The subscription has an interest rate of 1.8937%. The value of the right to use asset as of 08/31/2023 is \$12,385 with accumulated amortization of \$8,601.

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	2,819,956	706,545
Total Subscriptions	2,819,956	706,545

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	213,136	22,556	235,692
2025	194,437	17,144	211,581
2026	91,388	12,243	103,631
2027	93,625	10,006	103,631
2028	99,854	7,715	107,569
2029 - 2030	215,376	7,938	223,314
	907,817	77,601	985,418

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

GOVERNMENTAL ACTIVITIES:	Balance as of			Balance as of
	August 31, 2022	Additions	Reductions	August 31, 2023
Subscription Liability				
Software				
Google Workspace Education	\$ -	\$ 314,839	\$ 107,024	\$ 207,815
Seesaw for Schools	46,962	-	46,962	-
Fortinet - Threat Protection	-	3,936	3,936	-
Gale In Context Subscription	-	49,500	49,500	-
Literature Digital Learning Package	-	73,278	73,278	-
Destiny Cloud Subscription	-	74,506	45,703	28,803
Skyward Qmlativ Software License	761,195	-	89,996	671,199
Total Software Subscription Liability	\$ 808,157	\$ 516,059	\$ 416,399	\$ 907,817
Total Subscription Liability	\$ 808,157	\$ 516,059	\$ 416,399	\$ 907,817
Subscription Assets				
Software				
Google Workspace Edu	\$ -	\$ 314,839	\$ -	\$ 314,839
Seesaw for Schools	46,963	-	-	46,963
Into Literature Digital Package	668,932	-	-	668,932
Mind Missions Digital License	12,385	-	-	12,385
Fortinet - Threat Protection	-	3,936	-	3,936
SkillSets Online	8,856	-	-	8,856
Gale In Context Subscription	-	49,500	-	49,500
Texas ScienceFusion Package	68,164	-	-	68,164
Texas Go Math Package	119,606	-	-	119,606
Literature Digital Learning Package	-	73,278	-	73,278
HMD Go Math Package	26,474	-	-	26,474
Destiny Cloud Subscription	-	74,506	-	74,506
Skyward Qmlativ Software License	1,352,518	-	-	1,352,518
Total Software Subscription Assets	\$ 2,303,897	\$ 516,059	\$ -	\$ 2,819,956
Total Subscription Assets	\$ 2,303,897	\$ 516,059	\$ -	\$ 2,819,956
Subscription Accumulated Amortization				
Software				
Google Workspace Edu	\$ -	\$ 13,701.33	\$ -	\$ 13,701.33
Seesaw for Schools	-	43,350	-	43,350
Into Literature Digital Package	202,073	83,616	-	285,689
Mind Missions Digital License	4,472	4,129	-	8,601
Fortinet - Threat Protection	-	1,021	-	1,021
SkillSets Online	2,633	2,872	-	5,505
Gale In Context Subscription	-	18,150	-	18,150
Texas ScienceFusion Package	19,881	34,082	-	53,963
Texas Go Math Package	14,951	29,901	-	44,852
Literature Digital Learning Package	-	3,949	-	3,949
HMD Go Math Package	12,796	5,295	-	18,091
Destiny Cloud Subscription	-	17,902	-	17,902
Skyward Qmlativ Software License	-	191,771	-	191,771
Total Software Subscription Accumulated Amortization	\$ 256,806	\$ 449,739	\$ -	\$ 706,545
Total Subscription Accumulated Amortization	\$ 256,806	\$ 449,739	\$ -	\$ 706,545
Total Governmental Subscription Assets, Net	\$ 2,047,091	\$ 66,320	\$ -	\$ 2,113,411

PROSPER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 10. DEFERRED CHARGE ON BOND REFUNDINGS

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

Balance – August 31, 2022	\$24,679,983
Current year amortization	<u>(1,348,978)</u>
Balance – August 31, 2023	<u>\$23,331,005</u>

NOTE 11. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District and Collin Central Appraisal District are responsible for the appraisal of property for all taxing units in the District. Under the terms of a contract for appraisal services, the District paid the appraisal districts \$1,477,157 in fiscal year 2023 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2022-23 fiscal year was based was \$16,334,798,392. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9429 and \$0.50 per \$100 valuation, respectively, for a total of \$1.4429 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2023 were 99.77% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,066,599 and \$1,038,734 for the General and Debt Service Funds, respectively.

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

NOTE 12. DEFINED BENEFIT PENSION PLAN

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

PROSPER INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED AUGUST 31, 2023

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

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

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

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

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

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

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
Prosper ISD FY2023 Employer Contributions		\$ 6,270,752
Prosper ISD FY2023 Member Contributions		\$13,226,374
Prosper ISD FY2023 NECE On-Behalf Contributions		\$ 7,665,611

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

PROSPER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2022 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 2022	3.91%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

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

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

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The long-term rate of return on pension plan investments is 7.00%.

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

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return ⁴	0%	3.7%	0.00%
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources	6%	5.1%	0.37%
Commodities	0%	3.6%	0.00%
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	-6%	3.6%	-0.05%
Inflation Expectation	-		2.70%
Volatility Drag ³	-		-0.93%
Total	<u>100%</u>		<u>8.19%</u>

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Prosper ISD's proportionate share of the net pension liability:	\$100,911,530	\$64,868,973	\$35,654,789

¹ Target allocations are based on the FY22 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

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

⁴ Absolute Return includes credit sensitive investments.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023, Prosper Independent School District reported a liability of \$64,868,973 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Prosper Independent School District. The amount recognized by Prosper Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Prosper Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 64,868,973
State's proportionate share that is associated with the District	<u>97,526,529</u>
Total	<u>\$162,395,502</u>

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.1092669416%, an increase of 20.59% from its proportionate share of 0.0906068907% at August 31, 2021.

Changes Since the Prior Actuarial Valuation – The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended August 31, 2023, Prosper Independent School District recognized pension expense of \$9,322,431 and revenue of \$9,322,431 for support provided by the State.

At August 31, 2023, Prosper Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 940,595	\$ 1,414,266
Changes in actuarial assumptions	12,087,201	3,012,468
Difference between projected and actual investment earnings	25,204,200	18,795,353
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	15,863,610	311,762
Contributions paid to TRS subsequent to the measurement date	6,270,752	-
Total	\$60,366,358	\$23,533,849

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

Year ended August 31:	Pension Expense Amount
2024	\$ 8,423,844
2025	6,130,595
2026	3,614,068
2027	10,018,706
2028	2,374,544
Thereafter	-

PROSPER INDEPENDENT SCHOOL DISTRICT
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NOTE 13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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

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

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

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public 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.

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	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Prosper ISD FY23 Employer Contributions		\$1,330,153
Prosper ISD FY23 Member Contributions		\$1,074,309
Prosper ISD FY23 NECE On-behalf Contributions		\$1,410,568

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal 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 ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Rates of Disability

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

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Additional Actuarial Methods and Assumptions:

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%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District’s proportionate share of the Net OPEB Liability:	\$39,747,198	\$33,710,364	\$28,819,759

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$27,777,496	\$33,710,364	\$41,401,566

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OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2023, the District reported a liability of \$33,710,364 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

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

District’s Proportionate share of the collective Net OPEB Liability	\$33,710,364
State’s proportionate share that is associated with the District	<u>41,121,348</u>
Total	<u>\$74,831,712</u>

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 employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the employer’s proportion of the collective Net OPEB Liability was 0.1407883260%, an increase of 15.56% compared to the August 31, 2021 proportionate share of 0.1218342250%.

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 percent as of August 31, 2021 to 3.91 percent 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.

The amount of OPEB expense recognized by the District in the reporting period was \$(5,835,451).

At August 31, 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	\$ 1,874,177	\$28,083,759
Changes in actuarial assumptions	5,134,756	23,419,956
Difference between projected and actual investment earnings	100,778	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	34,238,364	364
Contributions paid to TRS subsequent to the measurement date	1,330,153	-
Total	\$42,678,228	\$51,504,079

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

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Year ended August 31:	OPEB Expense Amount
2024	\$ (2,836,396)
2025	(2,836,032)
2026	(1,406,480)
2027	528,876
2028	(636,750)
Thereafter	(2,969,222)

NOTE 14. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2023, the contribution made on behalf of the District was \$890,774.

NOTE 15. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2023, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$3,466,221	\$ 397,558
Capital Projects Fund	11,033	66,914
Fiduciary Fund	7,243	-
Internal Service Fund	-	901,045
Special Revenue Fund:		
General Fund	397,558	3,466,221
Capital Projects Fund:		
General Fund	66,914	11,033
Fiduciary Fund:		
General Fund	-	7,243
Internal Service Fund:		
General Fund	<u>901,045</u>	<u>-</u>
TOTAL	<u>\$7,167,839</u>	<u>\$7,167,839</u>

Interfunds transfers for the year ended August 31, 2023 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Internal Service Fund	\$2,500,000	\$ -
Internal Service Fund:		
General Fund	<u>-</u>	<u>2,500,000</u>
TOTAL	<u>\$2,500,000</u>	<u>\$2,500,000</u>

The purpose of the \$2,500,000 transfer was to transfer local funds from the general fund to the property insurance internal service fund to set them aside for future insurance deductibles.

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NOTE 16. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2023, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 2,078,808	\$ 22,444,708	\$ 3,484,497	\$ -	\$ 28,008,013
Debt Service Fund	1,043,480	20,086	-	-	1,063,566
Capital Projects Fund	-	-	66,914	-	66,914
Special Revenue Fund	-	3,730,566	397,558	2,160	4,130,284
Total - Governmental Activities	<u>\$ 3,122,288</u>	<u>\$ 26,195,360</u>	<u>\$ 3,948,969</u>	<u>\$ 2,160</u>	<u>\$ 33,268,777</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 16,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,955</u>

Payables at August 31, 2023, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 2,764,915	\$ 18,541,109	\$ 1,365,517	\$ 233,023	\$ 22,904,564
Capital Projects Fund	49,140,550	-	11,033	-	49,151,583
Debt Service Fund	-	-	-	291,765	291,765
Special Revenue Funds	481,429	-	3,466,221	-	3,947,650
Total - Governmental Activities	<u>\$ 52,386,894</u>	<u>\$ 18,541,109</u>	<u>\$ 4,842,771</u>	<u>\$ 524,788</u>	<u>\$ 76,295,562</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 17. INSURANCE COVERAGE

Health Care Coverage

The District offers all employees health care coverage under the TRS Active Care insurance plan, which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed \$351 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Workers' Compensation

During the year ended August 31, 2023, Prosper ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees. Transactions related to the Workers' Compensation Program are accounted for in an internal service fund of the District.

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The Fund and its members are protected against higher than expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund’s self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2022, the fund carries a discounted reserve of \$50,647,775 for future development on reported claims and claims that have been incurred but not yet reported.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Changes in the workers’ compensation claims liability amounts in fiscal 2022 and 2023 are represented below. They include estimated unpaid claims provided by Claims Administrative Services and Workers’ Compensation Solutions from participation in their workers compensation plans in prior years.

	<u>Year Ended</u> <u>August 31, 2022</u>	<u>Year Ended</u> <u>August 31, 2023</u>
Unpaid claims, beginning of year	\$740,548	\$822,787
Incurred claims (including IBNR’S)	417,714	25,436
Claim payments	<u>(335,475)</u>	<u>(295,120)</u>
Unpaid claims, end of fiscal year	<u>\$822,787</u>	<u>\$553,103</u>

Unemployment Compensation Pool

During the year ended August 31, 2023, Prosper ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2023, the Fund anticipates that Prosper ISD has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability and Property Programs

During the year ended August 31, 2023, the District participated in the following TASB Risk Management Fund programs:

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

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves. For the year ended August 31, 2023, the Fund anticipates Prosper ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 18. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Grant & Entitlements	Federal Grants	Local Governments	Total
General	\$ 20,448,879	\$ 1,957,922	\$ 37,907	\$ 22,444,708
Debt Service	-	-	20,086	20,086
Special Revenue	<u>597,959</u>	<u>3,132,607</u>	<u>-</u>	<u>3,730,566</u>
Total	<u>\$ 21,046,838</u>	<u>\$ 5,090,529</u>	<u>\$ 57,993</u>	<u>\$ 26,195,360</u>

NOTE 19. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At August 31, 2023, the estimated rebate liability on outstanding bond series was \$-0-.

NOTE 20. LITIGATION AND CONTINGENCIES

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

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

**PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

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

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

NOTE 21. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 156,718,910	\$ -	\$ 82,951,579	\$ -	\$ 239,670,489
Investment income	7,296,316	140,307	1,891,677	12,951,373	22,279,673
Food sales	-	9,778,859	-	-	9,778,859
Penalties, interest and other tax related income	615,442	-	276,714	-	892,156
Co-curricular student activities	829,244	4,206,309	-	-	5,035,553
Tuition and fees	2,665,330	-	-	-	2,665,330
Gifts and bequests	-	792,256	-	-	792,256
Facilities rentals	1,265,975	-	-	-	1,265,975
Insurance recovery	76,626	-	-	-	76,626
Stadium advertising	172,690	-	-	-	172,690
125 Plan forfeitures	197,131	-	-	-	197,131
Other	184,332	11,188	-	-	195,520
Total	<u>\$ 170,021,996</u>	<u>\$ 14,928,919</u>	<u>\$ 85,119,970</u>	<u>\$ 12,951,373</u>	<u>\$ 283,022,258</u>

NOTE 22. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Total
Athletic Season Tickets	\$ 130,958	\$ -	\$ 130,958
Lunchroom Receipts	-	736,656	736,656
Non-Ed Community Support	-	87	87
State Instructional Materials	-	69,027	69,027
Total	<u>\$ 130,958</u>	<u>\$ 805,770</u>	<u>\$ 936,728</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>ALN Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$ 420	\$ 420
Emergency Connectivity Fund	32.009	1,299,150	1,299,150
Excise Tax Reimbursement	N/A	248,357	248,357
Medicaid Reimbursement	N/A	1,212,073	1,212,073
E-rate Reimbursement	N/A	812,216	812,216
Indirect Costs	N/A	<u>1,539,671</u>	<u>1,539,671</u>
Total for General Fund		<u>\$5,111,887</u>	<u>\$5,111,887</u>

NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2023.

NOTE 25. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement which provides a regional day school for the deaf to several member districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Prosper ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2023, the District incurred \$201,184 in costs in the regional day school for the deaf.

NOTE 26. SUBSEQUENT EVENT

Management has reviewed events subsequent to August 31, 2023 through January 2, 2024, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

NOTE 27. PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended August 31, 2023, the District implemented a new GASB Statement (No. 96) relating to subscription-based information technology arrangements (SBITAs). As part of the implementation, the District recorded a prior period adjustment for \$1,238,934 increasing the beginning net position of Governmental Activities. The net prior period adjustment was the result of an increase in capital assets for the right-to-use asset of \$2,047,091 offset by an increase in long-term debt for the subscription liability of \$808,157. See Note 9.

In addition, during the fiscal year ended August 31, 2023, the District recorded a prior period adjustment for additional right-to-use leases identified during the current fiscal year that should have been recorded in the prior fiscal year when GASB Statement No. 87 was implemented. The adjustment increased the beginning net position of Governmental Activities by \$29,425.

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REQUIRED SUPPLEMENTARY INFORMATION

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.10926694%	0.09060689%	0.073769385%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 64,868,973	\$ 23,074,932	\$ 39,509,378
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	97,526,529	41,282,567	73,782,583
Total	<u>\$ 162,395,502</u>	<u>\$ 64,357,499</u>	<u>\$ 113,291,961</u>
District's Covered Payroll	\$ 143,084,915	\$ 123,382,454	\$ 100,773,762
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	45.34%	18.70%	39.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.0751381%	0.0528038%	0.0482534%	0.0416989%	0.0392781%	0.0250495%
\$ 39,059,118	\$ 29,064,502	\$ 15,428,829	\$ 15,757,399	\$ 13,884,286	\$ 6,691,068
58,373,725	51,087,882	27,192,871	27,928,117	23,590,050	18,462,762
<u>\$ 97,432,843</u>	<u>\$ 80,152,384</u>	<u>\$ 42,621,700</u>	<u>\$ 43,685,516</u>	<u>\$ 37,474,336</u>	<u>\$ 25,153,830</u>
\$ 84,452,678	\$ 62,082,957	\$ 54,445,299	\$ 45,549,126	\$ 39,171,792	\$ 34,639,153
46.25%	46.81%	28.34%	34.59%	35.44%	19.32%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 6,270,752	\$ 5,022,938	\$ 3,858,804
Contribution in Relation to the Contractually Required Contribution	(6,270,752)	(5,022,938)	(3,858,804)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 165,339,758	\$ 143,084,915	\$ 123,382,454
Contributions as a Percentage of Covered Payroll	3.79%	3.51%	3.12%

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

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

	2020	2019	2018	2017	2016	2015
\$	3,039,134	\$ 2,629,915	\$ 1,778,827	\$ 1,882,781	\$ 1,577,437	\$ 1,379,578
	(3,039,134)	(2,629,915)	(1,778,827)	(1,882,781)	(1,577,437)	(1,379,578)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	100,773,762	\$ 84,452,678	\$ 62,082,957	\$ 54,445,299	\$ 45,549,126	\$ 39,171,792
	3.02%	3.11%	2.87%	3.46%	3.46%	3.52%

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.14078832%	0.12183422%	0.10239334%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 33,710,364	\$ 46,996,905	\$ 38,924,336
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	41,121,348	62,965,379	52,304,977
Total	<u>\$ 74,831,712</u>	<u>\$ 109,962,284</u>	<u>\$ 91,229,313</u>
District's Covered Payroll	\$ 143,084,915	\$ 123,382,454	\$ 100,773,762
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	23.56%	38.09%	38.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.0901456%	0.0690394%	0.0604263%
\$ 42,630,943	\$ 34,471,991	\$ 26,277,130
56,646,988	56,248,818	45,136,147
<u>\$ 99,277,931</u>	<u>\$ 90,720,809</u>	<u>\$ 71,413,277</u>
\$ 84,452,678	\$ 62,082,957	\$ 54,445,299
50.48%	55.53%	48.26%
2.66%	1.57%	0.91%

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 1,330,153	\$ 1,142,343	\$ 950,230
Contribution in Relation to the Contractually Required Contribution	(1,330,153)	(1,142,343)	(950,230)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 165,339,758	\$ 143,084,915	\$ 123,382,454
Contributions as a Percentage of Covered Payroll	0.80%	0.80%	0.77%

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

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

	2020	2019	2018
\$	778,318	\$ 639,784	\$ 476,273
	(778,318)	(639,784)	(476,273)
\$	-	\$ -	\$ -
\$	100,773,762	\$ 84,452,678	\$ 62,082,957
	0.77%	0.76%	0.77%

PROSPER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2023

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The discount rate changed from 7.25 percent as of August 31, 2021 to 7.00 percent as of August 31, 2022. This change increased the total pension liability.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

COMBINING SCHEDULES

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 3,351,966
1240 Due from Other Governments	4,038	457,139	-	72,228
1260 Due from Other Funds	-	-	-	280,891
1290 Other Receivables	-	-	-	2,160
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 4,038</u>	<u>\$ 457,139</u>	<u>\$ -</u>	<u>\$ 3,707,245</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 10,382
2170 Due to Other Funds	4,038	457,139	-	9,926
2190 Due to Student Groups	-	-	-	1,025,086
2300 Unearned Revenue	-	-	-	736,656
2000 Total Liabilities	<u>4,038</u>	<u>457,139</u>	<u>-</u>	<u>1,782,050</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	1,925,195
3490 Other Restricted Fund Balance	-	-	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,925,195</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,038</u>	<u>\$ 457,139</u>	<u>\$ -</u>	<u>\$ 3,707,245</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	284 IDEA B Formula ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,952	47,494	21,366	12,958	-	90,512	2,366,633	50,318
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	12,050	-	-	-	-	-
<u>\$ 3,952</u>	<u>\$ 47,494</u>	<u>\$ 33,416</u>	<u>\$ 12,958</u>	<u>\$ -</u>	<u>\$ 90,512</u>	<u>\$ 2,366,633</u>	<u>\$ 50,318</u>
\$ -	\$ 920	\$ -	\$ -	\$ -	\$ 1,113	\$ -	\$ -
3,952	46,574	33,416	12,958	-	89,399	2,366,633	50,318
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,952	47,494	33,416	12,958	-	90,512	2,366,633	50,318
-	-	12,050	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(12,050)	-	-	-	-	-
<u>\$ 3,952</u>	<u>\$ 47,494</u>	<u>\$ 33,416</u>	<u>\$ 12,958</u>	<u>\$ -</u>	<u>\$ 90,512</u>	<u>\$ 2,366,633</u>	<u>\$ 50,318</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	285 IDEA B Preschool ARP Act	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 2,695	\$ -	\$ 172
1240 Due from Other Governments	2,398	-	3,571	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 2,398</u>	<u>\$ 2,695</u>	<u>\$ 3,571</u>	<u>\$ 172</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 172
2170 Due to Other Funds	2,398	2,695	3,571	-
2190 Due to Student Groups	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>2,398</u>	<u>2,695</u>	<u>3,571</u>	<u>172</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,398</u>	<u>\$ 2,695</u>	<u>\$ 3,571</u>	<u>\$ 172</u>

392 Non-Ed. Community Based Support	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Childrens Health	499 Prosper Education Foundation	Total Nonmajor Governmental Funds
\$ 87	\$ 26,822	\$ -	\$ 2,561,730	\$ 501,188	\$ 266,481	\$ 6,711,141
-	374,631	223,328	-	-	-	3,730,566
-	-	-	116,667	-	-	397,558
-	-	-	-	-	-	2,160
-	45,932	-	-	-	-	57,982
<u>\$ 87</u>	<u>\$ 447,385</u>	<u>\$ 223,328</u>	<u>\$ 2,678,397</u>	<u>\$ 501,188</u>	<u>\$ 266,481</u>	<u>\$ 10,899,407</u>
\$ -	\$ 378,358	\$ 11,000	\$ 70,353	\$ -	\$ 9,131	\$ 481,429
-	-	212,328	170,501	-	375	3,466,221
-	-	-	-	-	-	1,025,086
87	69,027	-	-	-	-	805,770
<u>87</u>	<u>447,385</u>	<u>223,328</u>	<u>240,854</u>	<u>-</u>	<u>9,506</u>	<u>5,778,506</u>
-	45,932	-	-	-	-	57,982
-	-	-	-	-	-	1,925,195
-	-	-	2,437,543	501,188	256,975	3,195,706
-	(45,932)	-	-	-	-	(57,982)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,437,543</u>	<u>501,188</u>	<u>256,975</u>	<u>5,120,901</u>
<u>\$ 87</u>	<u>\$ 447,385</u>	<u>\$ 223,328</u>	<u>\$ 2,678,397</u>	<u>\$ 501,188</u>	<u>\$ 266,481</u>	<u>\$ 10,899,407</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 9,919,166
5800 State Program Revenues	-	-	-	16,183
5900 Federal Program Revenues	76,117	2,755,944	10,000	1,524,327
5020 Total Revenues	76,117	2,755,944	10,000	11,459,676
EXPENDITURES:				
Current:				
0011 Instruction	66,380	83,901	10,000	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	6,741	653,328	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	2,996	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	2,018,715	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	10,564,671
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	76,117	2,755,944	10,000	10,564,671
1200 Net Change in Fund Balance	-	-	-	895,005
0100 Fund Balance - September 1 (Beginning)	-	-	-	1,030,190
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,925,195

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	284 IDEA B Formula ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
26,974	49,952	146,756	30,604	8	241,857	5,893,943	195,783
26,974	49,952	146,756	30,604	8	241,857	5,893,943	195,783
26,974	41,160	30,450	-	8	241,857	4,055,751	-
-	-	-	-	-	-	3,980	-
-	8,792	116,306	30,604	-	-	1,120,505	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	57,801	-
-	-	-	-	-	-	184,183	195,783
-	-	-	-	-	-	230,554	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	241,169	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
26,974	49,952	146,756	30,604	8	241,857	5,893,943	195,783
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	285 IDEA B Preschool ARP Act	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	4,110
5900 Federal Program Revenues	2,398	35,055	3,571	-
5020 Total Revenues	2,398	35,055	3,571	4,110
EXPENDITURES:				
Current:				
0011 Instruction	605	4,649	-	2,575
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	669	-	3,571	1,535
0021 Instructional Leadership	1,124	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	27,711	-	-
0035 Food Services	-	2,695	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	2,398	35,055	3,571	4,110
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

392 Non-Ed. Community Based Support	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Childrens Health	499 Prosper Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,216,309	\$ 251,188	\$ 542,256	\$ 14,928,919
-	1,205,226	225,078	-	-	-	1,450,597
-	-	-	-	-	-	10,993,289
-	1,205,226	225,078	4,216,309	251,188	542,256	27,372,805
-	1,205,226	16,943	-	-	180,138	5,966,617
-	-	-	-	-	2,096	6,076
-	-	11,000	-	-	166,951	2,120,002
-	-	-	-	-	33,833	34,957
-	-	-	-	-	6,264	67,061
-	-	-	-	-	-	2,398,681
-	-	-	-	-	-	230,554
-	-	-	-	-	-	27,711
-	-	-	-	-	-	10,567,366
-	-	-	4,219,531	-	12,000	4,231,531
-	-	-	-	-	69,523	69,523
-	-	-	-	-	-	241,169
-	-	197,135	-	-	-	197,135
-	-	-	-	-	6,317	6,317
-	1,205,226	225,078	4,219,531	-	477,122	26,164,700
-	-	-	(3,222)	251,188	65,134	1,208,105
-	-	-	2,440,765	250,000	191,841	3,912,796
\$ -	\$ -	\$ -	\$ 2,437,543	\$ 501,188	\$ 256,975	\$ 5,120,901

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2023

	753 Workers Compensation Insurance	770 Property Insurance	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 620,568	\$ -	\$ 620,568
Investments - Current	-	2,500,336	2,500,336
Due from Other Funds	901,045	-	901,045
Total Assets	<u>1,521,613</u>	<u>2,500,336</u>	<u>4,021,949</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,649	-	8,649
Claims Payable	250,000	-	250,000
Total Current Liabilities	<u>258,649</u>	<u>-</u>	<u>258,649</u>
NonCurrent Liabilities:			
Claims Payable	303,103	-	303,103
Total Noncurrent Liabilities	<u>303,103</u>	<u>-</u>	<u>303,103</u>
Total Liabilities	<u>561,752</u>	<u>-</u>	<u>561,752</u>
NET POSITION			
Unrestricted Net Position	<u>959,861</u>	<u>2,500,336</u>	<u>3,460,197</u>
Total Net Position	<u>\$ 959,861</u>	<u>\$ 2,500,336</u>	<u>\$ 3,460,197</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	753 Workers Compensation Insurance	770 Property Insurance	Total Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 414,736	\$ -	\$ 414,736
Total Operating Revenues	<u>414,736</u>	<u>-</u>	<u>414,736</u>
OPERATING EXPENSES:			
Other Operating Costs	<u>34,085</u>	<u>-</u>	<u>34,085</u>
Total Operating Expenses	<u>34,085</u>	<u>-</u>	<u>34,085</u>
Operating Income	<u>380,651</u>	<u>-</u>	<u>380,651</u>
NONOPERATING REVENUES (EXPENSES):			
Earnings from Temporary Deposits & Investments	<u>-</u>	<u>336</u>	<u>336</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>336</u>	<u>336</u>
Income Before Transfers	380,651	336	380,987
Transfers In	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Change in Net Position	380,651	2,500,336	2,880,987
Total Net Position - September 1 (Beginning)	<u>579,210</u>	<u>-</u>	<u>579,210</u>
Total Net Position - August 31 (Ending)	<u>\$ 959,861</u>	<u>\$ 2,500,336</u>	<u>\$ 3,460,197</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	753	770	
	Workers Compensation Insurance	Property Insurance	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from District	\$ 392,269	\$ -	\$ 392,269
Cash Payments for Claims	(295,120)	-	(295,120)
Net Cash Provided by Operating Activities	97,149	-	97,149
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Transfers In	-	2,500,000	2,500,000
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	-	(2,500,336)	(2,500,336)
Interest and Dividends on Investments	22,467	336	22,803
Net Cash Provided by (Used for) Investing Activities	22,467	(2,500,000)	(2,477,533)
Net Increase in Cash and Cash Equivalents	119,616	-	119,616
Cash and Cash Equivalents at Beginning of Year	500,952	-	500,952
Cash and Cash Equivalents at End of Year	\$ 620,568	\$ -	\$ 620,568
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income:	\$ 380,651	\$ -	\$ 380,651
Effect of Increases and Decreases in Current Assets and Liabilities:			
Increase (decrease) in Accounts Payable	8,649	-	8,649
Increase (decrease) in Claims Payable	(292,151)	-	(292,151)
Net Cash Provided by Operating Activities	\$ 97,149	\$ -	\$ 97,149

REQUIRED T.E.A. SCHEDULES

PROSPER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.170000	0.500000	3,024,461,700
2016	1.170000	0.500000	3,847,037,610
2017	1.170000	0.500000	4,912,503,782
2018	1.170000	0.500000	6,483,353,632
2019	1.170000	0.500000	8,198,742,196
2020	1.068350	0.500000	9,694,457,179
2021	0.992700	0.500000	10,886,243,512
2022	0.960300	0.500000	12,778,844,278
2023 (School year under audit)	0.942900	0.500000	16,334,798,392
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 20,426	\$ -	\$ (18,656)	\$ (7,973)	\$ (34,312)	\$ 12,743
2,724	-	38	16	(182)	2,488
(35,274)	-	5,902	2,522	1,639	(42,059)
19,954	-	192	82	(737)	18,943
143,302	-	83,033	35,484	(1,316)	23,469
501,601	-	532,874	227,724	362,476	103,479
537,167	-	998,969	467,529	1,593,592	664,261
506,187	-	874,784	440,609	1,714,665	905,459
603,766	-	580,337	302,164	1,162,293	883,558
-	235,694,806	153,661,437	81,483,422	-	549,947
<u>\$ 2,299,853</u>	<u>\$ 235,694,806</u>	<u>\$ 156,718,910</u>	<u>\$ 82,951,579</u>	<u>\$ 4,798,118</u>	<u>\$ 3,122,288</u>
		<u>\$ 102,982</u>			

PROSPER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,912,000	\$ 9,908,000	\$ 9,919,166	\$ 11,166
5800 State Program Revenues	10,000	10,000	16,183	6,183
5900 Federal Program Revenues	933,000	1,137,000	1,524,327	387,327
5020 Total Revenues	8,855,000	11,055,000	11,459,676	404,676
EXPENDITURES:				
Current:				
0035 Food Services	8,753,000	10,953,000	10,564,671	388,329
6030 Total Expenditures	8,753,000	10,953,000	10,564,671	388,329
1200 Net Change in Fund Balances	102,000	102,000	895,005	793,005
0100 Fund Balance - September 1 (Beginning)	1,030,190	1,030,190	1,030,190	-
3000 Fund Balance - August 31 (Ending)	\$ 1,132,190	\$ 1,132,190	\$ 1,925,195	\$ 793,005

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 83,093,000	\$ 83,893,000	\$ 85,119,970	\$ 1,226,970
5800 State Program Revenues	-	1,700,000	1,259,714	(440,286)
5020 Total Revenues	83,093,000	85,593,000	86,379,684	786,684
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	32,840,000	76,168,898	76,168,898	-
0072 Interest on Long-Term Liabilities	50,253,000	59,846,515	59,846,515	-
0073 Bond Issuance Cost and Fees	-	1,875,603	955,503	920,100
6030 Total Expenditures	83,093,000	137,891,016	136,970,916	920,100
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(52,298,016)	(50,591,232)	1,706,784
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	49,320,000	52,160,413	2,840,413
7916 Premium or Discount on Issuance of Bonds	-	978,016	1,624,965	646,949
7080 Total Other Financing Sources (Uses)	-	50,298,016	53,785,378	3,487,362
1200 Net Change in Fund Balances	-	(2,000,000)	3,194,146	5,194,146
0100 Fund Balance - September 1 (Beginning)	16,076,388	16,076,388	16,076,388	-
3000 Fund Balance - August 31 (Ending)	\$ 16,076,388	\$ 14,076,388	\$ 19,270,534	\$ 5,194,146

PROSPER INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$2,371,600
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$421,677

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$1,400,938
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$5,412,272

FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prosper Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Prosper Independent School District's basic financial statements, and have issued our report dated January 2, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tom, Seay & Scarborough

Hankins, Eastup, Deaton, Tom, Seay & Scarborough, LLC
Denton, Texas

January 2, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prosper Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Prosper Independent School District's major federal programs for the year ended August 31, 2023. Prosper Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Prosper Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Prosper Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Prosper Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Prosper Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 2, 2024

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

84.425D	ESSER Relief Fund II
84.425U	ESSER Relief Fund III
84.425U	ESSER Relief Fund III TCLAS ARP
84.425U	ESSER Supplemental
32.009	Emergency Connectivity Fund
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

PROSPER INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

None

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION			
<u>Direct Programs</u>			
Emergency Connectivity Fund (ECF)	32.009	ECF222119978	\$ 1,299,150
Total Direct Programs			<u>1,299,150</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>1,299,150</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		420
Total Direct Programs			<u>420</u>
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101057950	79,236
*IDEA - Part B, Formula	84.027	236600010439126600	2,823,154
*IDEA - Part B, Formula	84.027	246600010439126600	50,018
*COVID 19 - IDEA, Part B, Formula - (ARP)	84.027X	235350010439125350	204,072
Total Assistance Listing Number 84.027			<u>3,077,244</u>
*IDEA - Part B, Preschool	84.173	236610010439126610	10,425
*COVID 19 - IDEA, Part B, Preschool- (ARP)	84.173X	235360010439125360	2,500
Total Assistance Listing Number 84.173			<u>12,925</u>
Total Special Education Cluster (IDEA)			<u>3,090,169</u>
Career and Technical - Basic Grant	84.048	23420006043912	27,954
Title III, Part A - English Language Acquisition	84.365A	23681001057950	153,336
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501057950	51,862
Summer School LEP	84.369A	69552102	15,826
Summer School LEP	84.369A	69552202	19,229
Total Assistance Listing Number 84.369			<u>35,055</u>
ESSA, Title IV, Part A	84.424A	23680101057950	3,721
COVID 19 - ESSER II - School Emergency Relief	84.425D	21521001057950	8
COVID 19 - ESSER III - School Emergency Relief	84.425D	21528001057950	300,682
COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425U	21528042043912	34,173
COVID 19 - Supplemental ESSER Fund	84.425U	21528043043912	7,213,384
Total Assistance Listing Number 84.425			<u>7,548,247</u>
Total Passed Through Texas Education Agency			<u>10,989,580</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>10,990,000</u>

PROSPER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402301	93,038
*National School Lunch Program - Cash Assistance	10.555	71302301	963,267
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302301	174,602
*Supply Chain Assistance	10.555	71302301	312,473
Total Assistance Listing Number 10.555			1,450,342
Total Child Nutrition Cluster			1,543,380
Total Passed Through the Texas Department of Agriculture			1,543,380
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,543,380
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,832,530
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PROSPER INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2023

- For all Federal programs, the District uses the fund types specified in Texas Education Agency’s *Financial Accountability System Resource Guide*.
- **General Fund** – is used to account for among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education’s Impact Aid.
- **Special Revenue Funds** – are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is Incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- Assistance listing numbers for commodity assistance are the assistance listing numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$1,539,671.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$13,832,530
SHARS Revenue reported in the General Fund	1,212,073
Federal Excise Tax Reimbursements	248,357
Federal E-Rate Reimbursements	812,216
Tax Credit Revenue reported in the Debt Service Fund	-
Plus Revenue Received for Prior Year COVID Expenditures	_____ -
 Total Federal Program Revenue	 <u>\$16,105,176</u>

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