

**FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended August 31, 2022

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, 2022, at a meeting of the board of trustees of such school district on December 12, 2022.

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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Friendswood Independent School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Houston, Texas
December 12, 2022



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, 2022. 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 \$28,818,673 (net deficit). Of this amount, a deficit of \$21,068,646 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. \$3,845,253 was restricted for debt service, \$1,067,869 was restricted for food service, \$1,982 was restricted for federal and state programs, and \$11,627 was restricted for other purposes. The remaining amount was a deficit unrestricted net position of \$12,676,758.

- The District's total net position decreased by \$313,704 due to decrease in the total amount recorded for the net pension liability, net OPEB liability, and related deferred inflows and outflows. The aggregate negative impact of these amounts decreased by \$1,080,060 from the prior year.
- The District's governmental funds reported combined ending fund balances of \$130,748,463 as of August 31, 2022. Of this amount, \$1,246,722 is non-spendable in the form of (1) inventory in the amount of \$153,987 and (2) prepaid items in the amount of \$1,092,735. Fund balance of \$107,955,673 is restricted for (1) federal and state grants in the amount of \$1,050,351, (2) capital acquisitions in the amount of \$102,861,230, (3) debt service in the amount of \$4,032,465, and (4) \$11,627 for other purposes. Fund balance of \$4,451,165 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 \$1,751,165. Fund balance of \$2,389,606 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$14,705,297 in the general fund is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$5,098 as compared to the prior fiscal year. The unassigned fund balance represents 26% of total general fund expenditures.
- The District's bonded debt decreased by \$5,095,000 due to principal payments made during the current fiscal year for all bonds.

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.

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).

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

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, Facilities 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, debt service fund, and capital projects fund, each of which is considered to be a major fund. 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.

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.

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

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.

A *custodial 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 a custodial fund.

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.

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 \$28,818,673 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.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 141,674,148	\$ 154,515,422	\$ 30,494	\$ 18,854	\$ 141,704,642	\$ 154,534,276
Capital and non current assets	92,743,003	76,799,586	-	-	92,743,003	76,799,586
Total Assets	234,417,151	231,315,008	30,494	18,854	234,447,645	231,333,862
Deferred outflows	13,731,906	14,555,294	-	-	13,731,906	14,555,294
Total Deferred Outflows of Resources	13,731,906	14,555,294	-	-	13,731,906	14,555,294
Current liabilities	31,822,818	21,389,375	22,722	2,476	31,845,540	21,391,851
Long term liabilities	224,161,518	237,869,468	-	-	224,161,518	237,869,468
Total Liabilities	255,984,336	259,258,843	22,722	2,476	256,007,058	259,261,319
Deferred inflows	20,991,166	15,132,806	-	-	20,991,166	15,132,806
Total Deferred Inflows of Resources	20,991,166	15,132,806	-	-	20,991,166	15,132,806
Net Position						
Net investment in capital assets	(21,068,646)	(17,679,938)	-	-	(21,068,646)	(17,679,938)
Restricted	4,926,731	3,992,916	-	-	4,926,731	3,992,916
Unrestricted	(12,684,530)	(14,834,325)	7,772	16,378	(12,676,758)	(14,817,947)
Total Net Position	\$ (28,826,445)	\$ (28,521,347)	\$ 7,772	\$ 16,378	\$ (28,818,673)	\$ (28,504,969)

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

	Governmental Activities	
	2022	2021
Federal and state programs	\$ 1,982	\$ 4,643
Food Service	1,067,869	585,213
Debt Service	3,845,253	3,391,433
Other Purposes	11,627	11,627
	\$ 4,926,731	\$ 3,992,916

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$12,684,530. 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 \$305,098 during the current fiscal year due to depreciation of capital assets. The aggregate negative impact of these amounts decreased by \$1,080,060 from the prior year. The District's net position of the business-type activities had an ending balance of \$7,772, all of which is unrestricted and may be used to meet on-going obligations.

Governmental Activities

Governmental activities decreased the District's net position by \$305,098. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 93 percent of total revenues. Charges for services, investment earnings, and other miscellaneous revenue account for the remaining 7 percent.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for services	\$ 4,295,320	\$ 3,460,802	\$ 165,124	\$ 32,127	\$ 4,460,444	\$ 3,492,929
Operating grants	5,919,765	8,687,781	-	-	5,919,765	8,687,781
General Revenues						
Property taxes	48,631,855	44,217,245	-	-	48,631,855	44,217,245
State Aid - Formula Grants	14,377,353	17,833,565	-	-	14,377,353	17,833,565
Interest earnings	617,627	80,024	-	-	617,627	80,024
Total Revenues	73,841,920	74,279,417	165,124	32,127	74,007,044	74,311,544
Expenses						
Instruction	38,090,583	39,023,707	-	-	38,090,583	39,023,707
Instructional resources and media services	705,828	823,734	-	-	705,828	823,734
Curriculum and staff development	1,713,089	1,441,850	-	-	1,713,089	1,441,850
Instructional leadership	989,646	996,017	-	-	989,646	996,017
School leadership	3,127,170	3,477,352	-	-	3,127,170	3,477,352
Guidance, counseling, and evaluation services	2,725,392	2,962,440	-	-	2,725,392	2,962,440
Social work services	18,000	21,635	-	-	18,000	21,635
Health services	646,280	844,733	-	-	646,280	844,733
Student transportation	2,384,306	2,245,658	-	-	2,384,306	2,245,658
Food service	2,425,322	2,127,793	-	-	2,425,322	2,127,793
Extracurricular activities	2,713,235	2,219,231	-	-	2,713,235	2,219,231
General administration	2,499,187	2,504,058	-	-	2,499,187	2,504,058
Facilities maintenance and operations	6,852,005	6,652,172	-	-	6,852,005	6,652,172
Security and monitoring services	913,535	846,490	-	-	913,535	846,490
Data processing services	1,490,405	1,541,592	-	-	1,490,405	1,541,592
Community services	376,578	275,308	-	-	376,578	275,308
Interest on long-term debt	6,089,733	5,723,004	-	-	6,089,733	5,723,004
Payments related to shared services arrangements	52,114	38,202	-	-	52,114	38,202
Other intergovernmental charges	387,979	336,450	-	-	387,979	336,450
Fuel Fund	-	-	-	1,531	-	1,531
Vending Fund	-	-	120,361	17,971	120,361	17,971
Total Expenses	74,200,387	74,101,426	120,361	19,502	74,320,748	74,120,928
Excess (deficiency) before transfers	(358,467)	177,991	44,763	12,625	(313,704)	190,616
Transfers	53,369	6,145	(53,369)	(6,145)	-	-
Increase (Decrease) in Net Position	(305,098)	184,136	(8,606)	6,480	(313,704)	190,616
Beginning Net Position	(28,521,347)	(28,705,483)	16,378	9,898	(28,504,969)	(28,695,585)
Ending Net Position	\$ (28,826,445)	\$ (28,521,347)	\$ 7,772	\$ 16,378	\$ (28,818,673)	\$ (28,504,969)

	Total Revenues	% of Total Revenues
Property taxes	\$ 48,631,855	66%
State aid - formula grants	14,377,353	19%
Operating grants and contributions	5,919,765	8%
Charges for services and other revenue	4,912,947	7%
Total Revenues	\$ 73,841,920	100%

The primary functional expense of the District is instruction, which represent 51 percent of total expenses. Plant maintenance and operations, interest on long-term debt, and school leadership represent 9 percent, 8 percent, and 4 percent, respectively, of the total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

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

	Total Expenses	% of Total Expenses
Instruction	\$ 38,090,583	51%
Plant maintenance and operations	6,852,005	9%
Interest on long-term debt	6,089,733	8%
School leadership	3,127,170	4%
Other expenses	20,040,896	28%
Total Expenses	\$ 74,200,387	100%

Business-Type Activities

Net position of the District's business type activities decreased by \$8,606 for the year ended August 31, 2022.

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 \$130,748,463, a decrease of \$19,257,622 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 \$14,705,297, while total fund balance reached \$18,613,968. 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 26 percent of expenditures and total fund balance represents 32 percent of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by \$219,312, while total general fund expenditures showed an increase of \$2,383,070. 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 \$4,032,465, 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 \$444,670 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	\$ 54,125,914	\$ 54,125,914
Total expenditures	56,625,914	58,241,469
Net Change in Fund Balance	\$ (2,500,000)	\$ (4,115,555)

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, 2022, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$20,639,181. The following table summarizes the investment in capital assets as of August 31, 2022 and 2021.

	August 31, 2022	August 31, 2021
Land	\$ 2,882,739	\$ 2,882,739
Buildings and improvements	145,073,447	146,763,536
Furniture and equipment	13,124,209	12,698,289
Right-to-use assets	214,032	-
Construction in progress	<u>20,958,200</u>	<u>2,850,186</u>
	<u>182,252,627</u>	<u>165,194,750</u>
Less Accumulated Depreciation/Amortization for:		
Buildings and improvements	(84,160,540)	(80,556,638)
Furniture and Equipment	(10,018,381)	(9,242,495)
Right-to-use assets	<u>(145,632)</u>	<u>-</u>
	<u>(94,324,553)</u>	<u>(89,799,133)</u>
Governmental Capital Assets	<u><u>\$ 87,928,074</u></u>	<u><u>\$ 75,395,617</u></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 \$5,095,000 over the previous year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The underlying rating of the bonds from Standard and Poor's is "AA" and from Moody's Investors Service is "Aa3" for unlimited tax debt.

Changes in long-term debt, for the year ended August 31, 2022, are as follows:

Outstanding 09/01/21	Issued	Retired	Outstanding 08/31/22
<u>\$ 201,285,000</u>	<u>\$ -</u>	<u>\$ (5,095,000)</u>	<u>\$ 196,190,000</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 6,200 students at the time the 2022-2023 budget was adopted.
- For 2022-2023, the maintenance and operations tax rate is \$0.9170, while the debt service rate is \$0.2924. The maintenance and operations tax rate decreased \$0.0174, and the debt service rate decreased by \$0.0126 compared to 2021-2022. 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 7.9%. The average taxable residence in Friendswood has shown a ten-year upward trend increasing from an average taxable value in 2012 of \$229,512 to \$418,231. House Bill 3 of the 86th Legislature 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 \$2.13 million alongside a decrease of \$1.65 million in other local and federal revenues estimated to be alongside a decrease in state funding of \$1.67 million for a net decrease of \$1.19 million in 2022-2023.
- Operating expenses per student in the District's general fund were \$9,282 for 2021-2022. Operating expenses per student for the 2022-2023 fiscal year are projected to be \$9,606.
- Expenditures are budgeted to increase 3.7% or \$2.1 million. This increase is primarily due to increases in salaries, personnel, and insurance costs.
- For 2023, construction of new commercial and residential property in the area is estimated to bring in an estimated \$50M in taxable value.

These indicators were taken into account when adopting the budget for 2022-2023. The Friendswood Independent School District general fund adopted budget for 2022-2023 is as follows:

	Fiscal Year 2023 Adopted Budget
Budgeted Revenues	\$ 56,455,941
Budgeted Expenditures	59,555,941
	<u>\$ (3,100,000)</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

STATEMENT OF NET POSITION

August 31, 2022

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 134,959,651	\$ 28,868	\$ 134,988,519
1120	Current investments	2,722,434	-	2,722,434
1225	Property taxes receivables, net	489,406	-	489,406
1240	Due from other governments	1,710,704	-	1,710,704
1290	Other receivables, net	542,811	1,626	544,437
1300	Inventories	153,987	-	153,987
1410	Prepaid items	1,095,155	-	1,095,155
	Capital assets not subject to depreciation:			
1510	Land	2,882,739	-	2,882,739
1580	Construction in progress	20,958,200	-	20,958,200
	Capital assets net of depreciation:			
1520	Buildings and improvements, net	60,912,907	-	60,912,907
1530	Furniture and equipment, net	3,174,228	-	3,174,228
1910	Long-term investments	4,814,929	-	4,814,929
1000	Total Assets	234,417,151	30,494	234,447,645
Deferred Outflows of Resources				
	Deferred charge on refunding	3,660,145	-	3,660,145
	Deferred outflows - pension	5,417,105	-	5,417,105
	Deferred outflows - OPEB	4,654,656	-	4,654,656
1700	Total Deferred Outflows of Resources	13,731,906	-	13,731,906
Liabilities				
2110	Accounts payable	11,395,897	22,722	11,418,619
2120	Other liabilities - current	2,500	-	2,500
2140	Interest payable	280,360	-	280,360
2160	Accrued wages payable	3,370,287	-	3,370,287
2300	Unearned revenue	514,844	-	514,844
	Noncurrent Liabilities:			
2501	Due within one year	6,552,282	-	6,552,282
2502	Due in more than one year	209,735,231	-	209,735,231
2540	Net pension liability	7,874,005	-	7,874,005
2545	Net OPEB liability	16,258,930	-	16,258,930
2000	Total Liabilities	255,984,336	22,722	256,007,058
Deferred Inflows of Resources				
	Deferred inflows - Pension	9,052,272	-	9,052,272
	Deferred inflows - OPEB	11,938,894	-	11,938,894
2600	Total Deferred Inflows of Resources	20,991,166	-	20,991,166
Net Position (Deficit)				
3200	Net investment in capital assets	(21,068,646)	-	(21,068,646)
	Restricted for:			
3820	Federal and state programs	1,982	-	1,982
3820	Food service	1,067,869	-	1,067,869
3850	Debt service	3,845,253	-	3,845,253
3890	Other purposes	11,627	-	11,627
3900	Unrestricted	(12,684,530)	7,772	(12,676,758)
3000	Total Net Position (Deficit)	\$ (28,826,445)	\$ 7,772	\$ (28,818,673)

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Governmental Activities:				
11	Instruction	\$ 38,090,583	\$ 812,142	\$ 1,991,743
12	Instructional resources and media services	705,828	-	101,401
13	Curriculum and staff development	1,713,089	-	675,831
21	Instructional leadership	989,646	-	6,473
23	School leadership	3,127,170	-	57,521
31	Guidance, counseling, and evaluation services	2,725,392	-	677,159
32	Social work services	18,000	-	18,000
33	Health services	646,280	-	297,818
34	Student transportation	2,384,306	-	(14,874)
35	Food service	2,425,322	2,476,011	301,519
36	Extracurricular activities	2,713,235	209,933	492,632
41	General administration	2,499,187	-	1,112,462
51	Facilities maintenance and operations	6,852,005	444,555	64,812
52	Security and monitoring services	913,535	-	(1,529)
53	Data processing services	1,490,405	-	18,928
61	Community services	376,578	352,679	(2,108)
72	Interest on long-term debt	6,089,733	-	121,977
93	Payments related to shared services arrangements	52,114	-	-
99	Other intergovernmental charges	387,979	-	-
TG	Total Governmental Activities	<u>74,200,387</u>	<u>4,295,320</u>	<u>5,919,765</u>
Business-Type Activities:				
01	Fuel Fund	-	8,415	-
02	Vending Fund	120,361	156,709	-
TB	Total Business-Type Activities	<u>120,361</u>	<u>165,124</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 74,320,748</u>	<u>\$ 4,460,444</u>	<u>\$ 5,919,765</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022

Exhibit B-1
Page 2 of 2

		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Data Control Codes	Functions/Programs	Governmental Activities	Business-type Activities	Total
Governmental Activities:				
11	Instruction	\$ (35,286,698)		\$ (35,286,698)
12	Instructional resources and media services	(604,427)		(604,427)
13	Curriculum and staff development	(1,037,258)		(1,037,258)
21	Instructional leadership	(983,173)		(983,173)
23	School leadership	(3,069,649)		(3,069,649)
31	Guidance, counseling, and evaluation services	(2,048,233)		(2,048,233)
32	Social work services	-		-
33	Health services	(348,462)		(348,462)
34	Student transportation	(2,399,180)		(2,399,180)
35	Food service	352,208		352,208
36	Extracurricular activities	(2,010,670)		(2,010,670)
41	General administration	(1,386,725)		(1,386,725)
51	Facilities maintenance and operations	(6,342,638)		(6,342,638)
52	Security and monitoring services	(915,064)		(915,064)
53	Data processing services	(1,471,477)		(1,471,477)
61	Community services	(26,007)		(26,007)
72	Interest on long-term debt	(5,967,756)		(5,967,756)
93	Payments related to shared services arrangements	(52,114)		(52,114)
99	Other intergovernmental charges	(387,979)		(387,979)
TG	Total Governmental Activities	<u>(63,985,302)</u>		<u>(63,985,302)</u>
Business-Type Activities:				
01	Fuel Fund	-	\$ 8,415	8,415
02	Vending Fund	-	36,348	36,348
TB	Total Business-Type Activities	<u>-</u>	<u>44,763</u>	<u>44,763</u>
TP	Total Primary Government	<u>(63,985,302)</u>	<u>44,763</u>	<u>(63,940,539)</u>
General Revenues:				
Taxes:				
MT	Property taxes, levied for general purposes	36,667,475	-	36,667,475
DT	Property taxes, levied for debt service	11,964,380	-	11,964,380
SF	State-aid formula grants	14,377,353	-	14,377,353
IE	Investment earnings	617,627	-	617,627
FR	Transfers	53,369	(53,369)	-
TR	Total General Revenues and Transfers	<u>63,680,204</u>	<u>(53,369)</u>	<u>63,626,835</u>
CN	Change in net position	(305,098)	(8,606)	(313,704)
NB	Net Position (Deficit) - Beginning	<u>(28,521,347)</u>	<u>16,378</u>	<u>(28,504,969)</u>
NE	Net Position (Deficit) - Ending	<u>\$ (28,826,445)</u>	<u>\$ 7,772</u>	<u>\$ (28,818,673)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2022**

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
1110	Cash and temporary investments	\$ 12,392,764	\$ 4,031,692	\$ 115,304,056	\$ 3,203,980	\$ 134,932,492
1120	Investments	2,722,434	-	-	-	2,722,434
	Receivables:					
1220	Property taxes - delinquent	466,522	129,973	-	-	596,495
1230	Allowance for uncollectible taxes (credit)	(83,685)	(23,404)	-	-	(107,089)
1240	Receivables from other governments	823,172	-	-	887,532	1,710,704
1260	Due from other funds	1,074,628	-	-	-	1,074,628
1290	Other receivables	160,133	-	-	382,678	542,811
1300	Inventories, at cost	153,987	-	-	-	153,987
1410	Prepaid items	1,054,684	-	-	40,471	1,095,155
1910	Long-term investments	4,814,929	-	-	-	4,814,929
1000	Total Assets	\$ 23,579,568	\$ 4,138,261	\$ 115,304,056	\$ 4,514,661	\$ 147,536,546
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
2110	Accounts payable	\$ 912,204	\$ -	\$ 10,053,220	\$ 430,473	\$ 11,395,897
2120	Other liabilities - current	2,500	-	-	-	2,500
2160	Accrued wages payable	3,365,144	-	-	5,143	3,370,287
2170	Due to other funds	-	-	-	1,074,628	1,074,628
2300	Unearned revenue	348,973	12,648	-	153,223	514,844
2000	Total Liabilities	4,628,821	12,648	10,053,220	1,663,467	16,358,156
Deferred Inflows of Resources:						
	Unavailable revenue - property taxes	336,779	93,148	-	-	429,927
2600	Total Deferred Inflows of Resources	336,779	93,148	-	-	429,927
Fund Balances:						
Nonspendable:						
3410	Inventories	153,987	-	-	-	153,987
3430	Prepaid items	1,054,684	-	-	38,051	1,092,735
Restricted:						
3450	Grant restrictions	-	-	-	1,050,351	1,050,351
3470	Capital acquisitions	-	-	102,861,230	-	102,861,230
3480	Debt service	-	4,032,465	-	-	4,032,465
3490	Other	-	-	-	11,627	11,627
Committed:						
3545	Other purposes	2,700,000	-	-	1,751,165	4,451,165
Assigned:						
3570	Capital expenditures for equipment	-	-	2,389,606	-	2,389,606
3600	Unassigned	14,705,297	-	-	-	14,705,297
3000	Total Fund Balances	18,613,968	4,032,465	105,250,836	2,851,194	130,748,463
4000						
Total Liabilities, Deferred Inflows and Fund Balances		\$ 23,579,568	\$ 4,138,261	\$ 115,304,056	\$ 4,514,661	\$ 147,536,546

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
August 31, 2022

Exhibit C-2

<u>Data Control Codes</u>		
	Total Fund Balance, Governmental Funds	\$ 130,748,463
	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.	87,928,074
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).	429,927
3	Deferred charges on refunding	3,660,145
4	Deferred inflows relating to pension activities	(9,052,272)
5	Deferred inflows relating to OPEB activities	(11,938,894)
	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	(196,190,000)
7	Premiums on issuance	(19,260,186)
8	Accrued compensated absences	(769,418)
9	Accrued interest payable	(280,360)
10	Lease Payable	(67,909)
11	Net pension liability	(7,874,005)
12	Net OPEB liability	(16,258,930)
13	Deferred outflows relating to pension activities	5,417,105
14	Deferred outflows relating to OPEB activities	4,654,656
15	Addition of Internal Service fund net position	27,159
19	Total Net Deficit - Governmental Activities	<u>\$ (28,826,445)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Data Control Codes					Total Nonmajor	Total
		General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Revenues						
5700	Local, intermediate, and out-of-state	\$ 38,718,619	\$ 11,993,104	\$ 391,876	\$ 4,327,102	\$ 55,430,701
5800	State program revenues	17,506,270	114,792	-	340,087	17,961,149
5900	Federal program revenues	1,420,744	-	-	2,945,261	4,366,005
5020	Total Revenues	<u>57,645,633</u>	<u>12,107,896</u>	<u>391,876</u>	<u>7,612,450</u>	<u>77,757,855</u>
Expenditures						
Current:						
0011	Instruction	33,052,839	-	34,881	2,345,380	35,433,100
0012	Instruction resources and media services	606,503	-	-	92,330	698,833
0013	Curriculum and instructional staff development	1,103,526	-	-	708,011	1,811,537
0021	Instructional leadership	888,713	-	77,604	18,627	984,944
0023	School leadership	3,016,544	-	-	81,067	3,097,611
0031	Guidance, counseling and evaluation services	2,191,468	-	-	734,118	2,925,586
0032	Social work services	-	-	-	18,000	18,000
0033	Health services	602,974	-	-	43,108	646,082
0034	Student transportation	2,277,981	-	-	-	2,277,981
0035	Food services	1,530	-	-	2,299,352	2,300,882
0036	Extracurricular activities	2,223,266	-	-	410,808	2,634,074
0041	General administration	2,397,564	-	19,715	-	2,417,279
0051	Facilities maintenance and operations	5,903,237	-	384,085	79,846	6,367,168
0052	Security and monitoring services	849,292	-	348,324	140	1,197,756
0053	Data processing services	1,373,575	-	23,572	25,544	1,422,691
0061	Community services	356,862	-	-	-	356,862
Debt Service:						
0071	Principal on long-term debt	140,354	5,095,000	-	5,769	5,241,123
0072	Interest on long-term debt	-	6,563,226	-	-	6,563,226
0073	Debt service costs and fees	-	5,000	-	-	5,000
Capital Outlay:						
0081	Facilities acquisition and construction	-	-	20,229,018	-	20,229,018
Intergovernmental:						
0093	Payments related to shared services arrangements	52,114	-	-	-	52,114
0099	Other intergovernmental charges	387,979	-	-	-	387,979
6030	Total Expenditures	<u>57,426,321</u>	<u>11,663,226</u>	<u>21,117,199</u>	<u>6,862,100</u>	<u>97,068,846</u>
1100	Excess (deficiency) of revenues over expenditures	<u>219,312</u>	<u>444,670</u>	<u>(20,725,323)</u>	<u>750,350</u>	<u>(19,310,991)</u>
Other Financing Sources (Uses)						
7915	Transfers in	-	-	17,021	36,348	53,369
7080	Total Other Financing Sources (Uses)	-	-	17,021	36,348	53,369
1200	Net change in fund balances	219,312	444,670	(20,708,302)	786,698	(19,257,622)
0100	Fund Balance - September 1 (Beginning)	<u>18,394,656</u>	<u>3,587,795</u>	<u>125,959,138</u>	<u>2,064,496</u>	<u>150,006,085</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 18,613,968</u>	<u>\$ 4,032,465</u>	<u>\$ 105,250,836</u>	<u>\$ 2,851,194</u>	<u>\$ 130,748,463</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, 2022**

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (19,257,622)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	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.	
1	Capital Outlay	20,639,181
2	Depreciation/Amortization Expense	(5,419,213)
	The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	
3	Gain/(Loss) on sale of assets	(2,755,421)
	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
4		(37,936)
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
5	Principal paid on leases	145,509
6	Principal paid on bonds	5,095,000
	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:	
7	Changes in pension liabilities and related deferred outflows and inflows of resources	437,221
8	Changes in OPEB liabilities and related deferred outflows and inflows of resources	642,839
9	Decrease in interest payable not recognized in fund statements	9,995
10	Amortization of bond premium	575,912
11	Amortization of deferred loss on refunded bonds	(252,923)
12	(Increase) in long-term portion of accrued compensated absences payable	(13,897)
	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).	
13		<u>(113,743)</u>
	Change in Net Position of Governmental Activities (see B-1)	<u>\$ (305,098)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2022

Exhibit D-1

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
Current Assets:		
Cash and cash equivalents	\$ 28,868	\$ 27,159
Other receivables	1,626	-
Total Assets	<u>30,494</u>	<u>27,159</u>
Liabilities		
Current Liabilities:		
Accounts payable	22,722	-
Total Liabilities	<u>22,722</u>	<u>-</u>
Net Position		
Unrestricted net position	7,772	27,159
Total Net Position	<u>\$ 7,772</u>	<u>\$ 27,159</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

Exhibit D-2

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 165,124	\$ -
Total Operating Revenues	<u>165,124</u>	<u>-</u>
Operating Expenses		
Purchased and contracted services	115,047	-
Claims expense and other operating expenses	5,314	113,799
Total Operating Expenses	<u>120,361</u>	<u>113,799</u>
Operating Income	<u>44,763</u>	<u>(113,799)</u>
Non-Operating Revenues (Expenses)		
Investment earnings	-	56
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>56</u>
Income (loss) before transfers	44,763	(113,743)
Transfers		
Transfers out	(53,369)	-
Total Transfers	<u>(53,369)</u>	<u>-</u>
Change in Net Position	(8,606)	(113,743)
Net Position - September 1 (Beginning)	16,378	140,902
Net Position - August 31 (Ending)	<u>\$ 7,772</u>	<u>\$ 27,159</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

Exhibit D-3

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Cash received from user charges	\$ 184,256	\$ -
Cash payments for insurance claims	-	(113,799)
Cash payments to suppliers for goods and services	(120,361)	-
Net Cash Provided by (Used for) Operating Activities	<u>63,895</u>	<u>(113,799)</u>
Cash Flows from Non-Capital Financing Activities:		
Advances to other funds	(53,369)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(53,369)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	-	56
Net Cash Provided by Investing Activities	<u>-</u>	<u>56</u>
Net Increase(Decrease) in Cash and Cash Equivalents	10,526	(113,743)
Cash and Cash Equivalents at Beginning of Year	<u>18,342</u>	<u>140,902</u>
Cash and Cash Equivalents at End of Year	<u>\$ 28,868</u>	<u>\$ 27,159</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	\$ 28,868	\$ 27,159
Cash and Cash Equivalents per Balance Sheet	<u>\$ 28,868</u>	<u>\$ 27,159</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 44,763	\$ (113,799)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(1,114)	-
Increase (decrease) in accounts payable	20,246	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 63,895</u>	<u>\$ (113,799)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT*Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION***August 31, 2022*

	Private Purpose	Custodial Funds
Assets		
Cash and cash equivalents	\$ 6,689	\$ 416,891
Other receivables	-	155
Total Assets	<u>6,689</u>	<u>417,046</u>
Liabilities		
Accounts payable	-	70,941
Due to others	-	33,412
Total Liabilities	<u>-</u>	<u>104,353</u>
Net Position		
Restricted Net Position	<u>6,689</u>	<u>312,693</u>
Total Net Position	<u>\$ 6,689</u>	<u>\$ 312,693</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2022

Exhibit E-2

	<u>Private Purpose</u>	<u>Custodial Funds</u>
Additions		
Investment earnings	\$ -	\$ 448
Revenues from student activities	-	377,075
Property taxes collected for other governments	-	54,549,271
Total Additions	<u>-</u>	<u>54,926,794</u>
Deductions		
Payments for student activities	-	342,625
Property taxes distributed to other governments	-	54,581,807
Total Deductions	<u>-</u>	<u>54,924,432</u>
Change in net position	-	2,362
Net Position Beginning of Year, as Restated	<u>6,689</u>	<u>310,331</u>
Net Position End of Year	<u>\$ 6,689</u>	<u>\$ 312,693</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, proprietary funds, and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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.
- The *capital projects fund* accounts for the proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements

Additionally, the District reports the following fund types:

Proprietary Funds

- The *enterprise funds* account 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 *custodial funds* are used to account for assets held by the District as an agent for student organizations and taxpayer refunds and overpayments.

Nonmajor governmental funds of the District include federal, state and local grant funds accounted for as *special revenue funds*.

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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. 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 uncollectible. 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 2022 (tax year 2021) were \$3,909,645,877. 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 \$1.2394, which included \$0.9344 for maintenance and operations, and \$0.3050 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 2022 fiscal year was \$48,456,151. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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
Right-of-use asset	lesser of useful life of asset or remaining lease term

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.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund. The current requirements for compensated absences are accounted for in the general fund. The current requirements for workers’ compensation are accounted for in the workers’ compensation fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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. However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

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 the fund balance for the Campus Activity Fund, \$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 \$2,389,606 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

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.

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.

Implementation of New Accounting Standards

GASB Statement No. 87 Leases was issued in June 2017 and was effective for periods beginning after June 15, 2021. This statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has evaluated the effects of this standard and has incorporated its leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures. There was no effect to net position as of the beginning of the fiscal year and therefore a prior period adjustment was not necessary.

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period*, was issued in June 2018 and was effective for periods beginning after December 15, 2020. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement should be handled prospectively. The District has evaluated the effects of this Statement and has determined that it does not impact to the financial statements.

GASB Statement No. 93 *Replacement of Interbank Offered Rates* was issued in June 2020 and had various effective dates. The Statement establishes accounting and financial reporting requirements related to the replacement of the interbank offered rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. During the current fiscal year, paragraphs 13 and 14 were effective and pertained to lease modifications. The District has evaluated the effects of this standard and has determined that this Statement does not impact its financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Standards (continued)

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* was issued in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. The District has evaluated the effects of this Statement and has determined it does not impact its financial statements.

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, 2022, the District's cash in bank totaled \$60,353 while the carrying value was \$83,895,298, which included funds in a sweep account of \$86,020,023. Pledged collateral and FDIC insurance for these deposits totaled \$18,450,004. The funds in the sweep account are not subject to pledged collateral requirements. Certificates of deposit requiring collateral at August 31, 2022 totaled \$3,500,000. A letter of credit and NCUSIF insurance for the certificates of deposit totaled \$3,583,916. As such, the District's cash and certificates of deposit were properly collateralized at August 31, 2022.

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.

Investments

For fiscal year 2022, 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, Texas Fixed Income Trust (TexFit) Government 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.

Note 2 - Deposits and Investments (continued)

Investments (continued)

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.

TexFit is a conservatively managed, PFIA compliant, investment option with no corporate exposure. The TexFit Government Pool seeks the preservation of principal, a competitive yield and a stable NAV, while also providing some daily liquidity to its participants.

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	\$ 83,442,850	N/A
Certificates of deposit	3,500,000	434
Investments		
Local Government Investment Pools:		
Lone Star	3,070,257	6
MBIA Texas Class	48,721	25
TexPool	1,434,148	24
TexSTAR	23,927,450	27
TexFit	21,614,379	5
TexasDAILY	<u>1,415,654</u>	20
Total Local Government Investment Pools	<u>51,510,609</u>	16
Money Market:		
TD Ameritrade	6,192	1
Securities:		
Municipal Bonds	<u>4,037,363</u>	434
Total Securities	<u>4,037,363</u>	434
Total Investments	<u>59,054,164</u>	69
Total Governmental Activities	<u>142,497,014</u>	
Business-Type Activities:		
Cash and deposits	<u>28,868</u>	N/A
Total Business-Type Activities	<u>28,868</u>	
Fiduciary Funds:		
Cash and deposits	<u>423,580</u>	N/A
Total Fiduciary Funds	<u>423,580</u>	
Total	<u>\$ 142,949,462</u>	
Investment earnings	\$ 617,627	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments' fair value measurement are as follows at August 31, 2022:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
Certificates of Deposit	\$ 3,500,000	\$ 3,500,000	\$ -	\$ -
Municipal Bonds	4,037,363	-	4,037,363	-
Total Debt Securities	\$ 7,537,363	\$ 3,500,000	\$ 4,037,363	\$ -

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, capital projects fund, and internal service fund pooled fund groups are 203, 19, 16, and 6, respectively.

	Carrying Value	Investment Maturity in Years	
		Less than 1	1-5
Certificates of Deposit	\$ 3,500,000	\$ 500,000	\$ 3,000,000
Local Government Investment Pools:			
Lone Star	3,070,257	3,070,257	-
MBIA Texas Class	48,721	48,721	-
TexPool	1,434,148	1,434,148	-
TexSTAR	23,927,450	23,927,450	-
TexFit	21,614,379	21,614,379	-
TexasTERM	1,415,654	1,415,654	-
Money Market - TD Ameritrade	6,192	6,192	-
Investment Securities:			
Municipal Bonds	4,037,363	2,222,434	1,814,929
	\$ 59,054,164	\$ 54,239,235	\$ 4,814,929

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, 2022, the District's portfolio consisted of the following:

Investment Type	Carrying Value	Percentage of Portfolio	Rating	Rating Agency
Certificates of deposit	\$ 3,500,000	5.9%	N/A	N/A
Lone Star	3,070,257	5.2%	AAAm	Standard and Poor's
MBIA Texas Class	48,721	0.1%	AAAm	Standard and Poor's
TexPool	1,434,148	2.4%	AAAm	Standard and Poor's
TexSTAR	23,927,450	40.6%	AAAm	Standard and Poor's
TexFIT	21,614,379	36.6%	AAAm	Standard and Poor's
TexasDAILY	1,415,654	2.4%	AAAm	Standard and Poor's
Money Market	6,192	0.0%	N/A	N/A
Municipal Bonds	4,037,363	6.8%	A+ to AAA	Standard and Poor's
	<u>\$ 59,054,164</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
Property taxes	\$ 466,522	\$ 129,973	\$ -	\$ -
Due from other governments	823,172	-	887,532	-
Other	160,133	-	382,678	1,626
Gross receivables	1,449,827	129,973	1,270,210	1,626
Less allowance for doubtful accounts	(83,685)	(23,404)	-	-
Net Total Receivables	<u>\$ 1,366,142</u>	<u>\$ 106,569</u>	<u>\$ 1,270,210</u>	<u>\$ 1,626</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 \$138,071,949.

Note 4 - Capital Assets

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

	Balance September 1, 2021, as restated	Additions	Retirements	Transfers	Balance August 31, 2022
Capital Assets, not being Depreciated					
Land	\$ 2,882,739	\$ -	\$ -	\$ -	\$ 2,882,739
Construction in progress	2,850,186	18,320,000	-	(211,986)	20,958,200
Total Capital Assets, not being Depreciated	<u>5,732,925</u>	<u>18,320,000</u>	<u>-</u>	<u>(211,986)</u>	<u>23,840,939</u>
Capital Assets, being Depreciated					
Buildings and improvements	146,763,536	1,966,899	(3,868,974)	211,986	145,073,447
Furniture and equipment	12,698,289	497,914	(71,994)	-	13,124,209
Right-to-use assets	214,032	-	-	-	214,032
Total Capital Assets, being Depreciated	<u>159,675,857</u>	<u>2,464,813</u>	<u>(3,940,968)</u>	<u>211,986</u>	<u>158,411,688</u>
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(80,556,638)	(4,720,086)	1,116,184	-	(84,160,540)
Furniture and Equipment	(9,242,495)	(845,249)	69,363	-	(10,018,381)
Right-to-use assets	-	(145,632)	-	-	(145,632)
Total Accumulated Depreciation	<u>(89,799,133)</u>	<u>(5,710,967)</u>	<u>1,185,547</u>	<u>-</u>	<u>(94,324,553)</u>
Governmental Capital Assets	<u>\$ 75,609,649</u>	<u>\$ 15,073,846</u>	<u>\$ (2,755,421)</u>	<u>\$ -</u>	<u>\$ 87,928,074</u>

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

	Depreciation/ Amortization Expense
Instruction	\$ 3,110,860
Instructional resources and media services	56,074
Curriculum and staff development	103,857
Instructional leadership	83,640
School leadership	283,898
Guidance, counseling and evaluation services	206,247
Health services	56,748
Student transportation	214,389
Food Services	216,400
Extracurricular activities	209,240
General administration	225,643
Plant maintenance and operations	701,183
Security and monitoring services	79,930
Data processing services	129,272
Community services	33,586
	<u>\$ 5,710,967</u>

Note 4 - Capital Assets (continued)

Open construction commitments at August 31, 2022 were as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
New Cline Elementary School	\$ 44,606,500	\$ 10,321,306	\$ 34,285,194
FHS Additions and Renovations	62,054,615	9,957,924	52,096,690
Windsong Elementary Classroom Additions	4,555,000	232,366	4,322,634
Westwood Elementary Renovations	3,007,000	150,111	2,856,889
Bales Intermediate Renovations	2,377,000	119,180	2,257,820
District-Wide Priority Maintenance	7,774,885	5,928	7,768,957
Security Camera Upgrades	131,351	111,080	20,271
Security Access Upgrade	6,835	5,971	865
Westwood PA System Replacement	35,736	13,234	22,502
Networking Supplies & Installation	284,714	9,100	275,614
Natatorium HVAC Replacement	2,000,000	32,000	1,968,000
	<u>\$ 126,833,636</u>	<u>\$ 20,958,200</u>	<u>\$ 105,875,436</u>

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, 2022, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Funds			
General Fund	\$ 1,074,628	\$ -	\$ 1,074,628
Nonmajor Governmental Funds	-	1,074,628	(1,074,628)
Total	<u>\$ 1,074,628</u>	<u>\$ 1,074,628</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, 2022:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Nonmajor Enterprise Fund	Capital Projects Fund	\$ 17,021
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	36,348
Total		<u>\$ 53,369</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.

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

Balance, September 1, 2021	\$ 755,521
Additions: New entrants and salary increments	229,059
Deductions: Payments to participants	<u>(215,162)</u>
Balance, August 31, 2022	<u>\$ 769,418</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 District’s financial condition and operations. 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, 2022, the legal debt limit was \$349,489,670 and the legal debt margin was .

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, 2022.

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, and term bonds.

Bonds payable for the year ended August 31, 2022 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 2016	\$ 80,840,000	2.00% to 5.00%	2/15/2037	\$ 78,235,000
Unlimited Tax School Building Bonds				
Series 2021	120,445,000	2.50% to 4.50%	2/15/2051	<u>117,955,000</u>
				<u>\$ 196,190,000</u>

Note 7 - Long-Term Liabilities (continued)

Debt service requirements to maturity are as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 6,285,000	\$ 6,329,725	\$ 12,614,725
2024	6,530,000	6,087,200	12,617,200
2025	6,810,000	5,806,500	12,616,500
2026	7,130,000	5,485,550	12,615,550
2027	7,440,000	5,172,550	12,612,550
2028 - 2032	42,380,000	20,698,850	63,078,850
2033 - 2037	51,245,000	11,824,250	63,069,250
2038 - 2042	22,235,000	5,765,125	28,000,125
2043 - 2047	24,605,000	3,403,050	28,008,050
2048 - 2052	21,530,000	871,700	22,401,700
	<u>\$ 196,190,000</u>	<u>\$ 71,444,500</u>	<u>\$ 267,634,500</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, 2022:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>August 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>August 31, 2022</u>	<u>One Year</u>
General obligation bonds	\$ 201,285,000	\$ -	\$ (5,095,000)	\$ 196,190,000	\$ 6,285,000
Premiums/discounts	19,981,607	-	(721,421)	19,260,186	-
Leases	214,032	-	(146,123)	67,909	67,909
Workers' compensation claims	-	113,799	(113,799)	-	-
Accrued compensated absences	755,521	229,059	(215,162)	769,418	199,373
	<u>\$ 222,236,160</u>	<u>\$ 342,858</u>	<u>\$ (6,291,505)</u>	<u>\$ 216,287,513</u>	<u>\$ 6,552,282</u>

Leases

For the year ended August 31, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The future principal and interest lease payments as of August 31, 2022, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>August 31,</u>			
2023	\$ 67,909	\$ 123	\$ 67,909
	<u>\$ 67,909</u>	<u>\$ 123</u>	<u>\$ 67,909</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:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Total
Property Taxes	\$ 36,703,877	\$ 11,965,914	\$ -	\$ -	\$ -	\$ 48,669,791
Investment Income	195,434	27,190	391,876	3,071	56	617,627
Rent (short-term leases)	444,555	-	-	-	-	444,555
Co-curricular activities	551,606	-	-	-	8,415	560,021
Food Sales	-	-	-	2,476,011	156,709	2,632,720
Other	823,147	-	-	1,848,020	-	2,671,167
	<u>\$ 38,718,619</u>	<u>\$ 11,993,104</u>	<u>\$ 391,876</u>	<u>\$ 4,327,102</u>	<u>\$ 165,180</u>	<u>\$ 55,595,881</u>

Note 9 - Pension Plan and Other Post-Employment Benefits

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS_Documents/acfr-2021.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 postemployment 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.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Benefits Provided (continued)

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

Contributions

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

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

	Contribution Rates	
	2021	2022
Member	7.7%	8.00%
Non-employer contributing agency	7.5%	7.75%
Employers	7.5%	7.75%

	Fiscal Year 2022	
	Contributions	
Employer (District)	\$	1,421,184
Employee (Member)		3,389,032
Non-employer Contributing Entity		
On-behalf Contributions (State)		2,434,413

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

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member’s salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The 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"
Last year ending August 31 in Projection Period (100 years)	2120
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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate

A single discount rate of 7.25% 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%. 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% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payment 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.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

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 System's target asset allocation as of August 31, 2021 are summarized below:

Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Expected Return	100.00%		6.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2021 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis

The following table presents the District’s proportional share of the Net Pension Liability of the plan using the discount rate of 7.25%, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the net pension liability	\$ 17,205,951	\$ 7,874,005	\$ 302,964

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

At August 31, 2022, the District reported a liability of \$7,874,005 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	\$ 7,874,005
State's proportionate share that is associated with the District	<u>13,715,891</u>
Total	<u>\$ 21,589,896</u>

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

At August 31, 2021, the District’s proportion of the collective net pension liability was 0.0309% which was an increase of 0.0013% from its proportion measured as of August 31, 2020.

Changes since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

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

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, the District recognized pension expense of \$984,151. The District also recognized on-behalf pension expense and revenue of \$54,834 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,177	\$ (554,336)
Changes of assumption	2,783,307	(1,213,283)
Net difference between projected and actual earnings on pension plan investments	-	(6,602,251)
Changes in proportion and differences between District contributions and proportionate share of contributions	1,199,436	(682,402)
District contributions subsequent to the measurement date	1,421,184	-
Total	\$ 5,417,104	\$ (9,052,272)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,421,184 will be recognized as a reduction of the net pension liability in the year ended August 31, 2023. 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:

Fiscal Year	Pension Expense
2023	\$ (710,851)
2024	(809,590)
2025	(1,512,503)
2026	(2,037,041)
2027	(1,602)
Thereafter	15,235
	\$ (5,056,352)

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Note 10 - Defined Other Post-Employment Benefit Plans

Plan Description

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

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

OPEB Plan Fiduciary Net Position

Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf>, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates		
	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

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Contributions

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

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

	Contribution Rates	
	2021	2022
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Fiscal Year 2022	
	Contributions	
Employer (District)	\$	339,151
Employee (Member)		275,359
Non-employer Contributing Entity		
On-behalf Contributions (State)		690,258

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out of network providers.

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees: 25 percent are assumed to discontinue coverage at age 65.
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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.30% 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.

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

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

Discount Rate Sensitivity Analysis

The following table presents the District's proportional share of the Net OPEB Liability of the plan using the discount rate of 1.95%, and what the NET OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (0.95%)	Current Rate (1.95%)	1% Increase (2.95%)
District's proportional share of the net OPEB liability	\$ 19,612,016	\$ 16,258,930	\$ 13,619,942

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

At August 31, 2022, the District reported a liability of \$16,258,930 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	\$ 16,258,930
State's proportionate share that is associated with the District	<u>21,783,342</u>
Total	<u>\$ 38,042,272</u>

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

At August 31, 2021, the District's proportion of the collective Net OPEB Liability was 0.0421% which was an increase of 0.0006% from its proportion measured as of August 31, 2020.

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 8.5% rate is used:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 13,169,194	\$ 16,258,930	\$ 20,404,587

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

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

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2022, the District recognized negative OPEB expense of \$303,372. The District also recognized negative on-behalf OPEB expense and revenue of \$803,972 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 700,024	\$ (7,870,459)
Changes of assumption	1,800,867	(3,438,463)
Net difference between projected and actual earnings on OPEB plan investments	17,652	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,796,962	(629,972)
District contributions subsequent to the measurement date	339,151	-
Total	\$ 4,654,656	\$ (11,938,894)

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

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

Changes Since the Prior Actuarial Valuation (continued)

The deferred outflows of resources resulting from District contributions subsequent to the measurement will be recognized as a reduction of the net pension liability in the year ended August 31, 2023.

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>OPEB Expense Amount</u>
2023	\$ (1,473,563)
2024	(1,473,961)
2025	(1,473,854)
2026	(1,045,879)
2027	(466,466)
Thereafter	<u>(1,689,666)</u>
	<u>\$ (7,623,389)</u>

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District’s contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees’ salaries. These funding sources include the General Fund and Special Revenue funds.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on-behalf of the District were \$175,632, \$182,164, and \$188,781, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

Property/Liability

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

Health Insurance

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

Workers' Compensation

The District established a limited risk management program for workers' compensation in 1988 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Friendswood ISD was solely responsible for all claims costs, both reported and unreported. The Fund provided administrative service to its self-funded members including claims administration and customer service. The District discontinued participation in the self-funded workers' compensation plan August 31, 2015. Beginning September 1, 2015, the District contracted with TASB Risk Management Fund for a fully funded workers' compensation program. TASB pays 100% of all employees' medical claims and assumes all risk related to them.

Note 13 - Shared Service Arrangements / Joint Ventures

The District participates in 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>\$ 14,938</u>
Expenditures:	
Payroll costs	\$ 11,205
Contract services	1,585
Supplies and materials	1,874
Other operating costs	175
Capital outlay	<u>99</u>
Total Expenditures	<u><u>\$ 14,938</u></u>

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

The District participates in the Visually Impaired Orientation and Mobility Shared Service Arrangement (SSA), which provides services for visually impaired students. Friendswood ISD participates in this SSA along with Dickinson ISD, Galveston ISD, Hitchcock ISD and Texas City ISD. Although approximately 26% of the activity of the SSA is attributable to the District's participation, the District does not account for the revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Galveston ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would rise to a future additional benefit or burden to Friendswood ISD. The fiscal agent is responsible for all financial activities of the SSA. Revenues attributable to the District's participation were \$23,264 for the 2022 fiscal year. Expenditures in the same amount were attributable to payroll costs.

Note 14 - Contingent Liabilities

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

Note 15 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that it does not have an arbitrage liability as of August 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2022

Exhibit G-1

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts, Budgetary Basis	
Revenues				
Local revenues	\$ 37,832,831	\$ 37,832,831	\$ 38,718,619	\$ 885,788
State program revenues	15,838,145	15,838,145	17,506,270	1,668,125
Federal program revenues	454,938	454,938	1,420,744	965,806
Total Revenues	54,125,914	54,125,914	57,645,633	3,519,719
Expenditures				
Current:				
Instruction	32,244,761	33,054,941	33,052,839	2,102
Instruction resources and media services	653,212	690,555	606,503	84,052
Curriculum and instructional staff development	1,068,525	1,103,941	1,103,526	415
Instructional leadership	898,953	901,379	888,713	12,666
School leadership	3,007,461	3,022,147	3,016,544	5,603
Guidance, counseling and evaluation services	2,158,265	2,201,763	2,191,468	10,295
Social work services	-	3,000	-	3,000
Health services	585,733	611,725	602,974	8,751
Student transportation	2,153,132	2,433,450	2,277,981	155,469
Food services	10,680	3,180	1,530	1,650
Extracurricular activities	2,182,839	2,295,977	2,223,266	72,711
General administration	2,515,894	2,433,305	2,397,564	35,741
Facilities maintenance and operations	5,751,263	6,175,790	5,903,237	272,553
Security and monitoring services	843,000	890,418	849,292	41,126
Data processing services	1,779,787	1,412,611	1,373,575	39,036
Community services	283,409	358,884	356,862	2,022
Debt Service:				
Principal on long-term debt	-	182,386	139,740	42,646
Interest on long-term debt	-	614	614	-
Capital Outlay:				
Facilities, acquisition and construction	50,000	8,822	-	8,822
Intergovernmental:				
Payments related to shared services arrangements	40,000	49,081	52,114	(3,033)
Payments to Juvenile Justice Alternative Education Programs	11,000	11,000	-	11,000
Other intergovernmental charges	388,000	396,500	387,979	8,521
Total Expenditures	56,625,914	58,241,469	57,426,321	815,148
Excess (deficiency) of revenues over expenditures	(2,500,000)	(4,115,555)	219,312	4,334,867
Net change in fund balances	(2,500,000)	(4,115,555)	219,312	4,334,867
Fund Balances - Beginning	18,394,656	18,394,656	18,394,656	-
Fund Balances - Ending	\$ 15,894,656	\$ 14,279,101	\$ 18,613,968	\$ 4,334,867

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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, 2022.

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, 2021. 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 EIGHT MEASUREMENT YEARS

Exhibit G-2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate share of the net pension liability	\$ 7,874,005	\$ 15,847,340	\$ 16,574,576	\$ 17,399,059
State's proportionate share of the net pension liability associated with the District	13,715,891	28,671,259	26,688,300	29,981,051
Total	<u>\$ 21,589,896</u>	<u>\$ 44,518,599</u>	<u>\$ 43,262,876</u>	<u>\$ 47,380,110</u>
District's covered payroll (for Measurement Year)	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859
District's proportionate share of the net pension liability as a percentage of covered payroll	19.11%	40.14%	44.79%	47.51%
Plan fiduciary net position as a percentage of the total pension liability ¹	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll ¹	51.08%	110.36%	114.93%	126.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate share of the net pension liability	\$ 9,303,323	\$ 9,980,962	\$ 9,594,406	\$ 4,150,735
State's proportionate share of the net pension liability associated with the District	17,831,579	21,689,972	20,961,599	17,620,461
Total	<u>\$ 27,134,902</u>	<u>\$ 31,670,934</u>	<u>\$ 30,556,005</u>	<u>\$ 21,771,196</u>
District's covered payroll (for Measurement Year)	\$ 34,640,606	\$ 32,808,364	\$ 31,141,812	\$ 29,900,254
District's proportionate share of the net pension liability as a percentage of covered payroll	26.86%	30.42%	30.81%	13.88%
Plan fiduciary net position as a percentage of the total pension liability ¹	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll ¹	75.93%	92.75%	91.94%	72.89%

¹ Per Teacher Retirement System of Texas' comprehensive annual financial report.

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

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.

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

Exhibit G-3

	2022	2021	2020	2019	2018
Contractually required contributions	\$ 1,421,184	\$ 1,319,277	\$ 1,222,580	\$ 1,115,693	\$ 1,064,870
Contributions in relation to the contractual required contributions	1,421,184	1,319,277	1,222,580	1,115,693	1,064,870
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859
Contributions as a percentage of covered payroll	3.35%	3.20%	3.10%	3.02%	2.91%
	2017	2016	2015	2014	
Contractually required contributions	\$ 953,601	\$ 874,428	\$ 790,748	\$ 393,963	
Contributions in relation to the contractual required contributions	953,601	874,428	790,748	393,963	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 34,640,606	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254	
Contributions as a percentage of covered payroll	2.75%	2.67%	2.54%	1.32%	

Notes to Required Supplementary Information – Pension

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017, to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017, to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017, valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

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

Exhibit G-4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate share of the net OPEB liability	\$ 16,258,930	\$ 15,794,480	\$ 20,193,231	\$ 21,398,962
State's proportionate share of the net OPEB liability associated with the District	21,783,342	21,223,995	26,832,290	32,141,434
Total	<u>\$ 38,042,272</u>	<u>\$ 37,018,475</u>	<u>\$ 47,025,521</u>	<u>\$ 53,540,396</u>
District's covered payroll (for Measurement Year)	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859
District's proportionate share of the net OPEB liability as a percentage of covered payroll	39.5%	40.0%	54.6%	58.43%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	6.18%	4.99%	2.66%	1.57%
Plan's net OPEB liability as a percentage of covered payroll ¹	100.13%	101.46%	135.21%	146.64%
	<u>2017</u>			
District's proportionate share of the net OPEB liability	\$ 16,779,851			
State's proportionate share of the net OPEB liability associated with the District	27,978,520			
Total	<u>\$ 44,758,371</u>			
District's covered payroll (for Measurement Year)	\$ 34,640,606			
District's proportionate share of the net OPEB liability as a percentage of covered payroll	48.44%			
Plan fiduciary net position as a percentage of the total OPEB liability ¹	0.91%			
Plan's net OPEB liability as a percentage of covered payroll ¹	132.55%			

¹ Per Teacher Retirement System of Texas' comprehensive annual financial report.

Notes:

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.
Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

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

Exhibit G-5

	2022	2021	2020	2019	2018
Contractually required contributions	\$ 339,151	\$ 328,965	\$ 315,191	\$ 302,515	\$ 295,653
Contributions in relation to the contractual required contributions	339,151	328,965	315,191	302,515	295,653
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859
Contributions as a percentage of covered payroll	0.80%	0.80%	0.80%	0.82%	0.81%
	2017	2016	2015	2014	
Contractually required contributions	\$ 203,471	\$ 189,837	\$ 180,711	\$ 174,025	
Contributions in relation to the contractual required contributions	203,471	189,837	180,711	174,025	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 34,640,606	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254	
Contributions as a percentage of covered payroll	0.59%	0.58%	0.58%	0.58%	

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2014.
The District implemented GASB 75 during fiscal year 2018.

Notes to Required Supplementary Information – OPEB

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018, to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019, to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020, to 1.95% as of August 31, 2021.



OTHER SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 1 of 5

Data Control Codes		211	224	225	240
		ESEA Title I, Part		IDEA-B	
		A	IDEA-B Formula	Preschool	Child Nutrition
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 1,193,146
	Receivables:				
1240	Receivables from other governments	111,178	244,979	2,053	-
1290	Other receivables	-	-	-	2,427
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 111,178	\$ 244,979	\$ 2,053	\$ 1,195,573
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 5,576	\$ 3,479	\$ -	\$ 122,561
2160	Accrued wages payable	-	-	-	5,143
2170	Due to other funds	105,602	241,500	2,053	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	111,178	244,979	2,053	127,704
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Grant restrictions	-	-	-	1,067,869
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	-	-	-	1,067,869
4000	Total Liabilities and Fund Balances	\$ 111,178	\$ 244,979	\$ 2,053	\$ 1,195,573

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 2 of 5

Data Control Codes		244	255	263	282
		Vocational Ed - Basic	Title II, Part A	Title III	ESSER III
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	43,185	29,339	6,170	224,089
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 43,185	\$ 29,339	\$ 6,170	\$ 224,089
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 36,540	\$ 967	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	6,645	28,372	6,170	224,089
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	43,185	29,339	6,170	224,089
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	19,500
Restricted:					
3450	Grant restrictions	-	-	-	(19,500)
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 43,185	\$ 29,339	\$ 6,170	\$ 224,089

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 3 of 5

Data Control Codes		284	285	289	397
		IDEA Part B, Formula - ARP	IDEA Part B, Preschool - ARP	Miscellaneous Federal Programs	Advanced Placement Incentive
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 1,982
	Receivables:				
1240	Receivables from other governments	113,335	1,505	103,901	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 113,335	\$ 1,505	\$ 103,901	\$ 1,982
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 2,098	\$ -	\$ 990	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	111,237	1,505	102,911	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	113,335	1,505	103,901	-
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Grant restrictions	-	-	-	1,982
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	-	-	-	1,982
4000	Total Liabilities and Fund Balances	\$ 113,335	\$ 1,505	\$ 103,901	\$ 1,982

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 4 of 5

Data Control Codes	410 Instructional Materials Allotment	429 State Funded Special Revenue Fund	459 Innovation Services Autism	461 Campus Activity	
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 2,008,852
	Receivables:				
1240	Receivables from other governments	-	-	7,798	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	21,920	-	-	18,551
1000	Total Assets	\$ 21,920	\$ -	\$ 7,798	\$ 2,027,403
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ 7,798	\$ 192,287
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenues	21,920	-	-	65,400
2000	Total Liabilities	21,920	-	7,798	257,687
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	18,551
Restricted:					
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	1,751,165
3000	Total Fund Balances	-	-	-	1,769,716
4000	Total Liabilities and Fund Balances	\$ 21,920	\$ -	\$ 7,798	\$ 2,027,403

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Data Control Codes		480 Education Foundation Grants	Total Nonmajor Governmental Funds
Assets			
1110	Cash and temporary investments	\$ -	\$ 3,203,980
	Receivables:		
1240	Receivables from other governments	-	887,532
1290	Other receivables	380,251	382,678
1410	Prepaid items	-	40,471
1000	Total Assets	\$ 380,251	\$ 4,514,661
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$ 58,177	\$ 430,473
2160	Accrued wages payable	-	5,143
2170	Due to other funds	244,544	1,074,628
2300	Unearned revenues	65,903	153,223
2000	Total Liabilities	368,624	1,663,467
Fund Balances:			
Nonspendable:			
3430	Prepaid items	-	38,051
Restricted:			
3450	Grant restrictions	-	1,050,351
3490	Other purposes	11,627	11,627
Committed:			
3545	Other purposes	-	1,751,165
3000	Total Fund Balances	11,627	2,851,194
4000	Total Liabilities and Fund Balances	\$ 380,251	\$ 4,514,661

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 1 of 5

Data Control Codes		211	224	225	240
		ESEA Title I, Part		IDEA-B	
		A	IDEA-B Formula	Preschool	Child Nutrition
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 2,479,082
5800	State program revenues	-	-	-	18,061
5900	Federal program revenues	348,750	944,756	17,918	264,053
5020	Total Revenues	348,750	944,756	17,918	2,761,196
Expenditures					
Current:					
0011	Instruction	190,406	383,540	17,918	-
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	140,344	4,946	-	-
0021	Instructional leadership	-	2,902	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	553,368	-	-
0032	Social work services	18,000	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	2,299,352
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0071	Principal on long-term debt	-	-	-	-
6030	Total Expenditures	348,750	944,756	17,918	2,299,352
1100	Excess (deficiency) of revenues over expenditures	-	-	-	461,844
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	20,812
7080	Total Other Financing Sources (Uses)	-	-	-	20,812
1200	Net change in fund balances	-	-	-	482,656
0100	Fund Balance - September 1 (Beginning)	-	-	-	585,213
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,067,869

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 2 of 5

Data Control Codes		244	255	263	282
		Vocational Ed -			
		Basic	Title II, Part A	Title III	ESSER III
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	43,185	104,602	13,909	894,983
5020	Total Revenues	43,185	104,602	13,909	894,983
Expenditures					
Current:					
0011	Instruction	43,185	3,789	13,909	406,963
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	80,116	-	409,997
0021	Instructional leadership	-	6,364	-	-
0023	School leadership	-	14,333	-	-
0031	Guidance, counseling and evaluation services	-	-	-	78,023
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0071	Principal on long-term debt	-	-	-	-
6030	Total Expenditures	43,185	104,602	13,909	894,983
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 3 of 5

Data Control Codes	284	285	289	397
	IDEA Part B, Formula - ARP	IDEA Part B, Preschool - ARP	Miscellaneous Federal Programs	Advanced Placement Incentive
Revenues				
5700 Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	188
5900 Federal program revenues	197,198	1,505	114,402	-
5020 Total Revenues	197,198	1,505	114,402	188
Expenditures				
Current:				
0011 Instruction	116,534	1,505	2,465	-
0012 Instruction resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	525	-	18,968	2,849
0021 Instructional leadership	1,563	-	-	-
0023 School leadership	-	-	-	-
0031 Guidance, counseling and evaluation services	76,476	-	3,547	-
0032 Social work services	-	-	-	-
0033 Health services	2,100	-	40,942	-
0035 Food service	-	-	-	-
0036 Extracurricular activities	-	-	-	-
0051 Plant maintenance and operations	-	-	48,480	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0071 Principal on long-term debt	-	-	-	-
6030 Total Expenditures	197,198	1,505	114,402	2,849
1100 Excess (deficiency) of revenues over expenditures	-	-	-	(2,661)
Other Financing Sources (Uses)				
7915 Transfers in	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net change in fund balances	-	-	-	(2,661)
0100 Fund Balance - September 1 (Beginning)	-	-	-	4,643
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,982

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 4 of 5

Data Control Codes	410 Instructional Materials Allotment	429 State Funded Special Revenue Fund	459 Innovative Services Autism	461 Campus Activity
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 1,477,277
5800	State program revenues	314,009	7,798	-
5900	Federal program revenues	-	-	-
5020	Total Revenues	314,009	31	7,798
Expenditures				
Current:				
0011	Instruction	303,015	-	568,602
0012	Instruction resources and media services	-	31	68,347
0013	Curriculum and instructional staff development	10,994	-	5,888
0021	Instructional leadership	-	7,798	-
0023	School leadership	-	-	65,342
0031	Guidance, counseling and evaluation services	-	-	22,704
0032	Social work services	-	-	-
0033	Health services	-	-	66
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	410,808
0051	Plant maintenance and operations	-	-	31,366
0052	Security and monitoring services	-	-	140
0053	Data processing services	-	-	7,078
0071	Principal on long-term debt	-	-	5,769
6030	Total Expenditures	314,009	31	7,798
1100	Excess (deficiency) of revenues over expenditures	-	-	291,167
Other Financing Sources (Uses)				
7915	Transfers in	-	-	15,536
7080	Total Other Financing Sources (Uses)	-	-	15,536
1200	Net change in fund balances	-	-	306,703
0100	Fund Balance - September 1 (Beginning)	-	-	1,463,013
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 1,769,716

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 5 of 5

<u>Data Control Codes</u>		480 Education Foundation Grants	Total Nonmajor Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 370,743	\$ 4,327,102
5800	State program revenues	-	340,087
5900	Federal program revenues	-	2,945,261
5020	Total Revenues	<u>370,743</u>	<u>7,612,450</u>
Expenditures			
Current:			
0011	Instruction	293,549	2,345,380
0012	Instruction resources and media services	23,952	92,330
0013	Curriculum and instructional staff development	33,384	708,011
0021	Instructional leadership	-	18,627
0023	School leadership	1,392	81,067
0031	Guidance, counseling and evaluation services	-	734,118
0032	Social work services	-	18,000
0033	Health services	-	43,108
0035	Food service	-	2,299,352
0036	Extracurricular activities	-	410,808
0051	Plant maintenance and operations	-	79,846
0052	Security and monitoring services	-	140
0053	Data processing services	18,466	25,544
0071	Principal on long-term debt	-	5,769
6030	Total Expenditures	<u>370,743</u>	<u>6,862,100</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>750,350</u>
Other Financing Sources (Uses)			
7915	Transfers in	-	36,348
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>36,348</u>
1200	Net change in fund balances	-	786,698
0100	Fund Balance - September 1 (Beginning)	<u>11,627</u>	<u>2,064,496</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 11,627</u>	<u>\$ 2,851,194</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
August 31, 2022

Exhibit H-3

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 21,158	\$ 7,710	\$ 28,868
Other receivables	1,626	-	1,626
Total Assets	<u>\$ 22,784</u>	<u>\$ 7,710</u>	<u>\$ 30,494</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ 17,020	\$ 5,702	\$ 22,722
Total Liabilities	<u>17,020</u>	<u>5,702</u>	<u>22,722</u>
Net Position			
Unrestricted net position	<u>5,764</u>	<u>2,008</u>	<u>7,772</u>
Total Net Position	<u>5,764</u>	<u>2,008</u>	<u>7,772</u>
Total Liabilities and Net Position	<u>\$ 22,784</u>	<u>\$ 7,710</u>	<u>\$ 30,494</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2022

Exhibit H-4

	Fuel Fund	Vending Fund	Total
Operating Revenues			
Charges for Services	\$ 8,415	\$ 156,709	\$ 165,124
Total Operating Revenues	<u>8,415</u>	<u>156,709</u>	<u>165,124</u>
Operating Expenses			
Purchased and contracted services	-	115,047	115,047
Claims expense and other operating expenses	-	5,314	5,314
Total Operating Expenses	<u>-</u>	<u>120,361</u>	<u>120,361</u>
Income (Loss) before Transfers	8,415	36,348	44,763
Transfers out	<u>(17,021)</u>	<u>(36,348)</u>	<u>(53,369)</u>
Change in Net Position	(8,606)	-	(8,606)
Total Net Position - Beginning	<u>14,370</u>	<u>2,008</u>	<u>16,378</u>
Total Net Position - Ending	<u>\$ 5,764</u>	<u>\$ 2,008</u>	<u>\$ 7,772</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2022

Exhibit H-5

	Fuel Fund	Vending Fund	Total
Cash Flows from Operating Activities:			
Cash received from user charges	\$ 22,790	\$ 161,466	\$ 184,256
Cash payments to suppliers for goods and services	-	(120,361)	(120,361)
Net Cash Provided by (Used for) Operating Activities	<u>22,790</u>	<u>41,105</u>	<u>63,895</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to other funds	(17,021)	(36,348)	(53,369)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(17,021)</u>	<u>(36,348)</u>	<u>(53,369)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,769	4,757	10,526
Cash and Cash Equivalents at Beginning of Year	15,389	2,953	18,342
Cash and Cash Equivalents at End of Year	<u>\$ 21,158</u>	<u>\$ 7,710</u>	<u>\$ 28,868</u>
Reconciliation to Balance Sheet			
Cash and Cash Equivalents Per Cash Flow	\$ 21,158	\$ 7,710	\$ 28,868
Cash and Cash Equivalents per Balance Sheet	<u>\$ 21,158</u>	<u>\$ 7,710</u>	<u>\$ 28,868</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 8,415	\$ 36,348	\$ 44,763
Change in Assets and Liabilities			
Decrease (increase) in receivables	(1,114)	-	(1,114)
Increase (decrease) in Accounts payable	15,489	4,757	20,246
Net Cash Provided by (Used for) Operating Activities	<u>\$ 22,790</u>	<u>\$ 41,105</u>	<u>\$ 63,895</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2022

Exhibit H-6

	Private Purpose Trust Funds			Custodial Funds		Total Custodial Funds
	Winston Scholarship Fund	Willard Scholarship Fund	Total Private Purpose Trust Funds	Student Activity Funds	Tax Assessor Collector	
Assets						
Cash and cash equivalents	\$ 5,296	\$ 1,393	\$ 6,689	\$ 364,904	\$ 51,987	\$ 416,891
Other receivables	-	-	-	-	155	155
Total Assets	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 364,904</u>	<u>\$ 52,142</u>	<u>\$ 417,046</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 52,211	\$ 18,730	\$ 70,941
Due to others	-	-	-	-	33,412	33,412
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,211</u>	<u>\$ 52,142</u>	<u>104,353</u>
Net Position						
Restricted	\$ 5,296	\$ 1,393	\$ 6,689	\$ 312,693	\$ -	\$ 312,693
Total Net Position	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 312,693</u>	<u>\$ -</u>	<u>\$ 312,693</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2022

Exhibit H-7

	Private Purpose Trust Funds			Custodial Funds		
	Winston Scholarship Fund	Willard Scholarship Fund	Total Private Purpose Trust Funds	Student Activity Funds	Tax Assessor Collector	Total Custodial Funds
Additions						
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ 448	\$ 448
Revenues from student activities	-	-	-	377,075	-	377,075
Property taxes collected for other governments	-	-	-	-	54,549,271	54,549,271
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,075</u>	<u>54,549,719</u>	<u>54,926,794</u>
Deductions						
Payments for student activities	-	-	-	342,625	-	342,625
Property taxes distributed to other governments	-	-	-	-	54,581,807	54,581,807
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,625</u>	<u>54,581,807</u>	<u>54,924,432</u>
Change in net position	-	-	-	34,450	(32,088)	2,362
Net Position Beginning of Year	<u>5,296</u>	<u>1,393</u>	<u>6,689</u>	<u>278,243</u>	<u>32,088</u>	<u>310,331</u>
Net Position End of Year	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 312,693</u>	<u>\$ -</u>	<u>\$ 312,693</u>

REQUIRED TEA SCHEDULES

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2022

Exhibit J-1

Last Ten Fiscal Years	1		2	3	10	20	31	32	40	50	
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 8/31/21	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/22		
	Maintenance	Debt Service									
2013 and prior	Various	Various	Various	\$ 30,475	\$ -	\$ 4,740	\$ 1,492	\$ (415)	\$ 23,828		
2014	1.040000	0.327000	2,224,978,188	10,382	-	1,811	569	(113)	7,889		
2015	1.040000	0.327000	2,331,605,048	17,071	-	1,957	615	(78)	14,421		
2016	1.040000	0.327000	2,516,791,368	17,824	-	1,746	549	(61)	15,468		
2017	1.130000	0.257000	2,735,343,475	22,185	-	3,467	788	(926)	17,004		
2018	1.130000	0.237000	2,955,329,700	29,113	-	4,187	878	(1,906)	22,142		
2019	1.170000	0.197000	3,039,984,418	46,542	-	17,847	3,005	(25)	25,665		
2020	1.042400	0.217000	3,229,186,835	64,622	-	19,030	3,961	(2,648)	38,983		
2021	0.983500	0.275900	3,494,896,727	221,590	-	122,314	34,313	2,711	67,674		
2022	0.934400	0.305000	3,909,645,877	-	48,456,151	36,398,328	11,880,876	-	176,947		
1000 Totals				<u>\$ 459,804</u>	<u>\$ 48,456,151</u>	<u>\$ 36,575,427</u>	<u>\$ 11,927,046</u>	<u>\$ (3,461)</u>	<u>410,021</u>		
										Penalty and interest receivable on taxes	<u>186,474</u>
										Total taxes receivable per Exhibit C-1	<u>\$ 596,495</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION PROGRAM FUND

For the Year Ended August 31, 2022

Exhibit J-2

	<u>Budget</u>		<u>Actual Amounts</u> <u>GAAP Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local, Intermediate, and Out-of-State	\$ 2,524,414	\$ 2,524,414	\$ 2,479,082	\$ (45,332)
State Program Revenues	4,250	4,250	18,061	13,811
Federal Program Revenues	272,264	272,264	264,053	(8,211)
Total Revenues	<u>2,800,928</u>	<u>2,800,928</u>	<u>2,761,196</u>	<u>(39,732)</u>
Expenditures				
Food Services	2,404,255	2,404,255	2,299,352	104,903
Total Expenditures	<u>2,404,255</u>	<u>2,404,255</u>	<u>2,299,352</u>	<u>104,903</u>
Excess (Deficiency) Revenues Over Expenditures	<u>396,673</u>	<u>396,673</u>	<u>461,844</u>	<u>65,171</u>
Other Financing Sources (Uses)				
Transfers in	-	-	20,812	20,812
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>20,812</u>	<u>20,812</u>
Increase (Decrease) in Fund Balance	396,673	396,673	482,656	85,983
Fund Balance - September 1 (Beginning)	<u>585,213</u>	<u>585,213</u>	<u>585,213</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 981,886</u>	<u>\$ 981,886</u>	<u>\$ 1,067,869</u>	<u>\$ 85,983</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2022

Exhibit J-3

	Budget		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local, Intermediate, and Out-of-State	\$ 11,853,542	\$ 11,853,542	\$ 11,993,104	\$ 139,562
State Program Revenues	242,199	242,199	114,792	(127,407)
Total Revenues	12,095,741	12,095,741	12,107,896	12,155
Expenditures				
Debt Service:				
Principal	5,095,000	5,095,000	5,095,000	-
Interest and Fiscal Agent Fees	6,563,226	6,563,226	6,563,226	-
Debt service costs and fees	6,999	6,999	5,000	1,999
Total Expenditures	11,665,225	11,665,225	11,663,226	1,999
Increase (Decrease) in Fund Balance	430,516	430,516	444,670	14,154
Fund Balance - September 1 (Beginning)	3,587,795	3,587,795	3,587,795	-
Fund Balance - August 31 (Ending)	\$ 4,018,311	\$ 4,018,311	\$ 4,032,465	\$ 14,154

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES
For the Year Ended August 31, 2022

Exhibit J-4

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district’s fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district’s fiscal year.	\$ 967,274
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA’s fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$1,006,365
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA’s fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA’s fiscal year.	\$ 78,093
AP8	List the actual direct program expenditures for bilingual education programs during the LEA’s fiscal year. (PICs 25, 35)	\$ 33,608

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2022

Schedule L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	
	(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).

FEDERAL AWARDS SECTION



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

To the Board of Trustees
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, 2022, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 12, 2022.

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*.

Board of Trustees
Friendswood Independent School District

Purpose of this Report

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

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

Houston, Texas
December 12, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
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 Each Major Federal Program

Opinion on Each Major 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 programs for the year ended August 31, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District’s complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

Board of Trustees
Friendswood Independent School District

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

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

Whitley Penn LLP

Houston, Texas
December 12, 2022

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

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 programs:	
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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
---	---

US Department of Education

<i>COVID-19 - CRRSA ESSER II Grant</i>	84.425D
<i>COVID-19 - ARP ESSER III Grant</i>	84.425U

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
--	-----------

Auditee qualified as low risk auditee?	Yes
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FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2022

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, 2022

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Assistance Listing Number	(3) Federal Expenditures
U.S. Department of Education				
Passed Through Texas Education Agency:				
226600010849116000	IDEA - Part B, Formula	224	84.027A	\$ 982,141
225350010849115000	IDEA - Part B, Formula ARP	284	84.027A	204,703
226610010849116000	IDEA - Part B, Preschool	225	84.173A	18,626
225360010849115000	IDEA - Part B, Preschool ARP	285	84.173X	<u>1,565</u>
	<i>Total Special Education Cluster (ALN # 84.027, 84.173)</i>			<u>1,207,035</u>
22610101084911	ESEA Title I Part A	211	84.010A	362,555
22420006084911	Carl D. Perkins - Basic Formula	244	84.048A	44,903
22671001084911	Title III - Part A, ELA	263	84.365A	14,460
22694501084911	ESEA Title II, Part A, Supporting Effective Instruction	255	84.367A	108,394
23694501084911	ESEA Title II, Part A, Supporting Effective Instruction	255	84.367A	<u>347</u>
	<i>Total ALN 84.367</i>			<u>108,741</u>
S369A190045	LEP Summer School (2021-22)	289	84.369	1,475
21680101084911	Title IV, Part A, Subpart 1	289	84.424A	31
22680101084911	Title IV, Part A, Subpart 1	289	84.424A	<u>24,407</u>
	<i>Total ALN 84.424</i>			<u>24,438</u>
21521001084911	COVID-19 CRRSA ESSER II	199	84.425D	910,714
21528001084911	COVID-19 ARP ESSER III	282	84.425U	<u>1,048,657</u>
	<i>Total ALN 84.425</i>			<u>1,959,371</u>
	Total U.S. Department of Education			<u>3,722,978</u>
U.S. Department of Health and Human Services				
Passed Through the Texas Health and Human Services Commission:				
3935220184911	COVID-19 School Health Support Grant	289	93.323	<u>92,957</u>
	<i>Total ALN 93.323</i>			<u>92,957</u>
U.S. Department of Agriculture				
00410	National School Lunch Program - USDA Commodities (Non-cash assistance)	240	10.555	79,881
Passed Through Texas Education Agency:				
Cash Assistance:				
71302201	National School Lunch Program	240	10.555	189,579
71402201	School Breakfast Program	240	10.553	<u>16,731</u>
	<i>Total Child Nutrition Cluster (ALN # 10.553, 10.555)</i>			<u>286,191</u>
Passed Through State Department of Agriculture:				
00410	COVID-19 Pandemic EBT, admin costs	240	10.649	614
	Total U.S. Department of Agriculture			<u>286,805</u>
	Total Expenditures of Federal Awards			<u>\$ 4,102,740</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, 2022. 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	\$ 4,102,740
Medicaid SHARS	<u>263,265</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 4,366,005</u></u>

Note 4 – General Fund Expenditures

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

Federal revenue accounted for in General Fund:

Medicaid SHARS	\$ 263,265
Reimbursements for Prior Year Expenditures	
CRRSA ESSER II	722,089
Indirect Costs:	
National School Lunch Program	20,907
School Breakfast Program	1,845
ESEA Title I Part A	13,805
IDEA - Part B, Formula	37,385
IDEA - Part B, Formula ARP	7,505
IDEA - Part B, Preschool	708
IDEA - Part B, Preschool ARP	60
Carl D. Perkins - Basic Formula	1,718
ESEA Title II, Part A, Supporting Effective Instruction	4,139
Title III - Part A, ELA	551
Title IV, Part A, Subpart 1	933
CRRSA ESSER II	188,625
ARP ESSER III	153,674
COVID-19 School Health Support Grant	3,535
Total Indirect Costs	<u>435,390</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 1,420,744</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2022

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.

Prior Audit Findings

None Noted

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2022

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."

Corrective Action Plan

Not Applicable