

**FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For The Year Ended August 31, 2019

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Friendswood Independent School District

Name of School District

Galveston

County

084-911

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on December 9, 2019.

Daniel A. Hopkins

President of the Board

David Montz

Vice President of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Friendswood Independent School District (the "District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 5 through 13 and the budgetary comparison schedule, the required pension system information, and the required other post-employment benefit information on pages 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency (“TEA”) schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (“OMB”); Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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.

To the Board of Trustees
Friendswood Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
December 9, 2019



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Friendswood Independent School District's annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

The liabilities and deferred inflows of the District exceeded assets and deferred outflows at the close of the most recent fiscal year by \$27,378,701 (net deficit). Of this amount, negative \$15,183,305 was net investment in capital assets, which represents the debt related to the capital assets which exceed the carrying value of the capital assets, \$1,366,897 was restricted for debt service, \$562,051 was restricted for food service, \$5,620 was restricted for federal and state programs, \$10,033 was restricted for other purposes. The remaining amount was a deficit unrestricted net position of \$14,139,997.

- The District's total net position decreased by \$1,170,741 due to increases in the total amount recorded for the net pension liability, net OPEB liability, and related deferred inflows and outflows. The total of these amounts increased by \$2,158,441 from the prior year.
- The District's governmental funds reported combined ending fund balances of \$19,822,213 as of August 31, 2019. Of this amount, \$802,444 is non-spendable in the form of (1) inventory in the amount of \$161,721 and (2) prepaid items in the amount of \$640,723. Fund balance of \$2,015,813 is restricted for (1) federal and state grants in the amount of \$567,671, (2) debt service in the amount of \$1,438,109, and (3) \$10,033 for other purposes. Fund balance of \$3,854,513 is committed for (1) disaster recovery of \$1.5 million and (2) decreases in state funding of \$1.2 million and (3) other committed in the amount of \$1,154,513. Fund balance of \$2,352,393 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$10,797,050 in the general fund is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$1,503,486 as compared to the prior fiscal year. The unassigned fund balance represents 22% of total general fund expenditures.
- The District's bonded debt decreased by \$3,100,000 as a result of principal payments made during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference of the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Co-curricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, and Payments to Juvenile Justice Alternative Education Programs.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 District'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 District'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 individual governmental funds for general, special revenue, debt service, and capital projects 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 and debt service fund, both of which are considered to be major funds. Data from the other 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 the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The District maintains an internal service fund for workers' compensation insurance coverage. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

The District maintains individual enterprise funds for fuel and vending. *Enterprise funds*, a second type of proprietary fund, are used to report on activity for which a fee is charged to external users for goods or services. Enterprise funds are included within *business-type activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The nonmajor enterprise funds financial statements provide information for the Fuel Fund and Vending Fund.

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The 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.

An *agency fund* is a type of fiduciary fund used to report resources held by the District in a purely custodial capacity. The District accounts for the activities of student groups and refunds/overpayments due to taxpayers in this type of fund, which does not involve measurement of results of operations.

A *private purpose trust fund* is a second type of fiduciary fund. Private purpose trust funds are used to report all trust arrangements, other than those properly recorded in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. The District accounts for student scholarships in a private purpose trust fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The Required Supplementary Information also includes information related to the required pension system information and the required other post-employment benefit system information.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$27,378,701 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is 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.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018*	2019	2018*	2019	2018*
Current and other assets	\$ 21,898,525	\$ 22,159,945	\$ 37,524	\$ 37,211	\$ 21,936,049	\$ 22,197,156
Capital and non current assets	83,915,816	86,314,049	-	-	83,915,816	86,314,049
Total Assets	105,814,341	108,473,994	37,524	37,211	105,851,865	108,511,205
Deferred outflows	18,893,411	9,311,538	-	-	18,893,411	9,311,538
Total Deferred Outflows of Resources	18,893,411	9,311,538	-	-	18,893,411	9,311,538
Current liabilities	26,766,093	22,166,819	3,241	2,224	26,769,334	22,169,043
Long term liabilities	117,634,344	113,419,751	-	-	117,634,344	113,419,751
Total Liabilities	144,400,437	135,586,570	3,241	2,224	144,403,678	135,588,794
Deferred inflows	7,720,299	8,441,909	-	-	7,720,299	8,441,909
Total Deferred Inflows of Resources	7,720,299	8,441,909	-	-	7,720,299	8,441,909
Net Position:						
Net investment in capital assets	(15,183,305)	(14,463,391)	-	-	(15,183,305)	(14,463,391)
Restricted	1,944,601	2,875,219	-	-	1,944,601	2,875,219
Unrestricted	(14,174,280)	(14,654,775)	34,283	34,987	(14,139,997)	(14,619,788)
Total Net Position	\$ (27,412,984)	\$ (26,242,947)	\$ 34,283	\$ 34,987	\$ (27,378,701)	\$ (26,207,960)

* The prior year governmental activities and total net position balances was restated by \$29.4 million to reflect the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.

Net position in the governmental activities are restricted for various purposes as follows:

	Governmental Activities	
	2019	2018
Federal and state programs	\$ 5,620	\$ 2,625
Food Service	562,051	744,840
Debt Service	1,366,897	2,117,449
Other Purposes	10,033	10,305
	\$ 1,944,601	\$ 2,875,219

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$14,139,997. At the end of the current fiscal year, the District reports positive balances in restricted net position in the governmental activities. The District reports negative net position in net investment in capital assets, which is reported net of outstanding related debt, and unrestricted net position. The District's net position of the governmental activities decreased by \$1,170,037 during the current fiscal year due to increases in the total amounts recorded for the net pension liability, net OPEB liability, and related deferred inflows and outflows. The total of these amounts increased by \$2,158,441 from the prior year.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The District's net position of the business-type activities had an ending balance of \$34,283, all of which is unrestricted and may be used to meet on-going obligations.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018*	2019	2018*	2019	2018*
Program Revenues						
Charges for services	\$ 5,933,222	\$ 5,516,012	\$ 82,648	\$ 96,003	\$ 6,015,870	\$ 5,612,015
Operating grants	6,682,891	(5,250,436)	-	-	6,682,891	(5,250,436)
General Revenues						
Property taxes	41,768,023	40,592,030	-	-	41,768,023	40,592,030
State Aid - Formula Grants	13,092,083	12,807,086	-	-	13,092,083	12,807,086
Interest earnings	688,674	408,453	-	-	688,674	408,453
Other	-	36,860	-	-	-	36,860
Total Revenues	68,164,893	54,110,005	82,648	96,003	68,247,541	54,206,008
Expenses						
Instruction	37,157,116	23,616,082	-	-	37,157,116	23,616,082
Instructional resources and media services	796,753	608,741	-	-	796,753	608,741
Curriculum and staff development	989,832	605,242	-	-	989,832	605,242
Instructional leadership	971,346	610,361	-	-	971,346	610,361
School leadership	3,565,751	2,326,427	-	-	3,565,751	2,326,427
Guidance, counseling, and evaluation services	2,478,482	1,445,732	-	-	2,478,482	1,445,732
Social work services	3,477	3,484	-	-	3,477	3,484
Health services	625,439	440,789	-	-	625,439	440,789
Student transportation	2,170,235	1,368,761	-	-	2,170,235	1,368,761
Food service	2,700,133	2,510,588	-	-	2,700,133	2,510,588
Extracurricular activities	2,742,689	2,069,969	-	-	2,742,689	2,069,969
General administration	2,788,373	1,981,993	-	-	2,788,373	1,981,993
Plant, maintenance and operations	6,308,214	5,582,701	-	-	6,308,214	5,582,701
Security and monitoring services	588,817	465,983	-	-	588,817	465,983
Data processing services	1,210,448	931,637	-	-	1,210,448	931,637
Community services	351,944	297,134	-	-	351,944	297,134
Interest on long-term debt	3,487,469	3,595,480	-	-	3,487,469	3,595,480
Facilities repairs	-	4,846	-	-	-	4,846
Payments related to shared services arrangements	39,549	53,586	-	-	39,549	53,586
Payments to Juvenile Justice Alternative Education Programs	35,037	30,535	-	-	35,037	30,535
Other intergovernmental charges	338,010	310,992	-	-	338,010	310,992
Fuel Fund	-	-	5,578	-	5,578	-
Vending Fund	-	-	63,590	57,673	63,590	57,673
Total Expenses	69,349,114	48,861,063	69,168	57,673	69,418,282	48,918,736
Excess (deficiency) before transfers	(1,184,221)	5,248,942	13,480	38,330	(1,170,741)	5,287,272
Transfers	14,184	32,471	(14,184)	(32,471)	-	-
Increase (Decrease) in Net Position	(1,170,037)	5,281,413	(704)	5,859	(1,170,741)	5,287,272
Beginning net position	(26,242,947)	(2,100,992)	34,987	29,128	(26,207,960)	(2,071,864)
Prior Period Adjustment	-	(29,423,368)	-	-	-	(29,423,368)
Ending Net Position	\$ (27,412,984)	\$ (26,242,947)	\$ 34,283	\$ 34,987	\$ (27,378,701)	\$ (26,207,960)

* Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses relating to the implementation were not calculated and were not available for comparison.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities decreased the District's net position by \$1,170,037. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 90 percent of total revenues. Charges for services represent 9 percent of total revenues and the remaining 1 percent is generated from investment earnings and miscellaneous revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 41,768,023	61%
State Aid - Formula Grants	13,092,083	19%
Operating grants and contributions	6,682,891	10%
Charges for services	5,933,222	9%
Other revenue	688,674	1%
Total Revenues	<u>\$ 68,164,893</u>	<u>100%</u>

The primary functional expense of the District is instruction, which represents 54 percent of total expenses. Plant maintenance and operations, interest on long-term debt, and school leadership represent 9 percent, 5 percent, and 5 percent, respectively, of the total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 37,157,116	54%
Interest on long-term debt	3,487,469	5%
School Leadership	3,565,751	5%
Plant maintenance and Operations	6,308,214	9%
Other expenses	18,830,564	27%
Total Expenses	<u>\$ 69,349,114</u>	<u>100%</u>

The dramatic change in total expenses as well as operating grants and contributions revenues from the prior year was due to the negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care).

Business-Type Activities

Net position of the District's business type activities increased by \$704 for the year ended August 31, 2019.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$19,822,213, an increase of \$1,605,385 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,797,050, while total fund balance reached \$14,298,827. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22 percent of expenditures and total fund balance represents 29 percent of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by \$1,638,294, while total general fund expenditures showed an increase of \$141,546. The increase in expenditures was primarily due to new personnel costs, market adjustments, and a 2% salary increase for all employees, offset by an overall savings of 1% of anticipated expenditures.

The debt service fund has a total fund balance of \$1,438,109, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$763,914 was due to scheduled principal and interest payments on debt exceeding property tax revenues, which was in line with budgeted expectations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund are summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 50,450,000	\$ 50,450,000
Total expenditures	51,000,000	51,334,605
Net change in fund balance	\$ (550,000)	\$ (884,605)

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Long-Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2019, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$1,383,312. The following table summarizes the investment in capital assets as of August 31, 2019 and 2018.

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Land	\$ 2,561,019	\$ 2,561,019
Buildings and improvements	144,423,119	143,823,380
Furniture and equipment	<u>11,562,037</u>	<u>11,003,695</u>
	<u>158,546,175</u>	<u>157,388,094</u>
Less accumulated depreciation for:		
Buildings and improvements	(70,811,970)	(65,976,869)
Furniture and Equipment	<u>(7,827,822)</u>	<u>(7,261,743)</u>
	<u>(78,639,792)</u>	<u>(73,238,612)</u>
Governmental Capital Assets	<u>\$ 79,906,383</u>	<u>\$ 84,149,482</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$88,410,000 in bonded debt outstanding, a decrease of \$3,100,000 over the previous year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The underlying rating of the bonds from Standard and Poor's is "AA" and from Moody's Investors Service is "Aa3" for unlimited tax debt.

Changes in long-term debt, for the year ended August 31, 2019, are as follows:

<u>Outstanding 09/01/18</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 08/31/19</u>
\$ 91,510,000	\$ -	\$ (3,100,000)	\$ 88,410,000

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year’s Budgets and Rates

- The District’s enrollment was projected to remain stable at approximately 6,060 students at the time the 2019-2020 budget was adopted.
- For 2019-2020, the maintenance and operations tax rate is \$1.0424, while the debt service rate is \$0.217. The maintenance and operations tax rate decreased \$0.1276, and the debt service rate increased by \$0.02 compared to 2018-2019. The adopted tax rate reflects tax rate compression mandated by House Bill 3 of the 86th Legislature.
- Net taxable property values in the District have increased 5.5%. The average taxable residence in Friendswood has shown a ten-year upward trend increasing from an average taxable value in 2009 of \$223,820 to \$324,589. House Bill 3 brought forth an increase to the basic allotment, other formula changes, and property tax rate compression. Due to the impact of House Bill 3, the District estimates a decrease in general fund tax revenue of \$1.8M alongside a decrease of \$132K in other local revenues estimated to be offset by an increase in state funding of \$4.0M for a net increase of \$2.2M in 2019-2020.
- Operating expenses per student in the District’s general fund were \$8,318 for 2018-2019. Operating expenses per student for the 2019-2020 fiscal year are projected to be \$8,854.
- Expenditures are budgeted to increase 7.2% or \$3.6M. This increase is primarily due to the salary increases mandated by House Bill 3. Teachers, counselors, nurses, and librarians with 0-4 years of experience received a 3.5% increase. Those with 5+ years of experiences received a 4.5% increase. All other employees received a 3% increase. Additionally, \$725K of new faculty and staff positions were approved and added to the budget.
- For 2020; construction of new commercial and residential property in the area is estimated to bring in an estimated \$60M in taxable value.

These indicators were taken into account when adopting the budget for 2019-2020. The Friendswood Independent School District general fund adopted budget for 2019-2020 is as follows:

General Fund Budget	Original
Budgeted Revenues	\$ 53,660,000
Budgeted Expenditures	53,660,000
	\$ -

Contacting the District’s Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Business Office at Friendswood Independent School District, 302 Laurel Drive, Friendswood, TX 77546. You may also view previous year’s financial reports on the District’s website at www.myfisd.com.



BASIC FINANCIAL STATEMENTS



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2019

Data Control Codes	Governmental Activities	Business-type Activities	Total
Assets			
1110	\$ 18,773,856	\$ 35,881	\$ 18,809,737
1225	596,338	-	596,338
1240	1,584,287	-	1,584,287
1267	49,475	-	49,475
1290	92,125	1,643	93,768
1300	161,721	-	161,721
1410	640,723	-	640,723
Capital assets not subject to depreciation:			
1510	2,561,019	-	2,561,019
Capital assets net of depreciation:			
1520	73,611,149	-	73,611,149
1530	3,734,215	-	3,734,215
1910	4,009,433	-	4,009,433
1000	<u>105,814,341</u>	<u>37,524</u>	<u>105,851,865</u>
Deferred Outflows of Resources			
1700	4,419,606	-	4,419,606
1705	10,333,242	-	10,333,242
1706	4,140,563	-	4,140,563
	<u>18,893,411</u>	<u>-</u>	<u>18,893,411</u>
Liabilities			
2110	939,417	3,241	942,658
2120	7,750	-	7,750
2140	167,084	-	167,084
2160	3,287,979	-	3,287,979
2300	964,901	-	964,901
Noncurrent Liabilities:			
2501	3,440,801	-	3,440,801
2502	96,794,484	-	96,794,484
2540	17,399,059	-	17,399,059
2545	21,398,962	-	21,398,962
2000	<u>144,400,437</u>	<u>3,241</u>	<u>144,403,678</u>
Deferred Inflows of Resources			
2605	953,432	-	953,432
2606	6,766,867	-	6,766,867
	<u>7,720,299</u>	<u>-</u>	<u>7,720,299</u>
Net Position (Deficit)			
3200	(15,183,305)	-	(15,183,305)
Restricted for:			
3820	5,620	-	5,620
3820	562,051	-	562,051
3850	1,366,897	-	1,366,897
3890	10,033	-	10,033
3900	(14,174,280)	34,283	(14,139,997)
3000	<u>\$ (27,412,984)</u>	<u>\$ 34,283</u>	<u>\$ (27,378,701)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 August 31, 2019

Exhibit B-1
 Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Governmental activities:				
11	Instruction	\$ 37,157,116	\$ 1,827,435	\$ 3,915,022
12	Instructional resources and media services	796,753	55,266	60,715
13	Curriculum and staff development	989,832	13,817	298,712
21	Instructional leadership	971,346	-	70,386
23	School leadership	3,565,751	55,266	286,181
31	Guidance, counseling, and evaluation services	2,478,482	27,633	529,866
32	Social work services	3,477	-	-
33	Health services	625,439	-	190,971
34	Student transportation	2,170,235	-	195,359
35	Food service	2,700,133	2,306,868	233,956
36	Extracurricular activities	2,742,689	812,051	122,613
41	General administration	2,788,373	-	180,813
51	Plant, maintenance and operations	6,308,214	542,507	307,038
52	Security and monitoring services	588,817	-	-
53	Data processing services	1,210,448	-	94,631
61	Community services	351,944	292,379	29,050
72	Interest on long-term debt	3,487,469	-	167,578
93	Payments related to shared services arrangements	39,549	-	-
95	Payments to Juvenile Justice Alternative Education Programs	35,037	-	-
99	Other intergovernmental charges	338,010	-	-
TG	Total governmental activities	<u>69,349,114</u>	<u>5,933,222</u>	<u>6,682,891</u>
Business-type activities:				
01	Fuel Fund	5,578	4,874	-
02	Vending Fund	63,590	77,774	-
TB	Total business-type activities	<u>69,168</u>	<u>82,648</u>	<u>-</u>
TP	Total primary government	<u>\$ 69,418,282</u>	<u>\$ 6,015,870</u>	<u>\$ 6,682,891</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 August 31, 2019

Exhibit B-1
 Page 2 of 2

		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Primary Government</u>		
Data Control Codes	Functions/Programs	Governmental Activities	Business-type Activities	Total
	Governmental activities:			
11	Instruction	\$ (31,414,659)		\$ (31,414,659)
12	Instructional resources and media services	(680,772)		(680,772)
13	Curriculum and staff development	(677,303)		(677,303)
21	Instructional leadership	(900,960)		(900,960)
23	School leadership	(3,224,304)		(3,224,304)
31	Guidance, counseling, and evaluation services	(1,920,983)		(1,920,983)
32	Social work services	(3,477)		(3,477)
33	Health services	(434,468)		(434,468)
34	Student transportation	(1,974,876)		(1,974,876)
35	Food service	(159,309)		(159,309)
36	Extracurricular activities	(1,808,025)		(1,808,025)
41	General administration	(2,607,560)		(2,607,560)
51	Plant, maintenance and operations	(5,458,669)		(5,458,669)
52	Security and monitoring services	(588,817)		(588,817)
53	Data processing services	(1,115,817)		(1,115,817)
61	Community services	(30,515)		(30,515)
72	Interest on long-term debt	(3,319,891)		(3,319,891)
93	Payments related to shared services arrangements	(39,549)		(39,549)
95	Payments to Juvenile Justice Alternative Education Programs	(35,037)		(35,037)
99	Other intergovernmental charges	(338,010)		(338,010)
TG	Total governmental activities	<u>(56,733,001)</u>		<u>(56,733,001)</u>
	Business-type activities			
01	Fuel Fund	-	\$ (704)	(704)
02	Vending Fund	-	14,184	14,184
TB	Total business-type activities	<u>-</u>	<u>13,480</u>	<u>13,480</u>
TP	Total primary government	<u>(56,733,001)</u>	<u>13,480</u>	<u>(56,719,521)</u>
	General revenues:			
	Taxes:			
MT	Property taxes, levied for general purposes	35,748,081	-	35,748,081
DT	Property taxes, levied for debt service	6,019,942	-	6,019,942
SF	State-aid formula grants	13,092,083	-	13,092,083
IE	Investment earnings	688,674	-	688,674
FR	Transfers	14,184	(14,184)	-
TR	Total general revenues, special items, and transfers	<u>55,562,964</u>	<u>(14,184)</u>	<u>55,548,780</u>
CN	Change in net position	(1,170,037)	(704)	(1,170,741)
NB	Net position (deficit) - beginning	<u>(26,242,947)</u>	<u>34,987</u>	<u>(26,207,960)</u>
NE	Net position (deficit) - ending	<u>\$ (27,412,984)</u>	<u>\$ 34,283</u>	<u>\$ (27,378,701)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2019**

Data Control Codes	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
1110 Cash and temporary investments	\$ 12,363,487	\$ 1,452,775	\$ 4,608,346	\$ 18,424,608
Receivables:				
1220 Property taxes - delinquent	573,280	123,588	-	696,868
1230 Allowance for uncollectible taxes (credit)	(81,469)	(19,061)	-	(100,530)
1240 Receivables from other governments	1,104,911	-	479,376	1,584,287
1260 Due from other funds	526,726	-	-	526,726
1290 Other receivables	92,024	-	101	92,125
1300 Inventories, at cost	161,721	-	-	161,721
1410 Prepaid items	640,056	-	667	640,723
1910 Long-term investments	4,009,433	-	-	4,009,433
1000 Total Assets	\$ 19,390,169	\$ 1,557,302	\$ 5,088,490	\$ 26,035,961
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
2110 Accounts payable	\$ 562,047	\$ -	\$ 377,370	\$ 939,417
2120 Other liabilities - current	7,750	-	-	7,750
2160 Accrued wages payable	3,279,659	-	8,320	3,287,979
2170 Due to other funds	-	-	477,251	477,251
2300 Unearned revenue	801,308	23,321	140,272	964,901
2000 Total Liabilities	4,650,764	23,321	1,003,213	5,677,298
Deferred Inflows of Resources				
2600 Unavailable revenue - property taxes	440,578	95,872	-	536,450
Total Deferred Inflows of Resources	440,578	95,872	-	536,450
Fund Balances:				
Nonspendable:				
3410 Inventories	161,721	-	-	161,721
3430 Prepaid items	640,056	-	667	640,723
Restricted:				
3450 Grant restrictions	-	-	567,671	567,671
3480 Debt service	-	1,438,109	-	1,438,109
3490 Other	-	-	10,033	10,033
Committed:				
3545 Other purposes	2,700,000	-	1,154,513	3,854,513
Assigned:				
3570 Capital expenditures for equipment	-	-	2,352,393	2,352,393
3600 Unassigned	10,797,050	-	-	10,797,050
3000 Total Fund Balances	14,298,827	1,438,109	4,085,277	19,822,213
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 19,390,169	\$ 1,557,302	\$ 5,088,490	\$ 26,035,961

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
August 31, 2019

Exhibit C-2

Data Control Codes		
	Total fund balance, governmental funds	\$ 19,822,213
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	79,906,383
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	536,450
3	Deferred charges on refunding	4,419,606
4	Deferred inflows relating to pension activities	(953,432)
5	Deferred inflows relating to OPEB activities	(6,766,867)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(88,410,000)
7	Premiums on issuance	(11,099,294)
8	Accrued compensated absences	(725,991)
9	Accrued interest payable	(167,084)
10	Net pension liability	(17,399,059)
11	Net OPEB liability	(21,398,962)
12	Deferred outflows relating to pension activities	10,333,242
13	Deferred outflows relating to OPEB activities	4,140,563
14	Addition of Internal Service fund net position	<u>349,248</u>
19	Total net deficit - governmental activities	<u><u>\$ (27,412,984)</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit C-3

Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 38,262,425	\$ 6,085,159	\$ 3,935,258	\$ 48,282,842
5800	State program revenues	15,531,102	167,578	415,091	16,113,771
5900	Federal program revenues	135,001	-	1,848,832	1,983,833
5020	Total Revenues	<u>53,928,528</u>	<u>6,252,737</u>	<u>6,199,181</u>	<u>66,380,446</u>
Expenditures					
Current:					
0011	Instruction	28,828,105	-	2,642,488	31,470,593
0012	Instruction resources and media services	640,397	-	55,788	696,185
0013	Curriculum and instructional staff development	600,571	-	261,331	861,902
0021	Instructional leadership	806,684	-	6,233	812,917
0023	School leadership	2,945,909	-	49,500	2,995,409
0031	Guidance, counseling and evaluation services	1,676,243	-	408,238	2,084,481
0032	Social work services	1,650	-	1,650	3,300
0033	Health services	523,830	-	555	524,385
0034	Student transportation	1,842,406	-	184,184	2,026,590
0035	Food services	-	-	2,766,881	2,766,881
0036	Extracurricular activities	1,876,547	-	554,999	2,431,546
0041	General administration	2,388,187	-	586	2,388,773
0051	Facilities maintenance and operations	5,428,343	-	185,694	5,614,037
0052	Security and monitoring services	661,441	-	257,609	919,050
0053	Data processing services	1,037,019	-	55,867	1,092,886
0061	Community services	303,370	-	6,500	309,870
Debt service:					
0071	Principal on long-term debt	-	3,100,000	-	3,100,000
0072	Interest on long-term debt	-	3,911,900	-	3,911,900
0073	Debt service costs and fees	-	4,751	-	4,751
Capital outlay:					
0081	Facilities acquisition and construction	69,756	-	291,437	361,193
Intergovernmental:					
0093	Payments related to shared services arrangements	39,549	-	-	39,549
0095	Payments to Juvenile Justice Alternative Education Program	35,037	-	-	35,037
0099	Other intergovernmental charges	338,010	-	-	338,010
6030	Total Expenditures	<u>50,043,054</u>	<u>7,016,651</u>	<u>7,729,540</u>	<u>64,789,245</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,885,474</u>	<u>(763,914)</u>	<u>(1,530,359)</u>	<u>1,591,201</u>
Other Financing Sources (Uses)					
7915	Transfers in	2,820	-	2,264,184	2,267,004
8911	Transfers out	(2,250,000)	-	(2,820)	(2,252,820)
7080	Total other financing sources (uses)	<u>(2,247,180)</u>	<u>-</u>	<u>2,261,364</u>	<u>14,184</u>
1200	Net change in fund balances	1,638,294	(763,914)	731,005	1,605,385
0100	Fund Balance - September 1 (Beginning)	<u>12,660,533</u>	<u>2,202,023</u>	<u>3,354,272</u>	<u>18,216,828</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 14,298,827</u>	<u>\$ 1,438,109</u>	<u>\$ 4,085,277</u>	<u>\$ 19,822,213</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ 1,605,385
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
	Capital Outlay	1,383,312
	Depreciation Expense	(5,626,411)
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	101,338
3	Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	1,115,688
4	OPEB contributions made after the net OPEB liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	302,378
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	3,100,000
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
6	Pension expense for the pension plan measurement year	(2,749,480)
7	OPEB expense for the OPEB plan measurement year	(827,027)
8	Decrease in interest payable not recognized in fund statements	5,997
9	Amortization of bond premium	676,108
10	Amortization of deferred loss on refunded bonds	(252,923)
11	(Increase) in long-term portion of accrued compensated absences payable	105,035
12	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	(109,437)
	Change in net position of governmental activities (see B-1)	<u>\$ (1,170,037)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2019

<u>Data Control Codes</u>		<u>Business-type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ 35,881	\$ 349,248
1290	Other receivables	1,643	-
1000	Total Assets	<u>37,524</u>	<u>349,248</u>
	Liabilities		
2110	Accounts payable	<u>3,241</u>	<u>-</u>
2000	Total Liabilities	<u>3,241</u>	<u>-</u>
	Net Position		
3900	Unrestricted net position	<u>34,283</u>	<u>349,248</u>
3000	Total Net Position	<u>\$ 34,283</u>	<u>\$ 349,248</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2019

Exhibit D-2

<u>Data Control Codes</u>		<u>Business-type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
	Operating Revenues		
5754	Charges for services	\$ 82,648	\$ -
5020	Total Operating Revenues	<u>82,648</u>	<u>-</u>
	Operating Expenses		
6200	Purchased and contracted services	53,112	-
6300	Supplies and materials	12,504	-
6400	Claims expense and other operating expenses	3,552	115,176
6030	Total Operating Expenses	<u>69,168</u>	<u>115,176</u>
1200	Operating Income	<u>13,480</u>	<u>(115,176)</u>
	Non-Operating Revenues (Expenses)		
7955	Investment earnings	-	5,739
	Total Non-operating Revenues (Expenses)	<u>-</u>	<u>5,739</u>
	Income (loss) before transfers	13,480	(109,437)
	Transfers		
8911	Transfers out	(14,184)	-
	Total Transfers	<u>(14,184)</u>	<u>-</u>
1200	Change in Net Position	(704)	(109,437)
0100	Net Position - September 1 (Beginning)	34,987	458,685
3300	Net Position - August 31 (Ending)	<u>\$ 34,283</u>	<u>\$ 349,248</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2019

Exhibit D-3

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from user charges	\$ 83,852	\$ -
Cash payments for insurance claims	-	(115,176)
Cash payments to suppliers for goods and services	(69,168)	-
Net Cash Provided by (Used for) Operating Activities	<u>14,684</u>	<u>(115,176)</u>
Cash Flows from Non-Capital Financing Activities:		
Advances to other funds	(14,184)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(14,184)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	-	5,739
Net Cash Provided by Investing Activities	<u>-</u>	<u>5,739</u>
Net Increase(Decrease) in Cash and Cash Equivalents	500	(109,437)
Cash and Cash Equivalents at Beginning of Year	<u>35,381</u>	<u>458,685</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,881</u>	<u>\$ 349,248</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	\$ 35,881	\$ 349,248
Cash and Cash Equivalents per Balance Sheet	<u>\$ 35,881</u>	<u>\$ 349,248</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 13,480	\$ (115,176)
Change in Assets and Liabilities:		
Decrease (increase) in Receivables	187	-
Increase (decrease) in Accounts Payable	1,017	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 14,684</u>	<u>\$ (115,176)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2019

Exhibit E-1

<u>Data Control Codes</u>		<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ 7,189	\$ 591,637
	Total Assets	<u>\$ 7,189</u>	<u>\$ 591,637</u>
	Liabilities		
2110	Accounts payable	\$ -	\$ 35,657
2120	Other liabilities - current	-	1,134
2170	Due to other funds	-	49,475
2190	Due to student groups	-	376,273
2300	Unearned revenue	-	129,098
2000	Total Liabilities	<u>-</u>	<u>\$ 591,637</u>
	Net Position		
3800	Restricted	<u>\$ 7,189</u>	

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2019

Exhibit E-2

	<u>Private Purpose Trust Funds</u>
Deductions	
Non-operating expenses	\$ 5,532
Total deductions	<u>5,532</u>
Change in net position	(5,532)
Net position beginning of year	<u>12,721</u>
Net position end of year	<u><u>\$ 7,189</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Friendswood Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The proprietary and private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund types:

Proprietary Funds

- The *enterprise fund* accounts for activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District's nonmajor enterprise funds are the fuel fund and the vending fund.
- The *internal service fund* accounts for workers' compensation benefits provided to other funds and/or employees of the District on a cost reimbursement basis.

Fiduciary Funds

- The *private purpose trust fund* is used to report all trust arrangements by the District. This fund type is used to account for the District's scholarship funds.
- The *agency fund* is used to account for assets held by the District as an agent for student organizations and taxpayer refunds and overpayments. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

Nonmajor governmental funds of the District include federal, state and local grant funds accounted for as *special revenue funds*. Additionally, the *capital projects fund*, which is used to account for the proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements, is included in the nonmajor governmental funds of the District.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on historical collections. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Galveston Central Appraisal District as of January 1 of each year. The amount of net assessed values for fiscal year 2019 (tax year 2018) were \$3,039,984,418. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. The District's combined tax rate was \$1.367, which included \$1.170 for maintenance and operations, and \$0.197 for debt service. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. The total levy for the 2019 fiscal year was \$41,556,587. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, and office and instructional supplies. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District’s continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The District’s infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>In Years</u>
Buildings and improvements	9 - 30
Furniture and equipment	5 - 25

Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the Statement of Net Position.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, workers' compensation, and compensated absences. 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 and proprietary fund type statement of net position. Bond premiums and discounts amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period 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.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund. The current requirements for compensated absences are accounted for in the general fund. The current requirements for workers' compensation are accounted for in the workers' compensation fund.

Deferred Outflows/Inflows of Resources

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, this deferred charge on refunding 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.
- 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 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for other post-employment benefits (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 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District’s proportional share of OPEB liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining 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 plan.

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.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities. These pension related deferred inflows 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.
- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

Pensions

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits

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.

Net Position and Fund Balances

Friendswood Independent School District reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement 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. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance, \$1,200,000 in the General Fund for a loss in State funding and \$1,500,000 in the General Fund for disaster recovery.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments. The District has assigned \$2,352,393 in the Capital Projects Fund for capital expenditures for equipment.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

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

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The District has determined that it has no impact on fiscal year 2019 operations.

GASB Statement No. 88, *Certain Disclosures Related to Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This District had no direct borrowings or direct placements that qualified for recognition under this statement.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be 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. At August 31, 2019, the District's cash in bank totaled \$5,313,914 while the carrying value was \$4,287,726. Pledged collateral and FDIC insurance for these deposits totaled \$7,008,196. Certificates of deposit requiring collateral at August 31, 2019 totaled \$2,200,000. A letter of credit and NCUSIF insurance for the certificates of deposit totaled \$2,370,506. The District also holds certificates of deposits at other institutions, all of which are individually below the FDIC or NCUSIF insurance limits. As such, the District's cash and certificates of deposit were properly collateralized at August 31, 2019.

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, repurchase agreements, or investment pools.

Note 2 - Deposits and Investments (continued)

Investments

For fiscal year 2019, the District invested in the State of Texas TexPool, the State of Texas TexSTAR Investment Pool, MBIA Texas Class Investment Pool, the Texas Association of School Boards Lone Star Investment Pool, TexasTERM Local Government Investment Pool, and TD Ameritrade. TexPool, TexSTAR, Lone Star, Texas Class, and TexasTERM operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool is duly chartered and overseen by the State Comptroller's Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank.

Lone Star Investment Pool is restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

TexSTAR Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. JP Morgan Chase Bank and/or its subsidiary JP Morgan Investor Services Co. is the custodial bank. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, diversification to avoid unreasonable or avoidable risks, and yield.

MBIA Texas Class Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas Class Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds.

TexasTERM is directed by an Advisory Board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The pool offers a fully liquid money market and invests only in those securities authorized by the statutes governing investment of funds by local governments in the state.

Note 2 - Deposits and Investments (continued)

Investments (continued)

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (In days)</u>
Governmental Activities:		
Cash and deposits	\$ 3,653,019	N/A
Certificates of deposit	2,665,310	438
Investments		
Local Government Investment Pools:		
Lone Star	6,183,410	27
MBIA Texas Class	47,718	50
TexPool	2,478,607	38
TexSTAR	2,439,114	25
TexasTERM	819,544	33
Total Texas Term	<u>11,968,393</u>	29
Money Market:		
TD Ameritrade	7,093	1
Securities:		
Federal Home Loan Bank	712,073	212
Municipal Bonds	2,102,484	540
Federal Farm Credit Bank	1,674,917	303
Total Securities	<u>4,489,474</u>	400
Total Investments	<u>19,130,270</u>	173
Total Governmental Activities	<u>22,783,289</u>	
Business-type Activities:		
Cash and deposits	35,881	N/A
Total Business-type Activities	<u>35,881</u>	
Fiduciary Funds:		
Cash and deposits	598,826	N/A
Total Fiduciary Funds	<u>598,826</u>	
Total	<u>\$ 23,417,996</u>	
Investment earnings	\$ 688,674	
Total Investment earnings	<u>\$ 688,674</u>	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments' fair value measurement are as follows at August 31, 2019:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt securities:				
Certificates of Deposit	\$ 2,665,310	\$ 2,665,310	\$ -	\$ -
Federal Home Loan Bank	712,073	-	712,073	-
Municipal Bonds	2,102,484	-	2,102,484	-
Federal Farm Credit Bank	1,674,917	-	1,674,917	-
Total debt securities	<u>\$ 7,154,784</u>	<u>\$ 2,665,310</u>	<u>\$ 4,489,474</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of internally created pooled fund groups to no more than 180 days.

	<u>Carrying Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	\$ 2,665,310	\$ 665,310	\$ 2,000,000
Local Government Investment Pools:			
Lone Star	6,183,410	6,183,410	-
MBIA Texas Class	47,718	47,718	-
TexPool	2,478,607	2,478,607	-
TexSTAR	2,439,114	2,439,114	-
TexasTERM	819,544	819,544	-
Money Market - TD Ameritrade	7,093	7,093	-
Investment Securities:			
Federal Home Loan Bank	712,073	712,073	-
Municipal Bonds	2,102,484	265,438	1,837,046
Federal Farm Credit Bank	1,674,917	1,502,530	172,387
	<u>\$ 19,130,270</u>	<u>\$ 15,120,837</u>	<u>\$ 4,009,433</u>

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2019, the District's investments were rated as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
Lone Star	AAAm	Standard and Poor's
MBIA Texas Class	AAAm	Standard and Poor's
TexPool	AAAm	Standard and Poor's
TexSTAR	AAAm	Standard and Poor's
TexasTERM	AAAm	Standard and Poor's
Federal Home Loan Bank	AA+	Standard and Poor's
Municipal Bonds	A+ to AAA	Standard and Poor's
Federal Farm Credit Bank	AA+	Standard and Poor's

Note 2 - Deposits and Investments (continued)

Concentration of Credit Risk

The District’s investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. Investments with concentrations of over five percent of the total portfolio at August 31, 2019, consisted of the following:

Investment Type	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Certificates of deposit	\$ 2,665,310	13.93%
Lone Star	6,183,410	32.32%
TexPool	2,478,607	12.96%
TexSTAR	2,439,114	12.75%
Municipal Bonds	2,102,484	10.99%
Federal Farm Credit Bank	1,674,917	8.76%

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. In addition the investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The four pools do not impose any liquidity fees or redemption gates.

Note 3 - Receivables

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes	\$ 573,280	\$ 123,588	\$ -	\$ -	\$ 696,868
Due from other governments	1,104,911	-	479,376	-	1,584,287
Other	92,024	-	101	1,643	93,768
Gross receivables	1,770,215	123,588	479,477	1,643	2,374,923
Less allowance for doubtful accounts	(81,469)	(19,061)	-	-	(100,530)
Net total receivables	<u>\$ 1,688,746</u>	<u>\$ 104,527</u>	<u>\$ 479,477</u>	<u>\$ 1,643</u>	<u>\$ 2,274,393</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues for advanced collection of fees in the amount of \$964,901.

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

	<u>Balance</u> <u>September 01, 2018</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>August 31, 2019</u>
Capital assets, not being depreciated				
Land	\$ 2,561,019	\$ -	\$ -	\$ 2,561,019
Total Capital assets, not being depreciated	<u>2,561,019</u>	<u>-</u>	<u>-</u>	<u>2,561,019</u>
Capital assets, being depreciated				
Buildings and improvements	143,823,380	599,739	-	144,423,119
Furniture and equipment	11,003,695	783,573	(225,231)	11,562,037
Total Capital assets, being depreciated	<u>154,827,075</u>	<u>1,383,312</u>	<u>(225,231)</u>	<u>155,985,156</u>
Less accumulated depreciation for:				
Buildings and improvements	(65,976,869)	(4,835,101)	-	(70,811,970)
Furniture and Equipment	(7,261,743)	(791,310)	225,231	(7,827,822)
Total Accumulated depreciation	<u>(73,238,612)</u>	<u>(5,626,411)</u>	<u>225,231</u>	<u>(78,639,792)</u>
Governmental Capital Assets	<u>\$ 84,149,482</u>	<u>\$ (4,243,099)</u>	<u>\$ -</u>	<u>\$ 79,906,383</u>

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 3,100,583
Instructional resources and media services	68,588
Curriculum and staff development	64,525
Instructional leadership	86,767
School leadership	316,862
Guidance, counseling and evaluation services	180,297
Social work services	177
Health services	56,343
Student transportation	198,250
Food Services	297,454
Extracurricular activities	201,645
General administration	256,867
Plant maintenance and operations	582,751
Security and monitoring services	71,145
Data processing services	111,527
Community services	32,630
	<u>\$ 5,626,411</u>

The District had no open construction commitments at August 31, 2019.

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of August 31, 2019, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Funds			
General Fund	\$ 526,726	\$ -	\$ 526,726
Nonmajor Governmental Funds	-	477,251	(477,251)
Total Governmental Funds	<u>526,726</u>	<u>477,251</u>	<u>49,475</u>
Fiduciary Funds			
Agency Fund	-	49,475	(49,475)
Total Fiduciary Funds	<u>-</u>	<u>49,475</u>	<u>(49,475)</u>
Total	<u>\$ 526,726</u>	<u>\$ 526,726</u>	<u>\$ -</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the fiscal year ended August 31, 2019:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 2,250,000
Nonmajor Governmental Fund	General Fund	2,820
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	14,184
Total		<u>\$ 2,267,004</u>

Interfund transfers generally fall into two categories: (1) transfers to cover debt service payments to comply with debt covenants, (2) transfers to cover operating expenditures/deficits in accordance with District policy or legal requirements and (3) transfers to the capital projects fund to be assigned for future capital expenditures.

Note 6 - Compensated Absences and Other Retirement/Sick Leave Benefits

A local retirement program that was in effect for five years prior to the 2005-2006 fiscal year was rescinded during the 2006 fiscal year by the Board of Trustees. The remaining liability under this plan will be retired in accordance with the terms of the original resolution. In that regard, no more than 1.0 percent of budgeted salaries for the subsequent year plus \$100,000 may be used for retirement of the remaining liability.

The District’s sick-leave benefits provide for up to the amount of contract days of local sick leave for full retirement or 100 days of local sick leave for reduced service retirement that may be accrued while employed by the District. The rate of accrual depends on the position and length of work-day. The following summarizes the District’s liability and the changes for the year:

Balance, September 1, 2018	\$ 831,026
Additions: New entrants and salary increments	90,790
Deductions: Payments to participants	<u>(195,825)</u>
Balance, August 31, 2019	<u>\$ 725,991</u>

Eligible sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have met the District’s retirement and State’s retirement eligibility requirements.

Note 7 - Long-Term Liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Friendswood Independent School District. The District is subject to a legal debt margin in which the net indebtedness shall not exceed 10 percent of all assessed real and personal property in the District. At August 31, 2019, the legal debt limit was \$303,998,442 and the legal debt margin was \$205,932,008.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2019.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

Bonds payable for the year ended August 31, 2019 were as follows:

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Unlimited Tax Refunding Bonds, Series 2012	\$ 4,190,000	3.00%	2/15/2022	\$ 2,735,000
Unlimited Tax Refunding Bonds, Series 2016	88,965,000	2.00% to 5.00%	2/15/2037	85,675,000
				<u>\$ 88,410,000</u>

Debt service requirements to maturity are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 3,240,000	\$ 3,770,800	\$ 7,010,800
2021	3,390,000	3,623,000	7,013,000
2022	3,545,000	3,468,125	7,013,125
2023	3,715,000	3,296,025	7,011,025
2024	3,910,000	3,105,400	7,015,400
2025 - 2029	22,615,000	12,452,725	35,067,725
2030 - 2034	28,170,000	6,900,250	35,070,250
2035 - 2037	19,825,000	1,210,700	21,035,700
	<u>\$ 88,410,000</u>	<u>\$ 37,827,025</u>	<u>\$ 126,237,025</u>

Note 7 - Long-Term Liabilities (continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the District’s total governmental long-term liabilities for the year ended August 31, 2019:

	<u>Balance</u> <u>August 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 91,510,000	\$ -	\$ (3,100,000)	\$ 88,410,000	\$ 3,240,000
Premiums/discounts	11,775,402	-	(676,108)	11,099,294	-
Workers' compensation claims	-	115,176	(115,176)	-	-
Accrued compensated absences	831,026	90,790	(195,825)	725,991	200,801
	<u>\$ 104,116,428</u>	<u>\$ 205,966</u>	<u>\$ (4,087,109)</u>	<u>\$ 100,235,285</u>	<u>\$ 3,440,801</u>

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	<u>General Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Nonmajor</u> <u>Proprietary</u> <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 35,654,108	\$ 6,012,577	\$ -	\$ -	\$ 41,666,685
Investment Income	575,241	72,582	35,112	5,739	688,674
Rent	514,874	-	-	-	514,874
Co-curricular student activities	483,623	-	-	4,874	488,497
Food Sales	-	-	2,306,868	77,774	2,384,642
Other	1,034,579	-	1,593,278	-	2,627,857
	<u>\$ 38,262,425</u>	<u>\$ 6,085,159</u>	<u>\$ 3,935,258</u>	<u>\$ 88,387</u>	<u>\$ 48,371,229</u>

Note 9 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2019.

Rental expenditures during the year amounted to \$202,698.

Note 10 - Defined Benefit Retirement Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; by calling (512) 542-6592; or on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf.

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.

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. 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

Note 10 - Defined Benefit Retirement Plan (continued)

Contributions (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2019	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity	6.80%	6.80%
Employers	6.80%	6.80%

	Measurement Year (2018)		Fiscal Year (2019)
	Contributions	Pension Expense	Contributions
Member (Employee)	\$ 2,819,883	\$ -	\$ 2,849,265
Non-employer contributing agency (State)	1,833,780	2,967,325	1,851,731
District	1,064,870	2,749,480	1,115,693

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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 sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Note 10 - Defined Benefit Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%*
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10 - Defined Benefit Retirement Plan (continued)

Discount Rate (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.20%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return			
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities			
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag ²			-0.79%
Total	100.00%		7.25%

¹ Target allocations are based on the FY2016 policy model.

² The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	Discount Rate		
	1% Decrease (5.907%)	Current Rate (6.907%)	1% Increase (7.907%)
District's proportional share of the Net Pension Liability:	\$ 26,259,353	\$ 17,399,059	\$ 10,226,126

Note 10 - Defined Benefit Retirement Plan (continued)

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

At August 31, 2019, the District reported a liability of \$17,399,059 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 17,399,059
State's proportionate share that is associated with the District	<u>29,981,051</u>
Total	<u>\$ 47,380,110</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 and rolled forward to August 31, 2018. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2019 the employer’s proportion of the collective net pension liability was 0.0316% which was an increase from its proportion measured as of August 31, 2018 of 0.0291%.

Changes since the Prior Actuarial Valuation

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$2,749,480. The District also recognized revenue of \$2,967,325 representing pension expense incurred by the State on behalf of the District.

Note 10 - Defined Benefit Retirement Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At August 31, 2019, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,451	\$ (426,904)
Changes of assumption	6,273,199	(196,038)
Net difference between projected and actual investment earnings	-	(330,134)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	2,835,899	(356)
District contributions subsequent to the measurement date	1,115,693	-
Total	<u>\$ 10,333,242</u>	<u>\$ (953,432)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,115,693 will be recognized as a reduction of the net pension liability in the year ended August 31, 2020. The net amounts of the District’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2020	\$ 2,141,789
2021	1,447,041
2022	1,250,662
2023	1,375,017
2024	1,275,520
Thereafter	774,088
	<u>\$ 8,264,117</u>

Note 11 - 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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592 on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions

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

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

	Contribution Rates	
	2019	2018
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%

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Contributions (continued)

	<u>Measurement Year (2018)</u>		<u>Fiscal Year</u>
	OPEB		<u>(2019)</u>
	<u>Contributions</u>	<u>Expense</u>	<u>Contributions</u>
Member (Employee)	\$ 238,042	\$ -	\$ 240,522
Non-employer contributing agency (State)	443,441	1,169,112	448,788
District	295,653	827,027	302,515

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

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 were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions (continued)

Actuarial Assumptions	
Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	3.69%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age adjusted claims costs.
Payroll growth rate	2.50%
Salary increases	3.05% to 9.05%**
Healthcare trend rates	6.75% to 107.74%***
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2018.

** Includes Inflation at 2.30%

*** Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

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 (3.69%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (2.69%)	Current Rate (3.69%)	1% Increase (4.69%)
District's proportionate share of the Net OPEB Liability:	\$ 25,472,117	\$ 21,398,962	\$ 18,176,834

Healthcare Cost Trend Rate - The following presents the District's proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 17,772,186	\$ 21,398,962	\$ 26,175,503

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

At August 31, 2019, the District reported a liability of \$21,398,962 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	\$ 21,398,962
State's proportionate share that is associated with District	32,141,434
Total	<u>\$ 53,540,396</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the District's proportion of the collective Net OPEB Liability was 0.0429% which was an increase of 0.0043% from its proportion measured as of August 31, 2017 of 0.0386%.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Changes Since the Prior Actuarial Valuation

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

For the year ended August 31, 2019, the District recognized OPEB expense of \$827,027. The District also recognized revenue of \$1,169,112 representing OPEB expense incurred by the State on behalf of the District.

At August 31, 2019, 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	\$ 1,135,563	\$ (337,707)
Changes in actuarial assumptions	357,091	(6,429,160)
Net difference between projected and actual investment earnings	3,742	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,341,652	-
Contributions paid to TRS subsequent to the measurement date	302,515	-
Total	<u>\$ 4,140,563</u>	<u>\$ (6,766,867)</u>

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

The \$302,515 reported as 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 year ending August 31, 2020. The net amounts of the District’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	OPEB Expense
August 31:	Amount
2020	\$ (550,912)
2021	(550,912)
2022	(550,912)
2023	(551,620)
2024	(552,025)
Thereafter	(172,438)
	<u>\$ (2,928,819)</u>

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018, and 2017, the subsidy payments received by the TRS-Care on-behalf of the district were \$141,774, \$108,098, and \$159,294 respectively. The payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

Health Insurance

The District provides medical insurance coverage for its employees under the TRS-Active Care insurance provided by the Teachers’ Retirement System of Texas.

Workers’ Compensation

The District established a limited risk management program for workers' compensation in 1988 by participating as a self-funded member of 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 and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Friendswood ISD was solely responsible for all claims costs, both reported and unreported. The Fund provided administrative service to its self-funded members including claims administration and customer service. The District discontinued participation in the self-funded workers’ compensation plan August 31, 2015.

Beginning September 1, 2015, the District contracted with TASB Risk Management Fund for a fully funded workers’ compensation program. TASB pays 100% of all employees’ medical claims and assumes all risk related to them.

Note 13 - Shared Service Arrangements / Joint Ventures

The District participates in three separate Shared Service Arrangements that are described in more detail below.

The District participates in a Shared Service Arrangement (SSA) for Juvenile Justice Alternative Education Program with eight other school districts. Although 16.1 percent of the activity of the SSA is attributable to the District’s 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, Dickinson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Friendswood ISD. The fiscal agent manager is responsible for all financial activities of the SSA.

Presented below are the revenues and expenditures attributable to the District’s participation.

Revenues:	
Local revenue	<u>\$ 35,037</u>
Expenditures:	
Payroll costs	\$ 31,098
Contract services	3,612
Supplies and materials	<u>327</u>
Total Expenditures	<u>\$ 35,037</u>

The District participates in a Shared Service Arrangement (SSA) for the Galveston-Brazoria Co-op for the for the Dead and Hard of Hearing that provides a system of direct and support services to eligible hearing impaired students of the member districts. In addition to Friendswood ISD, the other member districts include Alvin ISD, Clear Creek ISD, Dickinson ISD, Galveston ISD, Hitchcock ISD, Pearland ISD, Santa Fe ISD and Texas City ISD. All services are provided by the fiscal agent, Clear Creek ISD. The member districts provide the funds to the fiscal agent. Although approximately 1.4 percent of the total SSA expenditures are attributable to the District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. In addition, 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.

Revenues:	
Local revenue	<u>\$ 14,853</u>
Expenditures:	
Payroll costs	\$ 11,075
Contract services	1,826
Supplies and materials	1,634
Other operating costs	<u>318</u>
Total Expenditures	<u>\$ 14,853</u>

Note 13 - Shared Service Arrangements / Joint Ventures (continued)

The District participates in the Visually Impaired Orientation and Mobility Shared Service Arrangement (SSA), which provides services for visually impaired students. Friendswood ISD participates in this SSA along with Dickinson ISD, Galveston ISD, Hitchcock ISD and Texas City ISD. Although approximately 26% of the activity of the SSA is attributable to the District's participation, the District does not account for the 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, Galveston ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would rise to a future additional benefit or burden to Friendswood ISD. The fiscal agent is responsible for all financial activities of the SSA. Revenues attributable to the District's participation were \$24,696 for the 2019 fiscal year. Expenditures in the same amount were attributable to payroll costs.

Note 14 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 15 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it does not have an arbitrage liability as of August 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2019

Exhibit G-1

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
Revenues					
5700	Local revenues	\$ 37,538,267	\$ 37,538,267	\$ 38,262,425	\$ 724,158
5800	State program revenues	12,736,333	12,736,333	15,531,102	2,794,769
5900	Federal program revenues	175,400	175,400	135,001	(40,399)
5020	Total Revenues	<u>50,450,000</u>	<u>50,450,000</u>	<u>53,928,528</u>	<u>3,478,528</u>
Expenditures					
Current:					
0011	Instruction	29,321,384	29,271,835	28,828,105	443,730
0012	Instruction resources and media services	684,284	722,409	640,397	82,012
0013	development	607,069	608,153	600,571	7,582
0021	Instructional leadership	745,708	819,432	806,684	12,748
0023	School leadership	2,954,983	2,954,977	2,945,909	9,068
0031	Guidance, counseling and evaluation services	1,737,746	1,689,584	1,676,243	13,341
0032	Social work services	1,650	4,050	1,650	2,400
0033	Health services	519,997	539,945	523,830	16,115
0034	Student transportation	1,825,115	1,987,179	1,842,406	144,773
0036	Extracurricular activities	1,995,596	1,935,752	1,876,547	59,205
0041	General administration	2,340,387	2,447,336	2,388,187	59,149
0051	Facilities maintenance and operations	5,587,172	5,765,441	5,428,343	337,098
0052	Security and monitoring services	711,049	696,995	661,441	35,554
0053	Data processing services	1,111,187	1,058,311	1,037,019	21,292
0061	Community services	294,192	309,252	303,370	5,882
Capital outlay:					
0081	Facilities, acquisition and construction	158,000	94,758	69,756	25,002
Intergovernmental:					
0093	Payments related to shared services arrangements	45,406	45,549	39,549	6,000
0095	Payments to Juvenile Justice Alternative Education Programs	40,000	40,037	35,037	5,000
0099	Other intergovernmental charges	319,075	343,610	338,010	5,600
6030	Total Expenditures	<u>51,000,000</u>	<u>51,334,605</u>	<u>50,043,054</u>	<u>1,291,551</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(550,000)</u>	<u>(884,605)</u>	<u>3,885,474</u>	<u>4,770,079</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	2,820	2,820
8911	Transfers out	-	-	(2,250,000)	(2,250,000)
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,247,180)</u>	<u>(2,247,180)</u>
1200	Net change in fund balances	(550,000)	(884,605)	1,638,294	2,522,899
0100	Fund balances - beginning	<u>12,660,533</u>	<u>12,660,533</u>	<u>12,660,533</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 12,110,533</u>	<u>\$ 11,775,928</u>	<u>\$ 14,298,827</u>	<u>\$ 2,522,899</u>

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level and amended as necessary, when the Notices of Grant Awards are received. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Food Service Fund and Debt Service Fund during the fiscal year ended August 31, 2019.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2018. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST FIVE MEASUREMENT YEARS

Exhibit G-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportionate share of the net pension liability	\$ 17,399,059	\$ 9,303,323	\$ 9,980,962
State's proportionate share of the net pension liability associated with the District	29,981,051	17,831,579	21,689,972
Total	<u>\$ 47,380,110</u>	<u>\$ 27,134,902</u>	<u>\$ 31,670,934</u>
District's covered payroll (for Measurement Year)	\$ 36,621,859	\$ 34,640,606	\$ 32,808,364
District's proportionate share of the net pension liability as a percentage of covered payroll	47.51%	26.86%	30.42%
Plan fiduciary net position as a percentage of the total pension liability *	73.74%	82.17%	78.00%
Plan's net pension liability as a percentage of covered payroll *	126.11%	75.93%	92.75%
	<u>2015</u>	<u>2014</u>	
District's proportionate share of the net pension liability	\$ 9,594,406	\$ 4,150,735	
State's proportionate share of the net pension liability associated with the District	20,961,599	17,620,461	
Total	<u>\$ 30,556,005</u>	<u>\$ 21,771,196</u>	
District's covered payroll (for Measurement Year)	\$ 31,141,812	\$ 29,900,254	
District's proportionate share of the net pension liability as a percentage of covered payroll	30.81%	13.88%	
Plan fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll *	91.94%	72.89%	

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SIX FISCAL YEARS

Exhibit G-4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 1,115,693	\$ 1,064,870	\$ 953,601	\$ 874,428
Contributions in relation to the contractual required contributions	1,115,693	1,064,870	953,601	874,428
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365
Contributions as a percentage of covered payroll	3.02%	2.91%	2.75%	2.67%
	<u>2015</u>	<u>2014</u>		
Contractually required contributions	\$ 790,748	\$ 393,963		
Contributions in relation to the contractual required contributions	790,748	393,963		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
District's covered payroll	\$ 31,141,812	\$ 29,900,254		
Contributions as a percentage of covered payroll	2.54%	1.32%		

The District implemented GASB 68 and 71 during fiscal year 2015.

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

Changes in Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TWO MEASUREMENT YEARS

Exhibit G-5

	<u>2018</u>	<u>2017</u>
District's proportionate share of the net OPEB liability	\$ 21,398,962	\$ 16,779,851
State's proportionate share of the net OPEB liability associated with the District	32,141,434	27,978,520
Total	<u>\$ 53,540,396</u>	<u>\$ 44,758,371</u>
District's covered payroll (for Measurement Year)	\$ 36,621,859	\$ 34,640,606
District's proportionate share of the net OPEB liability as a percentage of covered payroll	58.43%	48.44%
Plan fiduciary net position as a percentage of the total OPEB liability *	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	146.64%	132.55%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SIX FISCAL YEARS

Exhibit G-6

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 302,515	\$ 295,653	\$ 203,471	\$ 189,837
Contributions in relation to the contractual required contributions	<u>302,515</u>	<u>295,653</u>	<u>203,471</u>	<u>189,837</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365
Contributions as a percentage of covered payroll	0.82%	0.81%	0.59%	0.58%
	<u>2015</u>	<u>2014</u>		
Contractually required contributions	\$ 180,711	\$ 174,025		
Contributions in relation to the contractual required contributions	<u>180,711</u>	<u>174,025</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
District's covered payroll	\$ 31,141,812	\$ 29,900,254		
Contributions as a percentage of covered payroll	0.58%	0.58%		

The District implemented GASB 75 during fiscal year 2018.

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms

Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

OTHER SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2019

Exhibit H-1
Page 1 of 4

	211	224	225	226	240
Data Control Codes	ESEA Title I, Part A	IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary	Child Nutrition
Assets					
1110 Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ 758,726
Receivables:					
1240 Receivables from other governments	55,221	235,997	2,671	-	-
1290 Other receivables	-	-	-	-	-
1410 Prepaid items	-	-	-	-	-
1000 Total Assets	\$ 55,221	\$ 235,997	\$ 2,671	\$ -	\$ 758,726
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 188,355
2160 Accrued wages payable	-	-	-	-	8,320
2170 Due to other funds	55,221	235,997	2,671	-	-
2300 Unearned revenues	-	-	-	-	-
2000 Total Liabilities	55,221	235,997	2,671	-	196,675
Fund Balances:					
Nonspendable:					
3430 Prepaid items	-	-	-	-	-
Restricted:					
3450 Grant restrictions	-	-	-	-	562,051
3490 Other purposes	-	-	-	-	-
Committed:					
3545 Other purposes	-	-	-	-	-
Assigned:					
3570 Capital expenditures for equipment	-	-	-	-	-
3000 Total Fund Balances	-	-	-	-	562,051
4000 Total Liabilities and Fund Balances	\$ 55,221	\$ 235,997	\$ 2,671	\$ -	\$ 758,726

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2019

Exhibit H-1
Page 2 of 4

Data Control Codes		244	255	263	289
		Vocational Ed -Basic	Title II, Part A	Title III	Miscellaneous Federal Programs
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	18,168	4,731	162,588
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 18,168</u>	<u>\$ 4,731</u>	<u>\$ 162,588</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ 2,125	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	16,043	4,731	162,588
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>18,168</u>	<u>4,731</u>	<u>162,588</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	-	-	-	-
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
	Assigned:				
3570	Capital expenditures for equipment	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 18,168</u>	<u>\$ 4,731</u>	<u>\$ 162,588</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2019

Exhibit H-1
Page 3 of 4

Data Control Codes	397	410	429	461	
	Advanced Placement Incentive	Instructional Materials Allotment	State Funded Special Revenue Fund	Campus Activity	
Assets					
1110	Cash and temporary investments	\$ 5,620	\$ 142,365	\$ -	\$ 1,227,989
Receivables:					
1240	Receivables from other governments	-	-	-	-
1290	Other receivables	-	-	-	101
1410	Prepaid items	-	-	-	667
1000	Total Assets	\$ 5,620	\$ 142,365	\$ -	\$ 1,228,757
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ 19,765	\$ -	\$ 59,012
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenues	-	122,600	-	14,565
2000	Total Liabilities	-	142,365	-	73,577
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	667
Restricted:					
3450	Grant restrictions	5,620	-	-	-
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	1,154,513
Assigned:					
3570	Capital expenditures for equipment	-	-	-	-
3000	Total Fund Balances	5,620	-	-	1,155,180
4000	Total Liabilities and Fund Balances	\$ 5,620	\$ 142,365	\$ -	\$ 1,228,757

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2019

Exhibit H-1
Page 4 of 4

Data Control Codes		480	699	Total Nonmajor Governmental Funds
		Education Foundation Grants	Capital Projects Fund	
	Assets			
1110	Cash and temporary investments	\$ 27,417	\$ 2,446,229	\$ 4,608,346
	Receivables:			
1240	Receivables from other governments	-	-	479,376
1290	Other receivables	-	-	101
1410	Prepaid items	-	-	667
1000	Total Assets	<u>\$ 27,417</u>	<u>\$ 2,446,229</u>	<u>\$ 5,088,490</u>
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$ 14,277	\$ 93,836	\$ 377,370
2160	Accrued wages payable	-	-	8,320
2170	Due to other funds	-	-	477,251
2300	Unearned revenues	3,107	-	140,272
2000	Total Liabilities	<u>17,384</u>	<u>93,836</u>	<u>1,003,213</u>
	Fund Balances:			
	Nonspendable:			
3430	Prepaid items	-	-	667
	Restricted:			
3450	Grant restrictions	-	-	567,671
3490	Other purposes	10,033	-	10,033
	Committed:			
3545	Other purposes	-	-	1,154,513
	Assigned:			
3570	Capital expenditures for equipment	-	2,352,393	2,352,393
3000	Total Fund Balances	<u>10,033</u>	<u>2,352,393</u>	<u>4,085,277</u>
4000	Total Liabilities and Fund Balances	<u>\$ 27,417</u>	<u>\$ 2,446,229</u>	<u>\$ 5,088,490</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit H-2
Page 1 of 4

Data Control Codes		211	224	225	226	240
		ESEA Title I, Part A	IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary	Child Nutrition
Revenues						
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ 2,341,980
5800	State program revenues	-	-	-	-	3,859
5900	Federal program revenues	299,281	952,669	18,952	24,000	230,097
5020	Total Revenues	<u>299,281</u>	<u>952,669</u>	<u>18,952</u>	<u>24,000</u>	<u>2,575,936</u>
Expenditures						
Current:						
0011	Instruction	174,756	603,848	18,952	-	-
0012	Instruction resources and media services	-	-	-	-	-
0013	Curriculum and instructional staff development	124,525	3,271	-	-	-
0021	Instructional leadership	-	-	-	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling and evaluation services	-	345,550	-	24,000	-
0032	Social work services	-	-	-	-	-
0033	Health services	-	-	-	-	-
0034	Student transportation	-	-	-	-	-
0035	Food service	-	-	-	-	2,766,881
0036	Extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	-	-	-	-	-
Capital outlay:						
0081	Facilities acquisition and construction	-	-	-	-	-
6030	Total Expenditures	<u>299,281</u>	<u>952,669</u>	<u>18,952</u>	<u>24,000</u>	<u>2,766,881</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-	(190,945)
Other Financing Sources (Uses)						
7915	Transfers in	-	-	-	-	8,156
8911	Transfers out	-	-	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,156</u>
1200	Net change in fund balances	-	-	-	-	(182,789)
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,840</u>
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 562,051</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit H-2
Page 2 of 4

Data Control Codes	244	255	263	289
	Vocational Ed - Basic	Title II, Part A	Title III	Miscellaneous Federal Programs
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	41,869	86,799	14,001
5020	Total Revenues	41,869	86,799	14,001
Expenditures				
Current:				
0011	Instruction	41,869	-	14,001
0012	Instruction resources and media services	-	220	-
0013	Curriculum and instructional staff development	-	79,990	-
0021	Instructional leadership	-	5,503	-
0023	School leadership	-	848	-
0031	Guidance, counseling and evaluation services	-	50	-
0032	Social work services	-	-	11,012
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	188	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	155,401
0053	Data processing services	-	-	-
0061	Community services	-	-	6,500
Capital outlay:				
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	41,869	86,799	14,001
1100	Excess (deficiency) of revenues over expenditures	-	-	-
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balance - September 1 (beginning)	-	-	-
3000	Fund balance - August 31 (ending)	\$ -	\$ -	\$ -

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit H-2
Page 3 of 4

<u>Data Control Codes</u>		<u>397 Advanced Placement Incentive</u>	<u>410 Instructional Materials Allotment</u>	<u>429 State Funded Special Revenue Fund</u>	<u>461 Campus Activity</u>
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 1,381,661
5800	State program revenues	4,470	385,736	21,026	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>4,470</u>	<u>385,736</u>	<u>21,026</u>	<u>1,381,661</u>
Expenditures					
Current:					
0011	Instruction	-	369,371	-	562,857
0012	Instruction resources and media services	-	-	26	50,061
0013	Curriculum and instructional staff development	1,475	16,365	21,000	11,705
0021	Instructional leadership	-	-	-	730
0023	School leadership	-	-	-	48,652
0031	Guidance, counseling and evaluation services	-	-	-	27,626
0032	Social work services	-	-	-	1,650
0033	Health services	-	-	-	555
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	554,451
0041	General administration	-	-	-	398
0051	Plant maintenance and operations	-	-	-	19,466
0052	Security and monitoring services	-	-	-	1,946
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>1,475</u>	<u>385,736</u>	<u>21,026</u>	<u>1,280,097</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,995</u>	<u>-</u>	<u>-</u>	<u>101,564</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	6,028
8911	Transfers out	-	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,028</u>
1200	Net change in fund balances	2,995	-	-	107,592
0100	Fund balance - September 1 (beginning)	<u>2,625</u>	<u>-</u>	<u>-</u>	<u>1,047,588</u>
3000	Fund balance - August 31 (ending)	<u>\$ 5,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155,180</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit H-2
Page 4 of 4

<u>Data Control Codes</u>	<u>480 Education Foundation Grants</u>	<u>699 Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
Revenues				
5700	Local, intermediate, and out-of-state	\$ 211,617	\$ -	\$ 3,935,258
5800	State program revenues	-	-	415,091
5900	Federal program revenues	-	-	1,848,832
5020	Total Revenues	<u>211,617</u>	<u>-</u>	<u>6,199,181</u>
Expenditures				
Current:				
0011	Instruction	203,040	648,543	2,642,488
0012	Instruction resources and media services	5,481	-	55,788
0013	Curriculum and instructional staff development	-	-	261,331
0021	Instructional leadership	-	-	6,233
0023	School leadership	-	-	49,500
0031	Guidance, counseling and evaluation services	-	-	408,238
0032	Social work services	-	-	1,650
0033	Health services	-	-	555
0034	Student transportation	-	184,184	184,184
0035	Food service	-	-	2,766,881
0036	Extracurricular activities	548	-	554,999
0041	General administration	-	-	586
0051	Plant maintenance and operations	-	166,228	185,694
0052	Security and monitoring services	-	100,262	257,609
0053	Data processing services	-	55,867	55,867
0061	Community services	-	-	6,500
Capital outlay:				
0081	Facilities acquisition and construction	-	291,437	291,437
6030	Total Expenditures	<u>209,069</u>	<u>1,446,521</u>	<u>7,729,540</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,548</u>	<u>(1,446,521)</u>	<u>(1,530,359)</u>
Other Financing Sources (Uses)				
7915	Transfers in	-	2,250,000	2,264,184
8911	Transfers out	(2,820)	-	(2,820)
7080	Total other financing sources and uses	<u>(2,820)</u>	<u>2,250,000</u>	<u>2,261,364</u>
1200	Net change in fund balances	(272)	803,479	731,005
0100	Fund balance - September 1 (beginning)	<u>10,305</u>	<u>1,548,914</u>	<u>3,354,272</u>
3000	Fund balance - August 31 (ending)	<u>\$ 10,033</u>	<u>\$ 2,352,393</u>	<u>\$ 4,085,277</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
August 31, 2019

Exhibit H-3

Data Control Codes		734	740	Total
		Fuel Fund	Vending Fund	
	Assets			
1110	Cash and cash equivalents	\$ 30,632	\$ 5,249	\$ 35,881
1290	Other receivables	1,643	-	1,643
1000	Total Assets	<u>32,275</u>	<u>5,249</u>	<u>37,524</u>
	Liabilities			
2110	Accounts payable	-	3,241	3,241
2000	Total Liabilities	<u>-</u>	<u>3,241</u>	<u>3,241</u>
	Net Position			
3900	Unrestricted net position	32,275	2,008	34,283
3000	Total Net Position	<u>\$ 32,275</u>	<u>\$ 2,008</u>	<u>\$ 34,283</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2019

Exhibit H-4

Data Control Codes		734	740	
		Fuel Fund	Vending Fund	Total
	Revenues			
5700	Charges for Services	\$ 4,874	\$ 77,774	\$ 82,648
5020	Total Operating Revenues	<u>4,874</u>	<u>77,774</u>	<u>82,648</u>
	Operating Expenses			
6200	Purchased and contracted services	5,578	47,534	53,112
6300	Supplies and materials	-	12,504	12,504
6400	Claims expense and other operating expenses	-	3,552	3,552
6030	Total Operating Expenses	<u>5,578</u>	<u>63,590</u>	<u>69,168</u>
	Income (Loss) before Transfers	(704)	14,184	13,480
	Transfers			
8911	Transfers out	-	(14,184)	(14,184)
7080	Total Transfers	<u>-</u>	<u>(14,184)</u>	<u>(14,184)</u>
1200	Change in Net Position	(704)	-	(704)
0100	Total net position - beginning	<u>32,979</u>	<u>2,008</u>	<u>34,987</u>
3300	Total net position - ending	<u>\$ 32,275</u>	<u>\$ 2,008</u>	<u>\$ 34,283</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2019

Exhibit H-5

	734	740	
	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from user charges	\$ 5,061	\$ 78,791	\$ 83,852
Cash payments to suppliers for goods and services	(5,578)	(63,590)	(69,168)
Net Cash Provided by (Used for) Operating Activities	<u>(517)</u>	<u>15,201</u>	<u>14,684</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to other funds	-	(14,184)	(14,184)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>(14,184)</u>	<u>(14,184)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(517)	1,017	500
Cash and Cash Equivalents at Beginning of Year	<u>31,149</u>	<u>4,232</u>	<u>35,381</u>
Cash and Cash Equivalents at End of Year	<u>\$ 30,632</u>	<u>\$ 5,249</u>	<u>\$ 35,881</u>
Reconciliation to Balance Sheet			
Cash and Cash Equivalents Per Cash Flow	<u>\$ 30,632</u>	<u>\$ 5,249</u>	<u>\$ 35,881</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 30,632</u>	<u>\$ 5,249</u>	<u>\$ 35,881</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (704)	\$ 14,184	\$ 13,480
Change in Assets and Liabilities			
Decrease (increase) in Receivables	187	-	187
Increase (decrease) in Accounts Payable	-	1,017	1,017
Net Cash Provided by (Used for) Operating Activities	<u>\$ (517)</u>	<u>\$ 15,201</u>	<u>\$ 14,684</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2019

Exhibit H-6

Data Control Codes	891 Cline Scholarship Fund	892 Winston Scholarship Fund	893 Willard Scholarship Fund	Total Private Purpose Trust Funds	
	Assets				
1110	Cash and cash equivalents	\$ -	\$ 5,796	\$ 1,393	\$ 7,189
	Total Assets	-	5,796	1,393	7,189
	Net Position				
3800	Restricted	\$ -	\$ 5,796	\$ 1,393	\$ 7,189

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2019

Exhibit H-7

	891	892	893	
	<u>Cline Scholarship</u>	<u>Winston Scholarship</u>	<u>Willard Scholarship</u>	<u>Total</u>
Deductions				
Non-operating expenses	\$ 1,732	\$ -	\$ 3,800	\$ 5,532
Total deductions	<u>1,732</u>	<u>-</u>	<u>3,800</u>	<u>5,532</u>
Change in net position	(1,732)	-	(3,800)	(5,532)
Net position beginning of year	<u>1,732</u>	<u>5,796</u>	<u>5,193</u>	<u>12,721</u>
Net position end of year	<u>\$ -</u>	<u>\$ 5,796</u>	<u>\$ 1,393</u>	<u>\$ 7,189</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended August 31, 2019

Exhibit H-8

	<u>Balance</u> <u>August 31, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>August 31, 2019</u>
Assets				
Cash and cash equivalents	\$ 565,744	\$ 46,984,270	\$ (46,958,377)	\$ 591,637
Other receivables	4,901	-	(4,901)	-
Total Assets	<u>\$ 570,645</u>	<u>\$ 46,984,270</u>	<u>\$ (46,963,278)</u>	<u>\$ 591,637</u>
Liabilities				
Accounts Payable	\$ 62,102	\$ 975,354	\$ (1,001,799)	\$ 35,657
Other liabilities - current	1,134	-	-	1,134
Due to other funds	33,813	83,294	(67,632)	49,475
Due to student groups	330,064	1,412,277	(1,366,068)	376,273
Unearned revenue	143,532	129,100	(143,534)	129,098
Total Liabilities	<u>\$ 570,645</u>	<u>\$ 2,600,025</u>	<u>\$ (2,579,033)</u>	<u>\$ 591,637</u>



REQUIRED TEA SCHEDULES

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2019

Exhibit J-1
Page 1 of 2

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 8/31/18</u>	<u>Current Year's Total Levy</u>
	<u>1</u> <u>Maintenance</u>	<u>2</u> <u>Debt Service</u>			
2010 and prior	Various	Various	Various	\$ 25,005	\$ -
2011	1.040000	0.327000	2,052,922,970	10,348	-
2012	1.040000	0.327000	2,096,108,705	15,156	-
2013	1.040000	0.327000	2,154,126,189	17,475	-
2014	1.040000	0.327000	2,224,978,200	22,160	-
2015	1.040000	0.327000	2,331,605,048	33,413	-
2016	1.040000	0.327000	2,516,791,368	36,463	-
2017	1.130000	0.257000	2,735,343,475	64,905	-
2018	1.130000	0.237000	2,955,329,700	198,440	-
2019	1.170000	0.197000	3,039,984,418	-	<u>41,556,587</u>
1000 Totals				<u>\$ 423,365</u>	<u>\$ 41,556,587</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2019

Exhibit J-1
Page 2 of 2

	31	32	40	50
<u>Last Ten Fiscal Years</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/19</u>
2009 and prior	\$ 12,433	\$ 2,357	\$ (2,718)	\$ 7,497
2011	2,385	750	103	7,316
2012	2,527	794	(575)	11,260
2013	2,645	831	150	14,149
2014	2,460	773	(1,192)	17,735
2015	6,595	2,073	1,304	26,049
2016	11,194	3,519	7,537	29,287
2017	27,601	6,278	9,902	40,928
2018	125,121	26,242	13,273	60,350
2019	<u>35,313,162</u>	<u>5,945,891</u>	<u>-</u>	<u>297,534</u>
1000 Totals	<u>\$ 35,506,123</u>	<u>\$ 5,989,508</u>	<u>\$ 27,784</u>	512,105
				<u>184,763</u>
				<u>\$ 696,868</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2019

Exhibit J-2

Data Control Codes	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 2,430,502	\$ 2,430,502	\$ 2,341,980	\$ (88,522)
5800	State Program Revenues	4,500	4,500	3,859	(641)
5900	Federal Program Revenues	219,495	219,495	230,097	10,602
5020	Total Revenues	<u>2,654,497</u>	<u>2,654,497</u>	<u>2,575,936</u>	<u>(78,561)</u>
Expenditures					
Current:					
0035	Food Services	2,443,765	2,955,437	2,766,881	188,556
6030	Total Expenditures	<u>2,443,765</u>	<u>2,955,437</u>	<u>2,766,881</u>	<u>188,556</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>210,732</u>	<u>(300,940)</u>	<u>(190,945)</u>	<u>109,995</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	8,156	8,156
	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,156</u>	<u>8,156</u>
1200	Increase (Decrease) in Fund Balance	210,732	(300,940)	(182,789)	118,151
0100	Fund Balance - September 1 (Beginning)	<u>744,840</u>	<u>744,840</u>	<u>744,840</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 955,572</u>	<u>\$ 443,900</u>	<u>\$ 562,051</u>	<u>\$ 118,151</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2019

Exhibit J-3

Data Control Codes	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 6,038,180	\$ 6,038,180	\$ 6,085,159	\$ 46,979
5800	State Program Revenues	163,652	163,652	167,578	3,926
5020	Total Revenues	<u>6,201,832</u>	<u>6,201,832</u>	<u>6,252,737</u>	<u>50,905</u>
Expenditures					
Debt Service:					
0071	Principal	3,100,000	3,100,000	3,100,000	-
0072	Interest and Fiscal Agent Fees	3,911,900	3,911,900	3,911,900	-
0073	Debt service costs and fees	7,000	7,000	4,751	2,249
6030	Total Expenditures	<u>7,018,900</u>	<u>7,018,900</u>	<u>7,016,651</u>	<u>2,249</u>
1200	Increase (Decrease) in Fund Balance	(817,068)	(817,068)	(763,914)	53,154
0100	Fund Balance - September 1 (Beginning)	<u>2,202,023</u>	<u>2,202,023</u>	<u>2,202,023</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,384,955</u>	<u>\$ 1,384,955</u>	<u>\$ 1,438,109</u>	<u>\$ 53,154</u>



FEDERAL AWARDS SECTION



**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
Friendswood Independent School District
Friendswood, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Friendswood Independent School District (the “District”), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
December 9, 2019

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE *UNIFORM GUIDANCE***

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

Report on Compliance for the Major Federal Program

We have audited Friendswood Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended August 31, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended August 31, 2019.

Report on Internal Control over Compliance

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

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

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

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



Houston, Texas
December 9, 2019

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance with major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs	
Name of Federal Program or Cluster:	CFDA Numbers
US Department of Education:	
Special Education Cluster:	
IDEA - Part B, Formula	84.027A
IDEA - Part B, Preschool	84.173A
Evaluation Capacity Grant	84.027A
ESEA Title I Part A	84.010A
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2019

II. Financial Statement Findings

None reported

III. Federal Awards Findings and Questioned Costs

None reported

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education				
Passed Through Texas Education Agency:				
19610101084911	<i>ESEA Title I Part A</i>	211	84.010A	\$ 299,281
<u>Special Education Cluster:</u>				
196600010849116600	<i>IDEA - Part B, Formula*</i>	224	84.027A	952,669
196610010849116610	<i>IDEA - Part B, Preschool*</i>	225	84.173A	<u>18,952</u>
Total Special Education Cluster				<u>971,621</u>
19420006084911	<i>Carl D. Perkins - Basic Formula</i>	244	84.048A	41,869
19694501084911	<i>ESEA Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	86,799
19671001084911	<i>Title III - Part A, ELA</i>	263	84.365A	14,001
19680101084911	<i>Title IV, Part A, Subpart 1</i>	289	84.424A	17,687
69551802	<i>LEP Summer School</i>	289	84.369A	1,252
18511701084911	<i>Restart Hurricane Recovery</i>	289	84.938A	155,400
18510701084911	<i>Project Serv Hurricane Recovery</i>	289	84.938G	<u>6,825</u>
Total passed through Texas Education Agency				<u>1,594,735</u>
Passed Through Education Service Center Region 20:				
65254	<i>Evaluation Capacity Grant*</i>	226	84.027A	<u>24,000</u>
Total U.S. Department of Education				<u>1,618,735</u>
U.S. Department of Agriculture				
<u>Child Nutrition Cluster:</u>				
Passed Through the Texas Department of Agriculture:				
Non Cash Assistance (Commodities):				
00410	<i>National School Lunch Program</i>	240	10.555	52,028
Passed Through Texas Education Agency:				
Cash Assistance:				
71301901	<i>National School Lunch Program</i>	240	10.555	161,722
71401901	<i>School Breakfast Program</i>	240	10.553	<u>16,347</u>
Total Child Nutrition Cluster				<u>230,097</u>
Total U.S. Department of Agriculture				<u>230,097</u>
Total Expenditures of Federal Awards				<u>\$ 1,848,832</u>

*Total Special Education Cluster is \$995,621.

Note 1 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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. Generally, unused balances are returned to the grantor at the close of specified project periods. All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and expenditures reports on Exhibit C-3:

Total expenditures of federal awards per SEFA	\$ 1,848,832
Federal revenue accounted for in General Fund:	
Medicaid SHARS	<u>135,001</u>
Total Federal Revenue - Exhibit C-3	<u>\$ 1,983,833</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not Applicable