

**FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For The Year Ended August 31, 2020

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, 2020, at a meeting of the board of trustees of such school district on December 14, 2020.

President of the Board

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, 2020, 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, 2020, 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, the budgetary comparison schedule, required pension system information, and the required other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 8, 2020 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 8, 2020



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 year ended August 31, 2020. 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 \$28,695,585 (net deficit). Of this amount, a deficit of \$13,959,429 was net investment in capital assets, which represents the debt related to the capital assets in excess of the carrying value of the capital assets. \$1,595,414 was restricted for debt service, \$447,087 was restricted for food service, \$109,580 was restricted for federal and state programs, and \$19,541 was restricted for other purposes. The remaining amount was a deficit unrestricted net position of \$16,907,778.

- The District's total net position decreased by \$1,316,884 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 \$2,997,878 from the prior year.
- The District's governmental funds reported combined ending fund balances of \$20,444,242 as of August 31, 2020. Of this amount, \$987,608 is non-spendable in the form of (1) inventory in the amount of \$188,161 and (2) prepaid items in the amount of \$799,447. Fund balance of \$2,236,612 is restricted for (1) federal and state grants in the amount of \$556,667, (2) debt service in the amount of \$1,660,404, and (3) \$19,541 for other purposes. Fund balance of \$4,062,438 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 \$1,362,438. Fund balance of \$2,127,571 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$11,030,013 in the general fund is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$232,963 as compared to the prior fiscal year. The unassigned fund balance represents 21% of total general fund expenditures.
- The District's bonded debt decreased by \$3,240,000 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, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Payments Related to Shares Service Arrangements, and Other Intergovernmental Charges.

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 \$28,695,585 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 22,555,165	\$ 21,898,525	\$ 9,898	\$ 37,524	\$ 22,565,063	\$ 21,936,049
Capital and non current assets	80,511,909	83,915,816	-	-	80,511,909	83,915,816
Total Assets	103,067,074	105,814,341	9,898	37,524	103,076,972	105,851,865
Deferred outflows	17,415,999	18,893,411	-	-	17,415,999	18,893,411
Total Deferred Outflows of Resources	17,415,999	18,893,411	-	-	17,415,999	18,893,411
Current liabilities	24,737,739	26,766,093	-	3,241	24,737,739	26,769,334
Long term liabilities	112,926,915	117,634,344	-	-	112,926,915	117,634,344
Total Liabilities	137,664,654	144,400,437	-	3,241	137,664,654	144,403,678
Deferred inflows	11,523,902	7,720,299	-	-	11,523,902	7,720,299
Total Deferred Inflows of Resources	11,523,902	7,720,299	-	-	11,523,902	7,720,299
Net Position:						
Net investment in capital assets	(13,959,429)	(15,183,305)	-	-	(13,959,429)	(15,183,305)
Restricted	2,171,622	1,944,601	-	-	2,171,622	1,944,601
Unrestricted	(16,917,676)	(14,174,280)	9,898	34,283	(16,907,778)	(14,139,997)
Total Net Position	\$ (28,705,483)	\$ (27,412,984)	\$ 9,898	\$ 34,283	\$ (28,695,585)	\$ (27,378,701)

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

	Governmental Activities	
	2020	2019
Federal and state programs	\$ 109,580	\$ 5,620
Food Service	447,087	562,051
Debt Service	1,595,414	1,366,897
Other Purposes	19,541	10,033
	\$ 2,171,622	\$ 1,944,601

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$16,917,676. 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 \$1,292,499 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 \$2,997,878 from the prior year. The District's net position of the business-type activities had an ending balance of \$9,898, all of which is unrestricted and may be used to meet on-going obligations.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for services	\$ 4,790,550	\$ 5,933,222	\$ 60,782	\$ 82,648	\$ 4,851,332	\$ 6,015,870
Operating grants	8,309,780	6,682,891	-	-	8,309,780	6,682,891
General Revenues						
Property taxes	40,804,483	41,768,023	-	-	40,804,483	41,768,023
State Aid - Formula Grants	15,810,180	13,092,083	-	-	15,810,180	13,092,083
Interest earnings	374,327	688,674	-	-	374,327	688,674
Total Revenues	70,089,320	68,164,893	60,782	82,648	70,150,102	68,247,541
Expenses						
Instruction	39,125,516	37,157,116	-	-	39,125,516	37,157,116
Instructional resources and media services	841,437	796,753	-	-	841,437	796,753
Curriculum and staff development	1,459,676	989,832	-	-	1,459,676	989,832
Instructional leadership	1,013,505	971,346	-	-	1,013,505	971,346
School leadership	3,734,818	3,565,751	-	-	3,734,818	3,565,751
Guidance, counseling, and evaluation services	2,889,334	2,478,482	-	-	2,889,334	2,478,482
Social work services	36,628	3,477	-	-	36,628	3,477
Health services	763,494	625,439	-	-	763,494	625,439
Student transportation	2,072,126	2,170,235	-	-	2,072,126	2,170,235
Food service	2,049,584	2,700,133	-	-	2,049,584	2,700,133
Extracurricular activities	2,671,384	2,742,689	-	-	2,671,384	2,742,689
General administration	2,613,993	2,788,373	-	-	2,613,993	2,788,373
Facilities maintenance and operations	6,043,049	6,308,214	-	-	6,043,049	6,308,214
Security and monitoring services	703,156	588,817	-	-	703,156	588,817
Data processing services	1,482,748	1,210,448	-	-	1,482,748	1,210,448
Community services	207,156	351,944	-	-	207,156	351,944
Interest on long-term debt	3,346,089	3,487,469	-	-	3,346,089	3,487,469
Payments related to shared services arrangements	39,845	39,549	-	-	39,845	39,549
Payments to Juvenile Justice Alternative Education Programs	-	35,037	-	-	-	35,037
Other intergovernmental charges	336,450	338,010	-	-	336,450	338,010
Fuel Fund	-	-	-	5,578	-	5,578
Vending Fund	-	-	36,998	63,590	36,998	63,590
Total Expenses	71,429,988	69,349,114	36,998	69,168	71,466,986	69,418,282
Excess (deficiency) before transfers	(1,340,668)	(1,184,221)	23,784	13,480	(1,316,884)	(1,170,741)
Transfers	48,169	14,184	(48,169)	(14,184)	-	-
Increase (Decrease) in Net Position	(1,292,499)	(1,170,037)	(24,385)	(704)	(1,316,884)	(1,170,741)
Beginning net position	(27,412,984)	(26,242,947)	34,283	34,987	(27,378,701)	(26,207,960)
Ending Net Position	\$ (28,705,483)	\$ (27,412,984)	\$ 9,898	\$ 34,283	\$ (28,695,585)	\$ (27,378,701)

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

Governmental Activities

Governmental activities decreased the District's net position by \$1,292,499. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 92 percent of total revenues. Charges for services represent 7 percent of total revenues and the remaining 1 percent is generated from investment earnings and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 40,804,483	57%
State Aid - Formula Grants	15,810,180	23%
Operating grants and contributions	8,309,780	12%
Charges for services	4,790,550	7%
Other revenue	374,327	1%
Total Revenues	\$ 70,089,320	100%

The primary functional expense of the District is instruction, which represents 55 percent of total expenses. Plant maintenance and operations, interest on long-term debt, and school leadership represent 8 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.

	Total Expenses	% of Total Expenses
Instruction	\$ 39,125,516	55%
Interest on long-term debt	3,346,089	5%
School Leadership	3,734,818	5%
Plant maintenance and Operations	6,043,049	8%
Other expenses	19,180,516	27%
Total Expenses	\$ 71,429,988	100%

Business-Type Activities

Net position of the District's business type activities decreased by \$24,385 for the year ended August 31, 2020.

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

Governmental Funds Financial Analysis

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

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 \$20,444,242, an increase of \$622,029 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 \$11,030,013, while total fund balance reached \$14,717,288. 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 21 percent of expenditures and total fund balance represents 28 percent of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by \$418,461, while total general fund expenditures showed an increase of \$2,833,819. The increase in expenditures was primarily due to new personnel costs and mandated salary increases brought forth by House Bill 3.

The debt service fund has a total fund balance of \$1,660,404, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$222,295 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	\$ 53,660,000	\$ 53,660,000
Total expenditures	53,660,000	54,927,943
Net change in fund balance	\$ -	\$ (1,267,943)

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, 2020, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$3,304,921. The following table summarizes the investment in capital assets as of August 31, 2020 and 2019.

	August 31, 2020	August 31, 2019
Land	\$ 2,882,739	\$ 2,561,019
Buildings and improvements	146,622,276	144,423,119
Furniture and equipment	12,067,617	11,562,037
	<u>161,572,632</u>	<u>158,546,175</u>
Less accumulated depreciation for:		
Buildings and improvements	(75,696,553)	(70,811,970)
Furniture and Equipment	<u>(8,409,005)</u>	<u>(7,827,822)</u>
	<u>(84,105,558)</u>	<u>(78,639,792)</u>
Governmental Capital Assets	<u>\$ 77,467,074</u>	<u>\$ 79,906,383</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 in bonded debt outstanding, a decrease of 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, 2020, are as follows:

Outstanding 09/01/19	Issued	Retired	Outstanding 08/31/20
<u>\$ 88,410,000</u>	<u>\$ -</u>	<u>\$ (3,240,000)</u>	<u>\$ 85,170,000</u>

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 6,100 students at the time the 2020-2021 budget was adopted.
- For 2020-2021, the maintenance and operations tax rate is \$0.9835, while the debt service rate is \$0.2759. The maintenance and operations tax rate decreased \$0.0589, and the debt service rate increased by \$0.0289 compared to 2019-2020. 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 9.4%. The average taxable residence in Friendswood has shown a ten-year upward trend increasing from an average taxable value in 2010 of \$226,011 to \$349,373. House Bill 3 brought forth an increase to the basic allotment, other formula changes, and property tax rate compression. The impact of House Bill 3 is somewhat offset with the increased taxable property values. The District estimates an increase in general fund tax revenue of \$577K alongside a decrease of \$413K in other local and federal revenues estimated to be alongside an increase in state funding of \$706K for a net increase of \$870 in 2020-2021.
- Operating expenses per student in the District's general fund were \$8,651 for 2019-2020. Operating expenses per student for the 2020-2021 fiscal year are projected to be \$9,008.
- Expenditures are budgeted to increase 6.3% or \$3.3M. This increase is primarily due to savings recorded in the 2019-2020 fiscal year due to the COVID-19 pandemic closure.
- For 2021; construction of new commercial and residential property in the area is estimated to bring in an estimated \$80M in taxable value.

These indicators were taken into account when adopting the budget for 2020-2021. The Friendswood Independent School District general fund adopted budget for 2020-2021 is as follows:

<u>General Fund Budget</u>	<u>Original</u>
Budgeted Revenues	\$ 55,972,000
Budgeted Expenditures	56,187,000
	<u>\$ (215,000)</u>

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, 2020

Data Control Codes	Governmental Activities	Business-type Activities	Total
Assets			
1110	\$ 19,016,251	\$ 9,302	\$ 19,025,553
1225	603,069	-	603,069
1240	1,588,927	-	1,588,927
1290	171,002	596	171,598
1300	188,161	-	188,161
1410	987,755	-	987,755
Capital assets not subject to depreciation:			
1510	2,882,739	-	2,882,739
Capital assets net of depreciation:			
1520	70,925,723	-	70,925,723
1530	3,658,612	-	3,658,612
1910	3,044,835	-	3,044,835
1000	103,067,074	9,898	103,076,972
Deferred Outflows of Resources			
	4,166,683	-	4,166,683
	8,769,369	-	8,769,369
	4,479,947	-	4,479,947
1700	17,415,999	-	17,415,999
Liabilities			
2110	1,041,323	-	1,041,323
2120	14,200	-	14,200
2140	160,811	-	160,811
2160	2,710,910	-	2,710,910
2180	14,873	-	14,873
2300	602,391	-	602,391
Noncurrent Liabilities:			
2501	3,625,692	-	3,625,692
2502	92,726,647	-	92,726,647
2540	16,574,576	-	16,574,576
2545	20,193,231	-	20,193,231
2000	137,664,654	-	137,664,654
Deferred Inflows of Resources			
	2,700,689	-	2,700,689
	8,823,213	-	8,823,213
2600	11,523,902	-	11,523,902
Net Position (Deficit)			
3200	(13,959,429)	-	(13,959,429)
Restricted for:			
3820	109,580	-	109,580
3820	447,087	-	447,087
3850	1,595,414	-	1,595,414
3890	19,541	-	19,541
3900	(16,917,676)	9,898	(16,907,778)
3000	\$ (28,705,483)	\$ 9,898	\$ (28,695,585)

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

August 31, 2020

Data Control Codes	Functions/Programs	Expenses	Program Revenue		and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
11	Instruction	\$ 39,125,516	\$ 1,821,530	\$ 4,697,479	\$ (32,606,507)		\$ (32,606,507)
12	Instructional resources and media services	841,437	39,653	68,643	(733,141)		(733,141)
13	Curriculum and staff development	1,459,676	13,218	311,816	(1,134,642)		(1,134,642)
21	Instructional leadership	1,013,505	-	80,639	(932,866)		(932,866)
23	School leadership	3,734,818	66,089	320,168	(3,348,561)		(3,348,561)
31	Guidance, counseling, and evaluation services	2,889,334	26,436	793,056	(2,069,842)		(2,069,842)
32	Social work services	36,628	-	33,150	(3,478)		(3,478)
33	Health services	763,494	-	410,197	(353,297)		(353,297)
34	Student transportation	2,072,126	-	337,232	(1,734,894)		(1,734,894)
35	Food service	2,049,584	1,550,127	234,188	(265,269)		(265,269)
36	Extracurricular activities	2,671,384	674,181	133,222	(1,863,981)		(1,863,981)
41	General administration	2,613,993	-	235,459	(2,378,534)		(2,378,534)
51	Facilities maintenance and	6,043,049	439,537	342,236	(5,261,276)		(5,261,276)
52	Security and monitoring services	703,156	-	-	(703,156)		(703,156)
53	Data processing services	1,482,748	-	119,213	(1,363,535)		(1,363,535)
61	Community services	207,156	159,779	17,140	(30,237)		(30,237)
72	Interest on long-term debt	3,346,089	-	175,942	(3,170,147)		(3,170,147)
93	Payments related to shared services arrangements	39,845	-	-	(39,845)		(39,845)
99	Other intergovernmental charges	336,450	-	-	(336,450)		(336,450)
TG	Total governmental activities	<u>71,429,988</u>	<u>4,790,550</u>	<u>8,309,780</u>	<u>(58,329,658)</u>		<u>(58,329,658)</u>
Business-type activities:							
01	Fuel Fund	-	8,408	-	-	\$ 8,408	8,408
02	Vending Fund	36,998	52,374	-	-	15,376	15,376
TB	Total business-type activities	<u>36,998</u>	<u>60,782</u>	<u>-</u>	<u>-</u>	<u>23,784</u>	<u>23,784</u>
TP	Total primary government	<u>\$ 71,466,986</u>	<u>\$ 4,851,332</u>	<u>\$ 8,309,780</u>	<u>(58,329,658)</u>	<u>23,784</u>	<u>(58,305,874)</u>
General revenues:							
Taxes:							
MT	Property taxes, levied for general purposes				33,774,216	-	33,774,216
DT	Property taxes, levied for debt service				7,030,267	-	7,030,267
SF	State-aid formula grants				15,810,180	-	15,810,180
IE	Investment earnings				374,327	-	374,327
FR	Transfers				48,169	(48,169)	-
TR	Total general				<u>57,037,159</u>	<u>(48,169)</u>	<u>56,988,990</u>
CN	Change in net position				(1,292,499)	(24,385)	(1,316,884)
NB	Net position (deficit) - beginning				<u>(27,412,984)</u>	<u>34,283</u>	<u>(27,378,701)</u>
NE	Net position (deficit) - ending				<u>\$ (28,705,483)</u>	<u>\$ 9,898</u>	<u>\$ (28,695,585)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2020**

Data Control Codes	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
1110 Cash and temporary investments	\$ 12,522,529	\$ 1,655,847	\$ 4,590,664	\$ 18,769,040
Receivables:				
1220 Property taxes - delinquent	578,201	129,674	-	707,875
1230 Allowance for uncollectible taxes (credit)	(84,331)	(20,475)	-	(104,806)
1240 Receivables from other governments	1,089,108	-	499,819	1,588,927
1260 Due from other funds	469,635	-	-	469,635
1290 Other receivables	170,891	-	111	171,002
1300 Inventories, at cost	188,161	-	-	188,161
1410 Prepaid items	799,114	-	188,641	987,755
1910 Long-term investments	3,044,835	-	-	3,044,835
1000 Total Assets	\$ 18,778,143	\$ 1,765,046	\$ 5,279,235	\$ 25,822,424
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
2110 Accounts payable	\$ 660,341	\$ 500	\$ 380,482	\$ 1,041,323
2120 Other liabilities - current	14,200	-	-	14,200
2160 Accrued wages payable	2,704,131	-	6,779	2,710,910
2170 Due to other funds	-	-	469,635	469,635
2180 Payable to other governments	-	-	14,873	14,873
2300 Unearned revenue	253,154	8,321	340,916	602,391
2000 Total Liabilities	3,631,826	8,821	1,212,685	4,853,332
Deferred Inflows of Resources				
2600 Unavailable revenue - property taxes	429,029	95,821	-	524,850
2600 Total Deferred Inflows of Resources	429,029	95,821	-	524,850
Fund Balances:				
Nonspendable:				
3410 Inventories	188,161	-	-	188,161
3430 Prepaid items	799,114	-	333	799,447
Restricted:				
3450 Grant restrictions	-	-	556,667	556,667
3480 Debt service	-	1,660,404	-	1,660,404
3490 Other	-	-	19,541	19,541
Committed:				
3545 Other purposes	2,700,000	-	1,362,438	4,062,438
Assigned:				
3570 Capital expenditures for equipment	-	-	2,127,571	2,127,571
3600 Unassigned	11,030,013	-	-	11,030,013
3000 Total Fund Balances	14,717,288	1,660,404	4,066,550	20,444,242
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 18,778,143	\$ 1,765,046	\$ 5,279,235	\$ 25,822,424

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
August 31, 2020

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 20,444,242
	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.	77,467,074
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).	524,850
3	Deferred charges on refunding	4,166,683
4	Deferred inflows relating to pension activities	(2,700,689)
5	Deferred inflows relating to OPEB activities	(8,823,213)
	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	(85,170,000)
7	Premiums on issuance	(10,423,186)
8	Accrued compensated absences	(759,153)
9	Accrued interest payable	(160,811)
10	Net pension liability	(16,574,576)
11	Net OPEB liability	(20,193,231)
12	Deferred outflows relating to pension activities	8,769,369
13	Deferred outflows relating to OPEB activities	4,479,947
14	Addition of Internal Service fund net position	247,211
19	Total net deficit - governmental activities	<u><u>\$ (28,705,483)</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

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	\$ 35,804,103	\$ 7,061,900	\$ 3,108,683	\$ 45,974,686
5800	State program revenues	18,795,115	175,942	1,156,270	20,127,327
5900	Federal program revenues	496,116	-	1,629,841	2,125,957
5020	Total Revenues	<u>55,095,334</u>	<u>7,237,842</u>	<u>5,894,794</u>	<u>68,227,970</u>
Expenditures					
Current:					
0011	Instruction	30,379,225	-	2,222,971	32,602,196
0012	Instruction resources and media services	663,349	-	47,983	711,332
0013	Curriculum and instructional staff development	999,705	-	223,630	1,223,335
0021	Instructional leadership	826,475	-	4,860	831,335
0023	School leadership	3,061,879	-	65,099	3,126,978
0031	Guidance, counseling and evaluation services	1,783,966	-	597,139	2,381,105
0032	Social work services	1,650	-	34,800	36,450
0033	Health services	644,030	-	7,718	651,748
0034	Student transportation	1,674,314	-	616,627	2,290,941
0035	Food services	73,128	-	1,855,298	1,928,426
0036	Extracurricular activities	1,909,916	-	413,205	2,323,121
0041	General administration	2,210,504	-	198	2,210,702
0051	Facilities maintenance and operations	5,227,636	-	121,256	5,348,892
0052	Security and monitoring services	684,706	-	90,243	774,949
0053	Data processing services	1,230,017	-	19,921	1,249,938
0061	Community services	179,978	-	650	180,628
Debt service:					
0071	Principal on long-term debt	-	3,240,000	-	3,240,000
0072	Interest on long-term debt	-	3,770,797	-	3,770,797
0073	Debt service costs and fees	-	4,750	-	4,750
Capital outlay:					
0081	Facilities acquisition and construction	950,100	-	1,440,092	2,390,192
Intergovernmental:					
0093	Payments related to shared services arrangements	39,845	-	-	39,845
0099	Other intergovernmental charges	336,450	-	-	336,450
6030	Total Expenditures	<u>52,876,873</u>	<u>7,015,547</u>	<u>7,761,690</u>	<u>67,654,110</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,218,461</u>	<u>222,295</u>	<u>(1,866,896)</u>	<u>573,860</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	1,946,388	1,946,388
8911	Transfers out	(1,800,000)	-	(98,219)	(1,898,219)
7080	Total other financing sources (uses)	<u>(1,800,000)</u>	<u>-</u>	<u>1,848,169</u>	<u>48,169</u>
1200	Net change in fund balances	418,461	222,295	(18,727)	622,029
0100	Fund Balance - September 1 (Beginning)	<u>14,298,827</u>	<u>1,438,109</u>	<u>4,085,277</u>	<u>19,822,213</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 14,717,288</u>	<u>\$ 1,660,404</u>	<u>\$ 4,066,550</u>	<u>\$ 20,444,242</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, 2020

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ 622,029
	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	3,304,921
	Depreciation Expense	(5,744,230)
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,600)
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.	1,222,580
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.	315,191
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.	3,240,000
	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	(3,707,207)
7	OPEB expense for the OPEB plan measurement year	(828,442)
8	Decrease in interest payable not recognized in fund statements	6,273
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	(33,162)
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).	<u>(102,037)</u>
	Change in net position of governmental activities (see B-1)	<u><u>\$ (1,292,499)</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2020

Data Control Codes		Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	Assets		
1110	Cash and cash equivalents	\$ 9,302	\$ 247,211
1290	Other receivables	596	-
1000	Total Assets	<u>9,898</u>	<u>247,211</u>
	Net Position		
3900	Unrestricted net position	9,898	247,211
3000	Total Net Position	<u>\$ 9,898</u>	<u>\$ 247,211</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2020

Exhibit D-2

Data Control Codes		Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	Operating Revenues		
5754	Charges for services	\$ 60,782	\$ 4,420
5020	Total Operating Revenues	<u>60,782</u>	<u>4,420</u>
	Operating Expenses		
6200	Purchased and contracted services	34,199	-
6400	Claims expense and other operating expenses	2,799	112,731
6030	Total Operating Expenses	<u>36,998</u>	<u>112,731</u>
1200	Operating Income	<u>23,784</u>	<u>(108,311)</u>
	Non-Operating Revenues (Expenses)		
7955	Investment earnings	-	6,274
	Total Non-operating Revenues (Expenses)	<u>-</u>	<u>6,274</u>
	Income (loss) before transfers	23,784	(102,037)
	Transfers		
8911	Transfers out	(48,169)	-
	Total Transfers	<u>(48,169)</u>	<u>-</u>
1200	Change in Net Position	(24,385)	(102,037)
0100	Net Position - September 1 (Beginning)	34,283	349,248
3300	Net Position - August 31 (Ending)	<u>\$ 9,898</u>	<u>\$ 247,211</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2020

Exhibit D-3

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from user charges	\$ 58,588	\$ -
Cash receipts from quasi-external operating activities with other funds	-	4,420
Cash payments for insurance claims	-	(112,731)
Cash payments to suppliers for goods and services	(36,998)	-
Net Cash Provided by (Used for) Operating Activities	<u>21,590</u>	<u>(108,311)</u>
Cash Flows from Non-Capital Financing Activities:		
Advances to other funds	(48,169)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(48,169)</u>	<u>-</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(26,579)	(108,311)
Cash and Cash Equivalents at Beginning of Year	35,881	349,248
Cash and Cash Equivalents at End of Year	<u>\$ 9,302</u>	<u>\$ 240,937</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	\$ 9,302	\$ 247,211
Cash and Cash Equivalents per Balance Sheet	<u>\$ 9,302</u>	<u>\$ 247,211</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 23,784	\$ (108,311)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	1,047	-
Increase (decrease) in accounts payable	(3,241)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 21,590</u>	<u>\$ (108,311)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2020

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	\$ 342,308
1290	Other receivables	-	7,627
	Total Assets	<u>\$ 7,189</u>	<u>\$ 349,935</u>
	 Liabilities		
2110	Accounts payable	\$ 500	\$ 25,141
2180	Due to others	-	34,874
2190	Due to student groups	-	289,920
2000	Total Liabilities	<u>500</u>	<u>\$ 349,935</u>
	 Net Position		
3800	Restricted	<u>\$ 6,689</u>	

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2020

Exhibit E-2

	<u>Private Purpose Trust Funds</u>
Additions	\$ -
Total additions	<u>-</u>
Deductions	
Non-operating expenses	500
Total deductions	<u>500</u>
Change in net position	(500)
Net position beginning of year	<u>7,189</u>
Net position end of year	<u><u>\$ 6,689</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 2020 (tax year 2019) were \$3,229,186,835. 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 \$1.2594, which included \$1.0424 for maintenance and operations, and \$0.2170 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 2020 fiscal year was \$40,668,379. 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 are 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

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

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 \$2,127,571 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 ensure 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.

Current and Future GASB Pronouncements

The following GASB pronouncements have been implemented by the District in the current fiscal year:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement was issued in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements are postponed by 12 months:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

The District implemented GASB No. 83 *Certain Asset Retirement Obligations* and GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in fiscal year 2019. The District plans on implementing GASB No. 84 *Fiduciary Activities* in fiscal year 2021 and GASB No. 87 *Leases* in fiscal year 2022.

Note 1 - Summary of Significant Accounting Policies (continued)

Current and Future GASB Pronouncements (continued)

The following GASB pronouncements have been issued but not yet implemented by the District:

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

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, 2020, the District's cash in bank totaled \$6,600,970 while the carrying value was \$5,862,501. Pledged collateral and FDIC insurance for these deposits totaled \$18,736,348. Certificates of deposit requiring collateral at August 31, 2020 totaled \$3,600,000. A letter of credit and NCUSIF insurance for the certificates of deposit totaled \$3,838,262. 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, 2020.

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 2020, 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	\$ 5,503,702	N/A
Certificates of deposit	3,600,000	225
Investments		
Local Government Investment Pools:		
Lone Star	3,577,542	24
MBIA Texas Class	48,375	54
TexPool	1,716,847	27
TexSTAR	1,489,324	29
TexasDAILY	2,099,949	48
Total Local Government Investment Pools	<u>8,932,037</u>	31
Money Market:		
TD Ameritrade	29,485	1
Securities:		
Federal Farm Credit Bank	170,454	241
Municipal Bonds	<u>3,825,408</u>	386
Total Securities	<u>3,995,862</u>	380
Total Investments	<u>16,557,384</u>	157
Total Governmental Activities	<u>22,061,086</u>	
Business-type Activities:		
Cash and deposits	<u>9,302</u>	N/A
Total Business-type Activities	<u>9,302</u>	
Fiduciary Funds:		
Cash and deposits	<u>349,497</u>	N/A
Total Fiduciary Funds	<u>349,497</u>	
Total	<u>\$ 22,419,885</u>	
Investment earnings	<u>\$ 374,327</u>	
Total Investment earnings	<u>\$ 374,327</u>	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments' fair value measurement are as follows at August 31, 2020:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
Debt securities:				
Certificates of Deposit	\$ 3,600,000	\$ 3,600,000	\$ -	\$ -
Federal Farm Credit Bank	170,454	-	170,454	-
Municipal Bonds	3,825,408	-	3,825,408	-
Total debt securities	<u>\$ 7,595,862</u>	<u>\$ 3,600,000</u>	<u>\$ 3,995,862</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. The weighted average maturity for the general fund, debt service fund, and internal service fund pooled fund groups are 173, 27, and 109, respectively.

	<u>Carrying Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	\$ 3,600,000	\$ 2,600,000	\$ 1,000,000
Local Government Investment Pools:			
Lone Star	3,577,542	3,577,542	-
MBIA Texas Class	48,375	48,375	-
TexPool	1,716,847	1,716,847	-
TexSTAR	1,489,324	1,489,324	-
TexasTERM	2,099,949	2,099,949	-
Money Market - TD Ameritrade	29,485	29,485	-
Investment Securities:			
Federal Farm Credit Bank	170,454	170,454	-
Municipal Bonds	3,825,408	1,780,573	2,044,835
	<u>\$ 16,557,384</u>	<u>\$ 13,512,549</u>	<u>\$ 3,044,835</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. 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.

Note 2 - Deposits and Investments (continued)

Credit Risk (continued)

As of August 31, 2020, the District's portfolio consisted of the following:

Investment Type	Carrying Value	Percentage of Portfolio	Rating	Rating Agency
Certificates of deposit	\$ 3,600,000	21.8%	N/A	N/A
Lone Star	3,577,542	21.6%	AAAm	Standard and Poor's
MBIA Texas Class	48,375	0.3%	AAAm	Standard and Poor's
TexPool	1,716,847	10.4%	AAAm	Standard and Poor's
TexSTAR	1,489,324	9.0%	AAAm	Standard and Poor's
TexasDAILY	2,099,949	12.7%	AAAm	Standard and Poor's
Money Market	29,485	0.2%	N/A	N/A
Municipal Bonds	3,825,408	23.1%	A+ to AAA	Standard and Poor's
Federal Farm Credit Bank	170,454	1.0%	AA+	Standard and Poor's
	<u>16,557,384</u>	<u>100%</u>		

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:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Property taxes	\$ 578,201	\$ 129,674	\$ -	\$ -	\$ -	\$ 707,875
Due from other governments	1,089,108	-	499,819	-	-	1,588,927
Other	170,891	-	111	596	7,627	179,225
Gross receivables	1,838,200	129,674	499,930	596	7,627	2,476,027
Less allowance for doubtful accounts	(84,331)	(20,475)	-	-	-	(104,806)
Net total receivables	<u>\$ 1,753,869</u>	<u>\$ 109,199</u>	<u>\$ 499,930</u>	<u>\$ 596</u>	<u>\$ 7,627</u>	<u>\$ 2,371,221</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 \$602,391.

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

	<u>Balance</u> <u>September 01, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31, 2020</u>
Capital assets, not being depreciated				
Land	\$ 2,561,019	\$ 321,720	\$ -	\$ 2,882,739
Total Capital assets, not being depreciated	<u>2,561,019</u>	<u>321,720</u>	<u>-</u>	<u>2,882,739</u>
Capital assets, being depreciated				
Buildings and improvements	144,423,119	2,199,157		146,622,276
Furniture and equipment	11,562,037	784,044	(278,464)	12,067,617
Total Capital assets, being depreciated	<u>155,985,156</u>	<u>2,983,201</u>	<u>(278,464)</u>	<u>158,689,893</u>
Less accumulated depreciation for:				
Buildings and improvements	(70,811,970)	(4,884,583)	-	(75,696,553)
Furniture and Equipment	(7,827,822)	(859,647)	278,464	(8,409,005)
Total Accumulated depreciation	<u>(78,639,792)</u>	<u>(5,744,230)</u>	<u>278,464</u>	<u>(84,105,558)</u>
Governmental Capital Assets	<u>\$ 79,906,383</u>	<u>\$ (2,439,309)</u>	<u>\$ -</u>	<u>\$ 77,467,074</u>

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

<u>Function</u>	<u>Depreciation</u> <u>Expense</u>
Instruction	\$ 3,251,865
Instructional resources and media services	71,443
Curriculum and staff development	107,884
Instructional leadership	89,180
School leadership	330,211
Guidance, counseling and evaluation services	192,385
Social work services	178
Health services	63,248
Student transportation	180,531
Food Services	200,351
Extracurricular activities	205,373
General administration	237,278
Plant maintenance and operations	562,028
Security and monitoring services	73,805
Data processing services	159,047
Community services	19,423
	<u>\$ 5,744,230</u>

The District had no open construction commitments at August 31, 2020.

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, 2020, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Funds			
General Fund	\$ 469,635	\$ -	\$ 469,635
Nonmajor Governmental Funds	-	469,635	(469,635)
Total Governmental Funds	<u>469,635</u>	<u>469,635</u>	<u>-</u>
Total	<u>\$ 469,635</u>	<u>\$ 469,635</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, 2020:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 1,800,000
Nonmajor Governmental Fund	Nonmajor Governmental Fund	98,219
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	48,169
Total		<u>\$ 1,946,388</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 workday.

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

The following summarizes the District’s liability and the changes for the year:

Balance, September 1, 2019	\$ 725,991
Additions: New entrants and salary increments	300,672
Deductions: Payments to participants	<u>(267,510)</u>
Balance, August 31, 2020	<u><u>\$ 759,153</u></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, 2020, the legal debt limit was \$322,918,684 and the legal debt margin was \$228,985,902.

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, 2020.

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, 2020 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	\$ 1,850,000
Unlimited Tax Refunding Bonds, Series 2016	88,965,000	2.00% to 5.00%	2/15/2037	<u>83,320,000</u>
				<u><u>\$ 85,170,000</u></u>

Note 7 - Long-Term Liabilities (continued)

Debt service requirements to maturity are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	4,110,000	2,904,900	7,014,900
2026 - 2030	23,675,000	11,390,075	35,065,075
2031 - 2035	29,345,000	5,724,100	35,069,100
2036 - 2037	13,480,000	544,600	14,024,600
	<u>\$ 85,170,000</u>	<u>\$ 34,056,225</u>	<u>\$ 119,226,225</u>

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, 2020:

	<u>Balance August 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2020</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 88,410,000	\$ -	\$ (3,240,000)	\$ 85,170,000	\$ 3,390,000
Premiums/discounts	11,099,294	-	(676,108)	10,423,186	-
Workers' compensation claims	-	112,731	(112,731)	-	-
Accrued compensated absences	725,991	300,672	(267,510)	759,153	235,692
	<u>\$ 100,235,285</u>	<u>\$ 413,403</u>	<u>\$ (4,296,349)</u>	<u>\$ 96,352,339</u>	<u>\$ 3,625,692</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 Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Property Taxes	\$ 33,785,765	\$ 7,030,318	\$ -	\$ -	\$ 40,816,083
Investment Income	325,230	31,582	11,241	-	368,053
Rent	413,101	-	-	-	413,101
Co-curricular student activities	337,255	-	-	8,408	345,663
Food Sales	-	-	1,550,127	52,374	1,602,501
Other	942,752	-	1,547,315	4,420	2,494,487
	<u>\$ 35,804,103</u>	<u>\$ 7,061,900</u>	<u>\$ 3,108,683</u>	<u>\$ 65,202</u>	<u>\$ 46,039,888</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, 2020. Rental expenditures during the year amounted to \$206,765.

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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detail 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 online at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions

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

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

	Contribution Rates	
	2020	2019
Member	7.70%	7.70%
Non-Employer Contributing Entity	7.50%	6.80%
Employers	7.50%	6.80%

	Fiscal Year
	2020
	Contributions
Employer (District)	\$ 1,220,580
Employee (Member)	3,006,876
Non-Employer Contributing Entity	
On-Behalf Contributions (State)	2,217,840

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

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

In addition to the employer contributions listed above, there is an additional surcharge 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%. 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."
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate

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

Note 11 – Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>New Target Allocation²</u>	<u>Long-Term Expected Geometric Real Rate of Return³</u>
Global Equity			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ⁴	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds ⁴	3.00%	0.00%	0.00%
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5% ⁵
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.00%	-6.00%	2.70%
Expected Return	<u>100.00%</u>	<u>100.00%</u>	<u>7.23%</u>

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019.

² New allocations are based on the Strategic Asset Allocation to be implemented in FY2020.

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

⁴ New Target Allocation groups Government Bonds within the stable value allocation.

This includes global sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) volatility.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis (continued)

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 (7.25%) in measuring the Net Pension Liability.

	Discount Rate		
	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the Net Pension Liability:	\$ 25,477,531	\$ 16,574,576	\$ 9,361,464

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

At August 31, 2020, the District reported a liability of \$16,574,576 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	\$ 16,574,576
State's proportionate share that is associated with the District	<u>26,688,300</u>
Total	<u><u>\$ 43,262,876</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0319% which was an increase of 0.0003% from its proportion measured as of August 31, 2019 of 0.0316%.

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 single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

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

For the year ended August 31, 2020, the District recognized pension expense of \$7,899,563, which includes on-behalf revenue and expense of \$4,192,356 representing support provided by the State on behalf of the District.

At August 31, 2020, 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	\$ 69,628	\$ (575,496)
Changes of assumption	5,142,247	(2,125,020)
Net difference between projected and actual investment earnings	166,428	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	2,170,810	(173)
District contributions subsequent to the measurement date	1,220,256	-
Total	<u>\$ 8,769,369</u>	<u>\$ (2,700,689)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,220,256 will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. 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
2021	\$ 1,263,767
2022	1,066,058
2023	1,195,047
2024	1,095,249
2025	375,042
Thereafter	(146,739)
	<u>\$ 4,848,424</u>

Note 12 - Defined Other Post-Employment Benefit Plans

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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 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 online at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. 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 postemployment benefit changes; including automatic COLAs.

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

	TRS-Care Monthly for Retirees	
	Medicare	Non-Medicare
Retiree 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.

Note 12 - Defined Other Post-Employment Benefit Plans

Contributions (continued)

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	
	2020	2019
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%

	Fiscal Year
	2020
	Contributions
Member (Employee)	\$ 691,324
Non-employer contributing agency (State)	767,628
District	315,191

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When hiring a TRS retiree, employers are required to pay 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 \$73.6 million in fiscal year 2019.

In addition, \$230,756,971 was transferred to TRS to pay for TRS-Care during the 86th Legislative Session, House Bill 1. GASB Statement No. 85 requires that an on-behalf payment is recorded for the districts proportionate share. The proportionate share was determined using the GASB Statement No. 75 TRS-Care proportionate share allocation. For the year ended August 31, 2020, the District recorded an expenditure for their proportionate share of the funds along with the corresponding revenue of \$98,533.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	Initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. Initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.
Ad hoc post-employment benefit changes	None

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Salary Increases.

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

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a change of 1.06% 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.

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 (2.63%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (1.63%)	Current Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the Net OPEB Liability:	\$ 24,379,712	\$ 20,193,231	\$ 16,918,147

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

At August 31, 2020, the District reported a liability of \$20,193,231 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	\$ 20,193,231
State's proportionate share that is associated with District	26,832,290
Total	<u>\$ 47,025,521</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District’s proportion of the collective Net OPEB Liability was 0.0427% which was a decrease of 0.0002% from its proportion measured as of August 31, 2018 of 0.0429%.

Note 12 - 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 following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater 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:	\$ 16,472,931	\$ 20,193,231	\$ 25,176,729

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$1,535,633, which includes on-behalf revenue and expense of \$707,189 representing support provided by the State on behalf of the District.

At August 31, 2020, 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	\$ 990,650	\$ (3,304,408)
Changes in actuarial assumptions	1,121,577	(5,431,484)
Net difference between projected and actual investment earnings	2,178	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,050,351	(87,321)
Contributions paid to TRS subsequent to the measurement date	315,191	-
Total	\$ 4,479,947	\$ (8,823,213)

Note 12 - 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 \$315,191 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, 2021. 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 August 31:	OPEB Expense Amount
2021	\$ (833,748)
2022	(833,748)
2023	(834,453)
2024	(834,856)
2025	(834,748)
Thereafter	(486,904)
	<u><u>\$ (4,658,457)</u></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, 2020, 2019, and 2018, the subsidy payments received by the TRS-Care on-behalf of the district were \$188,781, \$141,774, and \$108,098 respectively. The payments are recorded as equal revenues and expenditures in the governmental funds’ financial statements of the District.

Note 13 - 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 14 - Shared Service Arrangements / Joint Ventures

The District participates in two separate Shared Service Arrangements.

The District participates in a Shared Service Arrangement (SSA) for the Galveston-Brazoria Co-op for the for the Deaf 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><u>\$ 14,876</u></u>
Expenditures:	
Payroll costs	\$ 11,157
Contract services	1,579
Supplies and materials	1,867
Other operating costs	174
Capital outlay	99
Total Expenditures	<u><u>\$ 14,876</u></u>

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 \$24,969 for the 2020 fiscal year. Expenditures in the same amount were attributable to payroll costs.

Note 15 - 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 16 - 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, 2020.

Note 17 – Subsequent Events

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Harris County, also declared a local state of disaster.

The TEA advised districts that for to stabilize funding expectations for 2020-21, districts will be provided an ADA grace period for the first two six weeks of Foundation School Program reporting. Specifically, TEA will replace attendance numbers for each eligible LEA’s 2020-2021 first two six-week attendance periods with projected ADA and student FTE numbers calculating using a three-year average trend of final numbers from the 2017-2018 through the 2019-2020 school years, unless this projection is both 15% higher and 100 ADA higher than the 2020- 2021 LPE projections. In the latter case, 2020-2021 LPE counts will be used. Student enrollment as of mid- September 2020 is lower than budgeted student enrollment and the District is actively contacting all students who were dropped in 2020-21 due to not showing for remote instruction at the start of school in August 2020.

TEA will make available an ADA hold harmless for the third six weeks attendance reporting period, on the condition that LEAs allow on-campus instruction throughout the entire third six weeks period, as further described below. The ADA hold harmless methodology will be identical to the methodology used for the first two six weeks attendance reporting periods, except that the third six weeks will be examined independent of the first two six weeks attendance reporting periods. Specifically, if an LEA’s refined ADA counts during the third six weeks attendance reporting period is less than the ADA hold harmless projections (described in the prior question and available online), the third six-weeks attendance reporting period for 2020–2021 will be excluded from the calculation of ADA and student FTEs for FSP funding purposes and will be replaced with the ADA hold harmless projections. As noted above, this ADA hold harmless methodology will only apply to attendance-based counts and will not apply to enrollment-based FSP allotments such as the state compensatory education allotment and the dyslexia allotment.

The full extent of the ongoing impact of COVID-19 on the District’s 2020-21 fiscal year and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration an D-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2020

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	\$ 35,725,888	\$ 35,725,888	\$ 35,804,103	\$ 78,215
5800	State program revenues	17,492,112	17,492,112	18,795,115	1,303,003
5900	Federal program revenues	442,000	442,000	496,116	54,116
5020	Total Revenues	<u>53,660,000</u>	<u>53,660,000</u>	<u>55,095,334</u>	<u>1,435,334</u>
Expenditures					
Current:					
0011	Instruction	30,773,323	30,623,849	30,379,225	244,624
0012	Instruction resources and media services	691,031	747,231	663,349	83,882
0013	development	984,012	1,053,262	999,705	53,557
0021	Instructional leadership	784,497	883,717	826,475	57,242
0023	School leadership	3,028,336	3,105,398	3,061,879	43,519
0031	Guidance, counseling and evaluation services	1,786,538	1,823,529	1,783,966	39,563
0032	Social work services	1,650	9,060	1,650	7,410
0033	Health services	544,165	747,795	644,030	103,765
0034	Student transportation	2,046,097	1,845,834	1,674,314	171,520
0035	Food services	-	73,454	73,128	326
0036	Extracurricular activities	2,089,342	2,042,743	1,909,916	132,827
0041	General administration	2,463,135	2,444,625	2,210,504	234,121
0051	Facilities maintenance and operations	5,521,689	5,639,769	5,227,636	412,133
0052	Security and monitoring services	750,908	778,648	684,706	93,942
0053	Data processing services	1,455,034	1,537,315	1,230,017	307,298
0061	Community services	289,243	190,264	179,978	10,286
Capital outlay:					
0081	Facilities, acquisition and construction	50,000	970,100	950,100	20,000
Intergovernmental:					
0093	Payments related to shared services arrangements	46,000	51,000	39,845	11,155
0095	Payments to Juvenile Justice Alternative Education Programs	10,000	15,000	-	15,000
0099	Other intergovernmental charges	345,000	345,350	336,450	8,900
6030	Total Expenditures	<u>53,660,000</u>	<u>54,927,943</u>	<u>52,876,873</u>	<u>2,051,070</u>
1100	Excess (deficiency) of revenues over expenditures	-	(1,267,943)	2,218,461	3,486,404
Other Financing Sources (Uses)					
8911	Transfers out	-	-	(1,800,000)	(1,800,000)
7080	Total other financing sources (uses)	-	-	(1,800,000)	(1,800,000)
1200	Net change in fund balances	-	(1,267,943)	418,461	1,686,404
0100	Fund balances - beginning	<u>14,298,827</u>	<u>14,298,827</u>	<u>14,298,827</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 14,298,827</u>	<u>\$ 13,030,884</u>	<u>\$ 14,717,288</u>	<u>\$ 1,686,404</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, 2020.

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, 2019. 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 SIX MEASUREMENT YEARS

Exhibit G-3

	2019	2018	2017
District's proportionate share of the net pension liability	\$ 16,574,576	\$ 17,399,059	\$ 9,303,323
State's proportionate share of the net pension liability associated with the District	26,688,300	29,981,051	17,831,579
Total	<u>\$ 43,262,876</u>	<u>\$ 47,380,110</u>	<u>\$ 27,134,902</u>
District's covered payroll (for Measurement Year)	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606
District's proportionate share of the net pension liability as a percentage of covered payroll	44.79%	47.51%	26.86%
Plan fiduciary net position as a percentage of the total pension liability *	75.24%	73.74%	82.17%
Plan's net pension liability as a percentage of covered payroll *	114.93%	126.11%	75.93%
	2016	2015	2014
District's proportionate share of the net pension liability	\$ 9,980,962	\$ 9,594,406	\$ 4,150,735
State's proportionate share of the net pension liability associated with the District	21,689,972	20,961,599	17,620,461
Total	<u>\$ 31,670,934</u>	<u>\$ 30,556,005</u>	<u>\$ 21,771,196</u>
District's covered payroll (for Measurement Year)	\$ 32,808,364	\$ 31,141,812	\$ 29,900,254
District's proportionate share of the net pension liability as a percentage of covered payroll	30.42%	30.81%	13.88%
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll *	92.75%	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 SEVEN FISCAL YEARS

Exhibit G-4

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 1,222,580	\$ 1,115,693	\$ 1,064,870	\$ 953,601
Contributions in relation to the contractual required contributions	<u>1,222,580</u>	<u>1,115,693</u>	<u>1,064,870</u>	<u>953,601</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606
Contributions as a percentage of covered payroll	3.10%	3.02%	2.91%	2.75%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contributions	\$ 874,428	\$ 790,748	\$ 393,963	
Contributions in relation to the contractual required contributions	<u>874,428</u>	<u>790,748</u>	<u>393,963</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254	
Contributions as a percentage of covered payroll	2.67%	2.54%	1.32%	

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

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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 THREE MEASUREMENT YEARS

Exhibit G-5

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportionate share of the net OPEB liability	\$ 20,193,231	\$ 21,398,962	\$ 16,779,851
State's proportionate share of the net OPEB liability associated with the District	26,832,290	32,141,434	27,978,520
Total	<u>\$ 47,025,521</u>	<u>\$ 53,540,396</u>	<u>\$ 44,758,371</u>
District's covered payroll (for Measurement Year)	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606
District's proportionate share of the net OPEB liability as a percentage of covered payroll	54.6%	58.43%	48.44%
Plan fiduciary net position as a percentage of the total OPEB liability *	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	135.21%	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 SEVEN FISCAL YEARS

Exhibit G-6

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 315,191	\$ 302,515	\$ 295,653	\$ 203,471
Contributions in relation to the contractual required contributions	<u>315,191</u>	<u>302,515</u>	<u>295,653</u>	<u>203,471</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606
Contributions as a percentage of covered payroll	0.80%	0.82%	0.81%	0.59%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contributions	\$ 189,837	\$ 180,711	\$ 174,025	
Contributions in relation to the contractual required contributions	<u>189,837</u>	<u>180,711</u>	<u>174,025</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254	
Contributions as a percentage of covered payroll	0.58%	0.58%	0.58%	

The District implemented GASB 75 during fiscal year 2018.

Changes of Assumptions

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

Changes of Benefit Terms

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, 2020

Exhibit H-1
Page 1 of 4

Data Control Codes		211	224	225	226
		ESEA Title I, Part A	IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 14,873
	Receivables:				
1240	Receivables from other governments	21,164	380,351	11,648	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 21,164	\$ 380,351	\$ 11,648	\$ 14,873
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	21,164	380,351	11,648	-
2180	Due to other governments	-	-	-	14,873
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	21,164	380,351	11,648	14,873
	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	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 21,164	\$ 380,351	\$ 11,648	\$ 14,873

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit H-1
Page 2 of 4

	240	244	255	263
Data Control Codes	Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III
Assets				
1110	Cash and temporary investments	\$ 475,441	\$ -	\$ -
Receivables:				
1240	Receivables from other governments	-	38,226	6,396
1290	Other receivables	-	-	-
1410	Prepaid items	-	-	-
1000	Total Assets	\$ 475,441	\$ 38,226	\$ 4,600
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ 21,575	\$ -	\$ 460
2160	Accrued wages payable	6,779	-	-
2170	Due to other funds	-	38,226	5,936
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total Liabilities	28,354	38,226	4,600
Fund Balances:				
Nonspendable:				
3430	Prepaid items	-	-	-
Restricted:				
3450	Grant restrictions	447,087	-	-
3490	Other purposes	-	-	-
Committed:				
3545	Other purposes	-	-	-
Assigned:				
3570	Capital expenditures for equipment	-	-	-
3000	Total Fund Balances	447,087	-	-
4000	Total Liabilities and Fund Balances	\$ 475,441	\$ 38,226	\$ 4,600

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit H-1
Page 3 of 4

Data Control Codes		289	397	410	429
		Miscellaneous Federal Programs	Advanced Placement Incentive	Instructional Materials Allotment	State Funded Special Revenue Fund
	Assets				
1110	Cash and temporary investments	\$ -	\$ 6,558	\$ 7,757	\$ 103,022
	Receivables:				
1240	Receivables from other governments	7,710	-	29,724	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	186,407	-
1000	Total Assets	<u>\$ 7,710</u>	<u>\$ 6,558</u>	<u>\$ 223,888</u>	<u>\$ 103,022</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 5,904	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	7,710	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	217,984	-
2000	Total Liabilities	<u>7,710</u>	<u>-</u>	<u>223,888</u>	<u>-</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	-	-	-	-
	Restricted:				
3450	Grant restrictions	-	6,558	-	103,022
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
	Assigned:				
3570	Capital expenditures for equipment	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>6,558</u>	<u>-</u>	<u>103,022</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,710</u>	<u>\$ 6,558</u>	<u>\$ 223,888</u>	<u>\$ 103,022</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit H-1
Page 4 of 4

Data Control Codes		461	480	699	
		<u>Campus Activity</u>	<u>Education Foundation Grants</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	Assets				
1110	Cash and temporary investments	\$ 1,631,238	\$ 26,925	\$ 2,324,850	\$ 4,590,664
	Receivables:				
1240	Receivables from other governments	-	-	-	499,819
1290	Other receivables	101	10	-	111
1410	Prepaid items	333	1,901	-	188,641
1000	Total Assets	<u>\$ 1,631,672</u>	<u>\$ 28,836</u>	<u>\$ 2,324,850</u>	<u>\$ 5,279,235</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 149,076	\$ 6,188	\$ 197,279	\$ 380,482
2160	Accrued wages payable	-	-	-	6,779
2170	Due to other funds	-	-	-	469,635
2180	Due to other governments	-	-	-	14,873
2300	Unearned revenues	119,825	3,107	-	340,916
2000	Total Liabilities	<u>268,901</u>	<u>9,295</u>	<u>197,279</u>	<u>1,212,685</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	333	-	-	333
	Restricted:				
3450	Grant restrictions	-	-	-	556,667
3490	Other purposes	-	19,541	-	19,541
	Committed:				
3545	Other purposes	1,362,438	-	-	1,362,438
	Assigned:				
3570	Capital expenditures for equipment	-	-	2,127,571	2,127,571
3000	Total Fund Balances	<u>1,362,771</u>	<u>19,541</u>	<u>2,127,571</u>	<u>4,066,550</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,631,672</u>	<u>\$ 28,836</u>	<u>\$ 2,324,850</u>	<u>\$ 5,279,235</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, 2020

Exhibit H-2
Page 1 of 4

	211	224	225	226
Data Control Codes	ESEA Title I, Part A	IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary
Revenues				
5700	\$ -	\$ -	\$ -	\$ -
5800	-	-	-	-
5900	187,283	916,710	17,506	130,191
5020 Total Revenues	187,283	916,710	17,506	130,191
Expenditures				
Current:				
0011	51,944	382,496	17,506	58,299
0012	-	-	-	-
0013	135,339	3,293	-	-
0021	-	-	-	-
0023	-	-	-	-
0031	-	530,921	-	-
0032	-	-	-	-
0033	-	-	-	-
0034	-	-	-	71,892
0035	-	-	-	-
0036	-	-	-	-
0041	-	-	-	-
0051	-	-	-	-
0052	-	-	-	-
0053	-	-	-	-
0061	-	-	-	-
Capital outlay:				
0081	-	-	-	-
6030 Total Expenditures	187,283	916,710	17,506	130,191
1100	-	-	-	-
Other Financing Sources (Uses)				
7915	-	-	-	-
8911	-	-	-	-
7080 Total other financing sources (uses)	-	-	-	-
1200	-	-	-	-
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, 2020

Exhibit H-2
Page 2 of 4

Data Control Codes		240	244	255	263
		Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III
Revenues					
5700	Local, intermediate, and out-of-state	\$ 1,561,368	\$ -	\$ -	\$ -
5800	State program revenues	3,793	-	-	-
5900	Federal program revenues	171,660	38,226	80,841	12,457
5020	Total Revenues	<u>1,736,821</u>	<u>38,226</u>	<u>80,841</u>	<u>12,457</u>
Expenditures					
Current:					
0011	Instruction	-	38,226	-	12,457
	Instruction resources and media				
0012	services	-	-	-	-
0013	Curriculum and instructional				
	staff development	-	-	66,576	-
0021	Instructional leadership	-	-	3,760	-
0023	School leadership	-	-	10,208	-
0031	Guidance, counseling and				
	evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	1,855,298	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	198	-
0051	Plant maintenance and operations	-	-	99	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>1,855,298</u>	<u>38,226</u>	<u>80,841</u>	<u>12,457</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(118,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
7915	Transfers in	3,513	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	<u>3,513</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	(114,964)	-	-	-
0100	Fund balance - September 1 (beginning)	<u>562,051</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ 447,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020

Exhibit H-2
Page 3 of 4

Data Control Codes	289 Miscellaneous Federal Programs	397 Advanced Placement Incentive	410 Instructional Materials Allotment	429 State Funded Special Revenue Fund
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	2,088	325,519
5900	Federal program revenues	74,967	-	-
5020	Total Revenues	<u>74,967</u>	<u>2,088</u>	<u>325,519</u>
Expenditures				
Current:				
0011	Instruction	1,336	-	92,970
	Instruction resources and media			
0012	services	-	-	-
0013	Curriculum and instructional			
	staff development	-	1,150	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and			
	evaluation services	9,975	-	28,889
0032	Social work services	33,150	-	-
0033	Health services	-	-	2,419
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	30,506	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
Capital outlay:				
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	<u>74,967</u>	<u>1,150</u>	<u>124,278</u>
1100	Excess (deficiency) of revenues over expenditures	-	938	201,241
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
8911	Transfers out	-	-	(98,219)
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(98,219)</u>
1200	Net change in fund balances	-	938	103,022
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>5,620</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ 6,558</u>	<u>\$ 103,022</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, 2020

Exhibit H-2
Page 4 of 4

Data Control Codes		461	480	699	Total Nonmajor Governmental Funds
		Campus Activity	Education Foundation Grants	Capital Projects Fund	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 1,321,779	\$ 225,536	\$ -	\$ 3,108,683
5800	State program revenues	-	-	-	1,156,270
5900	Federal program revenues	-	-	-	1,629,841
5020	Total Revenues	<u>1,321,779</u>	<u>225,536</u>	<u>-</u>	<u>5,894,794</u>
Expenditures					
Current:					
0011	Instruction	554,725	197,982	-	2,222,971
	Instruction resources and media				
0012	services	38,301	9,682	-	47,983
0013	Curriculum and instructional				
	staff development	6,932	500	-	223,630
0021	Instructional leadership	1,100	-	-	4,860
0023	School leadership	54,391	500	-	65,099
0031	Guidance, counseling and				
	evaluation services	26,854	500	-	597,139
0032	Social work services	1,650	-	-	34,800
0033	Health services	4	5,295	-	7,718
0034	Student transportation	-	-	544,735	616,627
0035	Food service	-	-	-	1,855,298
0036	Extracurricular activities	413,205	-	-	413,205
0041	General administration	-	-	-	198
0051	Plant maintenance and operations	27,565	919	92,673	121,256
0052	Security and monitoring services	1,324	-	58,413	90,243
0053	Data processing services	-	-	19,921	19,921
0061	Community services	-	650	-	650
Capital outlay:					
0081	Facilities acquisition and construction	-	-	1,440,092	1,440,092
6030	Total Expenditures	<u>1,126,051</u>	<u>216,028</u>	<u>2,155,834</u>	<u>7,761,690</u>
1100	Excess (deficiency) of revenues over expenditures	<u>195,728</u>	<u>9,508</u>	<u>(2,155,834)</u>	<u>(1,866,896)</u>
Other Financing Sources (Uses)					
7915	Transfers in	11,863	-	1,931,012	1,946,388
8911	Transfers out	-	-	-	(98,219)
7080	Total other financing sources (uses)	<u>11,863</u>	<u>-</u>	<u>1,931,012</u>	<u>1,848,169</u>
1200	Net change in fund balances	207,591	9,508	(224,822)	(18,727)
0100	Fund balance - September 1 (beginning)	<u>1,155,180</u>	<u>10,033</u>	<u>2,352,393</u>	<u>4,085,277</u>
3000	Fund balance - August 31 (ending)	<u>\$ 1,362,771</u>	<u>\$ 19,541</u>	<u>\$ 2,127,571</u>	<u>\$ 4,066,550</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
August 31, 2020

Exhibit H-3

Data Control Codes		734	740	Total
		Fuel Fund	Vending Fund	
	Assets			
1110	Cash and cash equivalents	\$ 7,294	\$ 2,008	\$ 9,302
1290	Other receivables	596	-	596
1000	Total Assets	<u>7,890</u>	<u>2,008</u>	<u>9,898</u>
	Net Position			
3900	Unrestricted net position	7,890	2,008	9,898
3000	Total Net Position	<u>\$ 7,890</u>	<u>\$ 2,008</u>	<u>\$ 9,898</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2020

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	\$ 9,455	\$ 49,133	\$ 58,588
Cash payments to suppliers for goods and services	-	(36,998)	(36,998)
Net Cash Provided by (Used for) Operating Activities	<u>9,455</u>	<u>12,135</u>	<u>21,590</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to other funds	(32,793)	(15,376)	(48,169)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(32,793)</u>	<u>(15,376)</u>	<u>(48,169)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(23,338)	(3,241)	(26,579)
Cash and Cash Equivalents at Beginning of Year	<u>30,632</u>	<u>5,249</u>	<u>35,881</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,294</u>	<u>\$ 2,008</u>	<u>\$ 9,302</u>
Reconciliation to Balance Sheet			
Cash and Cash Equivalents Per Cash Flow	\$ 7,294	\$ 2,008	\$ 9,302
Cash and Cash Equivalents per Balance Sheet	<u>\$ 7,294</u>	<u>\$ 2,008</u>	<u>\$ 9,302</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 8,408	\$ 15,376	\$ 23,784
Change in Assets and Liabilities			
Decrease (increase) in receivables	1,047	-	1,047
Increase (decrease) in Accounts payable	-	(3,241)	(3,241)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 9,455</u>	<u>\$ 12,135</u>	<u>\$ 21,590</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2020

Exhibit H-6

Data Control Codes		892	893	
		Winston Scholarship Fund	Willard Scholarship Fund	Total Private Purpose Trust Funds
	Assets			
1110	Cash and cash equivalents	\$ 5,796	\$ 1,393	\$ 7,189
	Total Assets	<u>5,796</u>	<u>1,393</u>	<u>7,189</u>
	Liabilities			
2110	Accounts payable	500	-	500
2000	Total Liabilities	<u>500</u>	<u>-</u>	<u>500</u>
	Net Position			
3800	Restricted	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2020

Exhibit H-7

	892	893	
	Winston Scholarship Fund	Willard Scholarship Fund	Total Private Purpose Trust Funds
Additions	\$ -	\$ -	\$ -
Total additions	<u>-</u>	<u>-</u>	<u>-</u>
Deductions			
Non-operating expenses	500	-	500
Total deductions	<u>500</u>	<u>-</u>	<u>500</u>
Change in net position	(500)	-	(500)
Net position beginning of year	<u>5,796</u>	<u>1,393</u>	<u>7,189</u>
Net position end of year	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended August 31, 2020

Exhibit H-8

	<u>Balance</u> <u>August 31, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>August 31, 2020</u>
Assets				
Cash and cash equivalents	\$ 591,637	\$ 45,916,201	\$ (46,165,530)	\$ 342,308
Other receivables	-	7,627	-	7,627
Total Assets	<u>\$ 591,637</u>	<u>\$ 45,923,828</u>	<u>\$ (46,165,530)</u>	<u>\$ 349,935</u>
Liabilities				
Accounts Payable	\$ 35,657	\$ 639,751	\$ (650,267)	\$ 25,141
Due to others	50,609	33,740	(49,475)	34,874
Due to student groups	376,273	784,466	(870,819)	289,920
Unearned revenue	129,098	-	(129,098)	-
Total Liabilities	<u>\$ 591,637</u>	<u>\$ 1,457,957</u>	<u>\$ (1,699,659)</u>	<u>\$ 349,935</u>



REQUIRED TEA SCHEDULES

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2020

Exhibit J-1
Page 1 of 2

Last Ten Fiscal Years	1		2	3	10	20
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 8/31/19	Current Year's Total Levy	
	Maintenance	Debt Service				
2010 and prior	Various	Various	Various	\$ 14,813	\$ -	
2012	1.040000	0.327000	2,096,108,705	11,260	-	
2013	1.040000	0.327000	2,154,126,189	14,149	-	
2014	1.040000	0.327000	2,224,978,200	17,735	-	
2015	1.040000	0.327000	2,331,605,048	26,049	-	
2016	1.040000	0.327000	2,516,791,368	29,287	-	
2017	1.130000	0.257000	2,735,343,475	40,928	-	
2018	1.130000	0.237000	2,955,329,700	60,350	-	
2019	1.170000	0.197000	3,039,984,418	297,534	-	
2020	1.042400	0.217000	3,229,186,835	-	40,668,379	
1000 Totals				\$ 512,105	\$ 40,668,379	

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2020

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 8/31/20</u>
2009 and prior	\$ 1,334	\$ 420	\$ (385)	\$ 12,674
2012	1,580	497	-	9,183
2013	3,094	972	371	10,454
2014	4,781	1,503	(241)	11,210
2015	5,098	1,603	(543)	18,805
2016	6,084	1,913	(816)	20,474
2017	13,768	3,131	1,618	25,647
2018	21,715	4,554	1,853	35,934
2019	194,024	32,669	1,802	72,643
2020	<u>33,410,588</u>	<u>6,955,197</u>	<u>-</u>	<u>302,594</u>
1000 Totals	<u>\$ 33,662,066</u>	<u>\$ 7,002,459</u>	<u>\$ 3,659</u>	519,618
				<u>188,257</u>
				<u>\$ 707,875</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2020

Exhibit J-2

Data Control Codes		Budget		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 2,383,428	\$ 2,383,428	\$ 1,561,368	\$ (822,060)
5800	State Program Revenues	4,500	4,500	3,793	(707)
5900	Federal Program Revenues	247,138	247,138	171,660	(75,478)
5020	Total Revenues	<u>2,635,066</u>	<u>2,635,066</u>	<u>1,736,821</u>	<u>(898,245)</u>
	Expenditures				
	Current:				
0035	Food Services	2,427,076	2,427,076	1,855,298	571,778
6030	Total Expenditures	<u>2,427,076</u>	<u>2,427,076</u>	<u>1,855,298</u>	<u>571,778</u>
1100	Excess (Deficiency) Revenues Over Expenditures	207,990	207,990	(118,477)	(326,467)
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	3,513	3,513
	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,513</u>	<u>3,513</u>
1200	Increase (Decrease) in Fund Balance	207,990	207,990	(114,964)	(322,954)
0100	Fund Balance - September 1 (Beginning)	<u>562,051</u>	<u>562,051</u>	<u>562,051</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 770,041</u>	<u>\$ 770,041</u>	<u>\$ 447,087</u>	<u>\$ (322,954)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2020

Exhibit J-3

Data Control Codes		Budget		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 7,073,716	\$ 7,073,716	\$ 7,061,900	\$ (11,816)
5800	State Program Revenues	171,804	171,804	175,942	4,138
5020	Total Revenues	<u>7,245,520</u>	<u>7,245,520</u>	<u>7,237,842</u>	<u>(7,678)</u>
	Expenditures				
	Debt Service:				
0071	Principal	3,240,000	3,240,000	3,240,000	-
0072	Interest and Fiscal Agent Fees	3,770,797	3,770,797	3,770,797	-
0073	Debt service costs and fees	7,003	7,003	4,750	2,253
6030	Total Expenditures	<u>7,017,800</u>	<u>7,017,800</u>	<u>7,015,547</u>	<u>2,253</u>
1200	Increase (Decrease) in Fund Balance	227,720	227,720	222,295	(5,425)
0100	Fund Balance - September 1 (Beginning)	<u>1,438,109</u>	<u>1,438,109</u>	<u>1,438,109</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,665,829</u>	<u>\$ 1,665,829</u>	<u>\$ 1,660,404</u>	<u>\$ (5,425)</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, 2020, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 8, 2020

**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, 2020. 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 the audit requirements of *Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2020.

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 8, 2020

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

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
IDEA - Part B, High Cost Risk Pool	84.027A
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, 2020

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, 2020

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:				
206600010849116000	<i>IDEA - Part B, Formula</i>	224	84.027A	\$ 952,554
66002006	<i>IDEA - Part B, High Cost Risk Pool</i>	226	84.027A	130,191
206610010849116000	<i>IDEA - Part B, Preschool</i>	225	84.173A	<u>18,191</u>
Total Special Education Cluster (CFDA 84.027, 84.173)				1,100,936
18510701084911	<i>Project Serv Hurricane Reovery Grant</i>	289	84.938A	4,260
18511701084911	<i>Restart Hurricane Recovery</i>	289	84.938A	30,506
19513701084911	<i>Texas Hurricane Homeless Youth</i>	289	84.938B	<u>25,227</u>
Total CFDA 84.938				59,993
20610101084911	<i>ESEA Title I Part A</i>	211	84.010A	194,607
20420006084911	<i>Carl D. Perkins - Basic Formula</i>	244	84.048A	39,707
20671001084911	<i>Title III - Part A, ELA</i>	263	84.365A	12,945
20694501084911	<i>ESEA Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	84,006
69551902	<i>LEP Summer School</i>	289	84.369A	1,336
20680101084911	<i>Title IV, Part A, Subpart 1</i>	289	84.424A	<u>14,171</u>
Total U.S. Department of Education				<u>1,507,701</u>
U.S. Department of Agriculture				
Non Cash Assistance (Commodities):				
00410	<i>National School Lunch Program</i>	240	10.555	53,768
Passed Through Texas Education Agency:				
Cash Assistance:				
71302001	<i>National School Lunch Program</i>	240	10.555	146,085
71402001	<i>School Breakfast Program</i>	240	10.553	21,262
52302001	<i>COVID-19 National School Lunch Program</i>	240	10.555	2,774
52402001	<i>COVID-19 School Breakfast Program</i>	240	10.553	<u>1,466</u>
Total Child Nutrition Cluster CFDA # 10.553, 10.555)				<u>225,355</u>
Total U.S. Department of Agriculture				<u>225,355</u>
Total Expenditures of Federal Awards				<u>\$ 1,733,056</u>

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, 2020. 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 program per the Schedule of Expenditures of Federal Awards ("SEFA") and expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 1,733,056
Medicaid SHARS	340,469
Alternative fuel propane credit	<u>52,432</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 2,125,957</u></u>

Note 4 – General Fund Expenditures

Federal awards reported in the general fund are summarized as follows:

Medicaid SHARS	\$ 340,469
Alternative fuel propane credit	52,432
Indirect Costs:	
National School Lunch Program	46,583
School Breakfast Program	7,112
ESEA Title I Part A	7,324
IDEA - Part B, Formula	35,844
IDEA - Part B, Preschool	685
Carl D. Perkins - Basic Formula	1,481
ESEA Title II, Part A, Supporting Effective Instruction	3,165
Title III - Part A, ELA	488
Title IV, Part A, Subpart 1	533
Total Indirect Costs	<u>103,215</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 496,116</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2020

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, 2020

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

