
FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

For the Year Ended August 31, 2023



CPAs and Professional Consultants

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Introductory Section		
Certificate of Board	i	
Financial Section		
Independent Auditor’s Report	1	
Management’s Discussion and Analysis	5	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	15	A-1
Statement of Activities	16	B-1
Governmental Fund Financial Statements:		
Balance Sheet	18	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	19	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances	20	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21	C-4
Proprietary Fund Financial Statements		
Statement of Net Position	22	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	23	D-2
Statement of Cash Flows	24	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	25	E-1
Statement of Changes in Fiduciary Net Position	26	E-2
Notes to the Financial Statements	27	F-1
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	58	G-1
Notes to Required Supplementary Information	59	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	60	G-2
Schedule of the District’s Pension Contributions – Teacher Retirement System of Texas	61	G-3
Notes to Required Supplementary Information – Pension	61	
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	62	G-4
Schedule of the District’s OPEB Contributions – Teacher Retirement System of Texas	63	G-5
Notes to Required Supplementary Information – OPEB	63	
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	66	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	71	H-2
Combining Statement of Net Position	76	H-3
Combining Statements of Revenues, Expenses and Changes in Fund Net Position	77	H-4
Combining Statement of Cash Flows	78	H-5
Fiduciary Funds:		
Custodial Funds:		
Combining Statement of Fiduciary Net Position	79	H-6
Combining Statement of Changes in Fiduciary Net Position	80	H-7

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit</u>
Financial Section (continued)		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable	82	J-1
Budgetary Comparison Schedule - Child Nutrition Program Fund	83	J-2
Budgetary Comparison Schedule - Debt Service Fund	84	J-3
Compensatory Education Program and Bilingual Education Program Compliance Responses	85	J-4
Required Responses to Selected School FIRST Indicators	86	L-1
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 <i>Government Auditing Standards</i>	89	
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance required by the Uniform Guidance	91	
Schedule of Findings and Questioned Costs	94	
Schedule of Expenditures of Federal Awards	96	K-1
Notes to Schedule of Expenditures of Federal Awards	97	K-2
Summary Schedule of Prior Audit Findings	99	
Corrective Action Plan	100	

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, 2023, at a meeting of the board of trustees of such school district on January 16, 2024.

President of the Board

Vice President of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Friendswood Independent School District

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

To the Board of Trustees
Friendswood Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 January 16, 2024 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.



Houston, Texas
January 16, 2024



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, 2023. 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 \$23,759,252 (net deficit). Of this amount, a deficit of \$16,176,774 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. \$4,383,647 was restricted for debt service, \$1,275,644 was restricted for food service, 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 \$13,253,396.

- The District's total net position increased by \$5,059,421 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 \$785,758 from the prior year.
- The District's governmental funds reported combined ending fund balances of \$63,614,649 as of August 31, 2023. Of this amount, \$1,470,080 is non-spendable in the form of (1) inventory in the amount of \$145,653 and (2) prepaid items in the amount of \$1,324,427. Fund balance of \$42,297,418 is restricted for (1) federal and state grants in the amount of \$1,275,644, (2) capital acquisitions in the amount of \$36,469,209, (3) debt service in the amount of \$4,540,938, and (4) \$11,627 for other purposes. Fund balance of \$4,445,800 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 \$1,745,800. Fund balance of \$2,207,344 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$13,194,007 in the general fund is classified as unassigned and is available for spending at the District's discretion. This is a decrease of \$1,511,290 as compared to the prior fiscal year. The unassigned fund balance represents 22% of total general fund expenditures.
- The District's bonded debt decreased by \$6,285,000 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 \$23,759,252 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 78,008,931	\$ 141,674,148	\$ 25,427	\$ 30,494	\$ 78,034,358	\$ 141,704,642
Capital and non current assets	154,486,121	92,743,003	-	-	154,486,121	92,743,003
Total Assets	232,495,052	234,417,151	25,427	30,494	232,520,479	234,447,645
Deferred outflows	15,135,488	13,731,906	-	-	15,135,488	13,731,906
Total Deferred Outflows of Resources	15,135,488	13,731,906	-	-	15,135,488	13,731,906
Current liabilities	25,903,235	31,822,818	9,290	22,722	25,912,525	31,845,540
Long term liabilities	227,488,183	224,161,518	-	-	227,488,183	224,161,518
Total Liabilities	253,391,418	255,984,336	9,290	22,722	253,400,708	256,007,058
Deferred inflows	18,014,511	20,991,166	-	-	18,014,511	20,991,166
Total Deferred Inflows of Resources	18,014,511	20,991,166	-	-	18,014,511	20,991,166
Net Position						
Net investment in capital assets	(16,176,774)	(21,068,646)	-	-	(16,176,774)	(21,068,646)
Restricted	5,670,918	4,926,731	-	-	5,670,918	4,926,731
Unrestricted	(13,269,533)	(12,684,530)	16,137	7,772	(13,253,396)	(12,676,758)
Total Net Position	\$ (23,775,389)	\$ (28,826,445)	\$ 16,137	\$ 7,772	\$ (23,759,252)	\$ (28,818,673)

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

	Governmental Activities	
	2023	2022
Federal and state programs	\$ -	\$ 1,982
Food Service	1,275,644	1,067,869
Debt Service	4,383,647	3,845,253
Other Purposes	11,627	11,627
	\$ 5,670,918	\$ 4,926,731

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$13,269,533. 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 increased by \$5,051,056 during the current fiscal year due to depreciation of capital assets. The aggregate negative impact of these amounts decreased by \$785,758 from the prior year. The District's net position of the business-type activities had an ending balance of \$16,137, all of which is unrestricted and may be used to meet on-going obligations.

Governmental Activities

Governmental activities increased the District's net position by \$5,051,056. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 88 percent of total revenues. Charges for services, investment earnings, and other miscellaneous revenue account for the remaining 12 percent.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for services	\$ 4,718,196	\$ 4,295,320	\$ 243,934	\$ 165,124	\$ 4,962,130	\$ 4,460,444
Operating grants	7,941,905	5,919,765	-	-	7,941,905	5,919,765
General Revenues						
Property taxes	51,040,613	48,631,855	-	-	51,040,613	48,631,855
State Aid - Formula Grants	12,561,592	14,377,353	-	-	12,561,592	14,377,353
Interest earnings	4,801,368	617,627	-	-	4,801,368	617,627
Total Revenues	81,063,674	73,841,920	243,934	165,124	81,307,608	74,007,044
Expenses						
Instruction	37,154,643	38,090,583	-	-	37,154,643	38,090,583
Instructional resources and media services	821,916	705,828	-	-	821,916	705,828
Curriculum and staff development	2,013,703	1,713,089	-	-	2,013,703	1,713,089
Instructional leadership	991,863	989,646	-	-	991,863	989,646
School leadership	3,355,228	3,127,170	-	-	3,355,228	3,127,170
Guidance, counseling, and evaluation services	3,163,660	2,725,392	-	-	3,163,660	2,725,392
Social work services	22,000	18,000	-	-	22,000	18,000
Health services	691,710	646,280	-	-	691,710	646,280
Student transportation	2,421,092	2,384,306	-	-	2,421,092	2,384,306
Food service	2,873,943	2,425,322	-	-	2,873,943	2,425,322
Extracurricular activities	2,804,537	2,713,235	-	-	2,804,537	2,713,235
General administration	2,674,008	2,499,187	-	-	2,674,008	2,499,187
Facilities maintenance and operations	7,678,758	6,852,005	-	-	7,678,758	6,852,005
Security and monitoring services	995,254	913,535	-	-	995,254	913,535
Data processing services	1,548,866	1,490,405	-	-	1,548,866	1,490,405
Community services	544,455	376,578	-	-	544,455	376,578
Interest on long-term debt	5,858,825	6,089,119	-	-	5,858,825	6,089,119
Payments related to shared services arrangements	74,879	52,114	-	-	74,879	52,114
Payments to Juvenile Justice Alternative Education Programs	2,371	-	-	-	2,371	-
Other intergovernmental charges	358,207	387,979	-	-	358,207	387,979
Vending Fund	-	-	198,269	120,361	198,269	120,361
Total Expenses	76,049,918	74,199,773	198,269	120,361	76,248,187	74,320,134
Excess (deficiency) before transfers	5,013,756	(357,853)	45,665	44,763	5,059,421	(313,090)
Transfers	37,300	53,369	(37,300)	(53,369)	-	-
Increase (Decrease) in Net Position	5,051,056	(304,484)	8,365	(8,606)	5,059,421	(313,090)
Beginning Net Position	(28,826,445)	(28,521,347)	7,772	16,378	(28,818,673)	(28,504,969)
Ending Net Position	\$ (23,775,389)	\$ (28,825,831)	\$ 16,137	\$ 7,772	\$ (23,759,252)	\$ (28,818,059)

	Total Revenues	% of Total Revenues
Property taxes	\$ 51,040,613	63%
State aid - formula grants	12,561,592	15%
Operating grants and contributions	7,941,905	10%
Charges for services and other revenue	9,519,564	12%
Total Revenues	\$ 81,063,674	100%

The primary functional expense of the District is instruction, which represent 49 percent of total expenses. Plant maintenance and operations, interest on long-term debt, and school leadership represent 10 percent, 8 percent, and 4 percent, respectively, of the total expenses. The remaining individual functional categories of expenses are each less than 4 percent of total expenses.

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

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 37,154,643	49%
Plant maintenance and operations	7,678,758	10%
Interest on long-term debt	5,858,825	8%
School leadership	3,355,228	4%
Other expenses	22,002,464	29%
Total Expenses	<u>\$ 76,049,918</u>	<u>100%</u>

Business-Type Activities

Net position of the District’s business type activities increased by \$8,365 for the year ended August 31, 2023.

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 \$63,614,649, a decrease of \$67,133,814 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 \$13,194,007, while total fund balance reached \$17,363,837. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22 percent of expenditures and total fund balance represents 29 percent of the same amount.

During the current fiscal year, the total fund balance of the District’s general fund decreased by \$1,250,131, while total general fund expenditures showed an increase of \$2,380,693. 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 \$4,540,938, 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 \$508,473 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:

	<u>Budget</u>	
	<u>Original</u>	<u>Final Amended</u>
Total Revenues	\$ 56,455,941	\$ 56,455,941
Total Expenditures	59,555,941	61,013,344
Net Change in Fund Balance	<u>\$ (3,100,000)</u>	<u>\$ (4,557,403)</u>

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, 2023, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$70,109,664. The following table summarizes the investment in capital assets as of August 31, 2023 and 2022.

	August 31, 2023	August 31, 2022
Land	\$ 2,882,739	\$ 2,882,739
Buildings and improvements	189,044,102	145,073,447
Furniture and equipment	15,421,664	13,124,209
Right-to-use assets	309,010	214,032
Construction in progress	44,459,182	20,958,200
	<u>252,116,697</u>	<u>182,252,627</u>
Less Accumulated Depreciation/Amortization for:		
Buildings and improvements	(88,656,192)	(84,160,540)
Furniture and equipment	(10,783,744)	(10,018,381)
Right-to-use assets	(43,875)	(145,632)
	<u>(99,483,811)</u>	<u>(94,324,553)</u>
Governmental Capital Assets	<u><u>\$ 152,632,886</u></u>	<u><u>\$ 87,928,074</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 \$6,285,000 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, 2023, are as follows:

Outstanding 09/01/22	Issued	Retired	Outstanding 08/31/23
<u>\$ 196,190,000</u>	<u>\$ -</u>	<u>\$ (6,285,000)</u>	<u>\$ 189,905,000</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 2023-2024 budget was adopted.
- For 2023-2024, the maintenance and operations tax rate is \$0.7953, while the debt service rate is \$0.2847. The maintenance and operations tax rate decreased \$0.1217, and the debt service rate decreased by \$0.0077 compared to 2022-2023. The adopted tax rate reflects tax rate compression mandated by House Bill 3 of the 86th Legislature.
- Net taxable values in the District have increased 1.3%. The average taxable residence in Friendswood has shown a ten-year upward trend increasing from average taxable value in 2013 of \$234,368 to \$404,114. Senate Bill 2 of the 88th Legislature brought forth property tax compression. Additionally, the state's homestead exemption increased from \$40,000 to \$100,000.
- Operating expenses per students in the District's general fund were \$9,626 for 2022-2023. Operating expenses per student for the 2023-2024 fiscal year are projected to be \$11,430.
- Expenditures are budgeted to increase 10.05% or \$6.0 million. This increase is primarily due to increases in salaries, safety, and insurance costs as well as an estimated \$4.0 million in one-time facilities repairs.
- For 2024, construction of new commercial and residential property in the are estimated to bring in an estimated \$80M in taxable value.

These indicators were taken into account when adopting the budget for 2023-2024. The Friendswood Independent School District general fund adopted budget for 2023-2024 is as follows:

	Fiscal Year 2024 Adopted Budget
Budgeted Revenues	\$ 63,366,514
Budgeted Expenditures	65,816,514
	<u>\$ (2,450,000)</u>

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2023

<u>Data Control Codes</u>		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets				
1110	Cash and cash equivalents	\$ 69,603,952	\$ 24,607	\$ 69,628,559
1120	Current investments	5,324,680	-	5,324,680
1225	Property taxes receivables, net	572,514	-	572,514
1240	Due from other governments	657,195	-	657,195
1290	Other receivables, net	301,522	820	302,342
1300	Inventories	145,653	-	145,653
1410	Prepaid items	1,403,415	-	1,403,415
	Capital assets not subject to depreciation:			
1510	Land	2,882,739	-	2,882,739
1580	Construction in progress	44,459,182	-	44,459,182
	Capital assets net of depreciation/amortization:			
1520	Buildings and improvements, net	100,387,910	-	100,387,910
1530	Furniture and equipment, net	4,637,920	-	4,637,920
1550	Right-to-use assets, net	265,135	-	265,135
1910	Long-term investments	1,853,235	-	1,853,235
1000	Total Assets	<u>232,495,052</u>	<u>25,427</u>	<u>232,520,479</u>
Deferred Outflows of Resources				
	Deferred charge on refunding	3,407,222	-	3,407,222
	Deferred outflows - pension	7,818,045	-	7,818,045
	Deferred outflows - OPEB	3,910,221	-	3,910,221
1700	Total Deferred Outflows of Resources	<u>15,135,488</u>	<u>-</u>	<u>15,135,488</u>
Liabilities				
2110	Accounts payable	10,633,479	9,290	10,642,769
2120	Other liabilities - current	2,500	-	2,500
2140	Interest payable	270,050	-	270,050
2150	Payroll deductions and withholdings	3,111	-	3,111
2160	Accrued wages payable	3,758,542	-	3,758,542
2300	Unearned revenue	1,347,896	-	1,347,896
	Noncurrent Liabilities:			
2501	Due within one year	6,780,509	-	6,780,509
2502	Due in more than one year	202,614,994	-	202,614,994
2540	Net pension liability	18,092,680	-	18,092,680
2545	Net OPEB liability	9,887,657	-	9,887,657
2000	Total Liabilities	<u>253,391,418</u>	<u>9,290</u>	<u>253,400,708</u>
Deferred Inflows of Resources				
	Deferred inflows - Pension	1,915,128	-	1,915,128
	Deferred inflows - OPEB	16,099,383	-	16,099,383
2600	Total Deferred Inflows of Resources	<u>18,014,511</u>	<u>-</u>	<u>18,014,511</u>
Net Position (Deficit)				
3200	Net investment in capital assets	(16,176,774)	-	(16,176,774)
	Restricted for:			
3820	Food service	1,275,644	-	1,275,644
3850	Debt service	4,383,647	-	4,383,647
3890	Other purposes	11,627	-	11,627
3900	Unrestricted	(13,269,533)	16,137	(13,253,396)
3000	Total Net Position (Deficit)	<u>\$ (23,775,389)</u>	<u>\$ 16,137</u>	<u>\$ (23,759,252)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Governmental Activities:				
11	Instruction	\$ 37,154,643	\$ 1,069,037	\$ 3,390,509
12	Instructional resources and media services	821,916	-	135,256
13	Curriculum and staff development	2,013,703	-	1,004,480
21	Instructional leadership	991,863	-	34,255
23	School leadership	3,355,228	-	145,136
31	Guidance, counseling, and evaluation services	3,163,660	-	879,789
32	Social work services	22,000	-	22,000
33	Health services	691,710	-	376,619
34	Student transportation	2,421,092	-	24,671
35	Food service	2,873,943	2,505,780	369,666
36	Extracurricular activities	2,804,537	207,289	506,563
41	General administration	2,674,008	-	141,187
51	Facilities maintenance and operations	7,678,758	431,023	198,654
52	Security and monitoring services	995,254	-	156,472
53	Data processing services	1,548,866	-	45,369
61	Community services	544,455	505,067	5,103
72	Interest on long-term debt	5,858,825	-	506,176
93	Payments related to shared services arrangements	74,879	-	-
95	Payments to Juvenile Justice Alternative Education Programs	2,371	-	-
99	Other intergovernmental charges	358,207	-	-
TG	Total Governmental Activities	<u>76,049,918</u>	<u>4,718,196</u>	<u>7,941,905</u>
Business-Type Activities:				
01	Fuel Fund	-	8,365	-
02	Vending Fund	198,269	235,569	-
TB	Total Business-Type Activities	<u>198,269</u>	<u>243,934</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 76,248,187</u>	<u>\$ 4,962,130</u>	<u>\$ 7,941,905</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023

Exhibit B-1
Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	Governmental Activities:			
11	Instruction	\$ (32,695,097)		\$ (32,695,097)
12	Instructional resources and media services	(686,660)		(686,660)
13	Curriculum and staff development	(1,009,223)		(1,009,223)
21	Instructional leadership	(957,608)		(957,608)
23	School leadership	(3,210,092)		(3,210,092)
31	Guidance, counseling, and evaluation services	(2,283,871)		(2,283,871)
32	Social work services	-		-
33	Health services	(315,091)		(315,091)
34	Student transportation	(2,396,421)		(2,396,421)
35	Food service	1,503		1,503
36	Extracurricular activities	(2,090,685)		(2,090,685)
41	General administration	(2,532,821)		(2,532,821)
51	Facilities maintenance and operations	(7,049,081)		(7,049,081)
52	Security and monitoring services	(838,782)		(838,782)
53	Data processing services	(1,503,497)		(1,503,497)
61	Community services	(34,285)		(34,285)
72	Interest on long-term debt	(5,352,649)		(5,352,649)
93	Payments related to shared services arrangements	(74,879)		(74,879)
95	Payments to Juvenile Justice Alternative Education Programs	(2,371)		(2,371)
99	Other intergovernmental charges	(358,207)		(358,207)
TG	Total Governmental Activities	<u>(63,389,817)</u>		<u>(63,389,817)</u>
	Business-Type Activities:			
01	Fuel Fund	-	\$ 8,365	8,365
02	Vending Fund	-	37,300	37,300
TB	Total Business-Type Activities	-	45,665	45,665
TP	Total Primary Government	<u>(63,389,817)</u>	<u>45,665</u>	<u>(63,344,152)</u>
	General Revenues:			
	Taxes:			
MT	Property taxes, levied for general purposes	38,700,752	-	38,700,752
DT	Property taxes, levied for debt service	12,339,861	-	12,339,861
SF	State-aid formula grants	12,561,592	-	12,561,592
IE	Investment earnings	4,801,368	-	4,801,368
FR	Transfers	37,300	(37,300)	-
TR	Total General Revenues and Transfers	<u>68,440,873</u>	<u>(37,300)</u>	<u>68,403,573</u>
CN	Change in net position	5,051,056	8,365	5,059,421
NB	Net Position (Deficit) - Beginning	<u>(28,826,445)</u>	<u>7,772</u>	<u>(28,818,673)</u>
NE	Net Position (Deficit) - Ending	<u>\$ (23,775,389)</u>	<u>\$ 16,137</u>	<u>\$ (23,759,252)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2023**

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
1110 Cash and temporary investments	\$ 13,697,405	\$ 4,575,444	\$ 47,971,679	\$ 3,359,424	\$ 69,603,952
1120 Investments	5,324,680	-	-	-	5,324,680
Receivables:					
1220 Property taxes - delinquent	536,941	156,790	-	-	693,731
1230 Allowance for uncollectible taxes (credit)	(94,236)	(26,981)	-	-	(121,217)
1240 Receivables from other governments	8,021	-	-	649,174	657,195
1260 Due from other funds	381,022	-	-	-	381,022
1290 Other receivables	160,316	-	133,580	7,626	301,522
1300 Inventories, at cost	145,653	-	-	-	145,653
1410 Prepaid items	1,324,177	-	-	79,238	1,403,415
1910 Long-term investments	1,853,235	-	-	-	1,853,235
1000 Total Assets	\$ 23,337,214	\$ 4,705,253	\$ 48,105,259	\$ 4,095,462	\$ 80,243,188
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
2110 Accounts payable	\$ 641,448	\$ -	\$ 9,428,706	\$ 563,325	\$ 10,633,479
2120 Other liabilities - current	2,500	-	-	-	2,500
2150 Payroll withholdings payable	3,111	-	-	-	3,111
2160 Accrued wages payable	3,753,691	-	-	4,851	3,758,542
2170 Due to other funds	-	-	-	381,022	381,022
2300 Unearned revenue	1,183,397	51,556	-	112,943	1,347,896
2000 Total Liabilities	5,584,147	51,556	9,428,706	1,062,141	16,126,550
Deferred Inflows of Resources:					
2600 Unavailable revenue - property taxes	389,230	112,759	-	-	501,989
2600 Total Deferred Inflows of Resources	389,230	112,759	-	-	501,989
Fund Balances:					
Nonspendable:					
3410 Inventories	145,653	-	-	-	145,653
3430 Prepaid items	1,324,177	-	-	250	1,324,427
Restricted:					
3450 Grant restrictions	-	-	-	1,275,644	1,275,644
3470 Capital acquisitions	-	-	36,469,209	-	36,469,209
3480 Debt service	-	4,540,938	-	-	4,540,938
3490 Other	-	-	-	11,627	11,627
Committed:					
3545 Other purposes	2,700,000	-	-	1,745,800	4,445,800
Assigned:					
3570 Capital expenditures for equipment	-	-	2,207,344	-	2,207,344
3600 Unassigned	13,194,007	-	-	-	13,194,007
3000 Total Fund Balances	17,363,837	4,540,938	38,676,553	3,033,321	63,614,649
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 23,337,214	\$ 4,705,253	\$ 48,105,259	\$ 4,095,462	\$ 80,243,188

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
August 31, 2023

Exhibit C-2

<u>Data Control Codes</u>		
	Total Fund Balance, Governmental Funds	\$ 63,614,649
	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.	152,632,886
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).	501,989
3	Deferred charges on refunding	3,407,222
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
4	Deferred outflows relating to pension activities	7,818,045
5	Deferred inflows relating to pension activities	(1,915,128)
6	Deferred outflows relating to OPEB activities	3,910,221
7	Deferred inflows relating to OPEB activities	(16,099,383)
	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:	
8	General obligation bonds	(189,905,000)
9	Premiums on issuance	(18,538,194)
10	Compensated absences	(709,412)
11	Accrued interest payable	(270,050)
12	Lease payable	(242,897)
13	Net pension liability	(18,092,680)
14	Net OPEB liability	<u>(9,887,657)</u>
19	Total Net Deficit - Governmental Activities	\$ <u>(23,775,389)</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, 2023

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	\$ 41,971,182	\$ 12,623,354	\$ 3,081,621	\$ 4,574,206	\$ 62,250,363
5800	State program revenues	15,778,796	504,844	-	1,020,196	17,303,836
5900	Federal program revenues	505,474	-	-	2,966,916	3,472,390
5020	Total Revenues	58,255,452	13,128,198	3,081,621	8,561,318	83,026,589
Expenditures						
Current:						
0011	Instruction	33,595,529	-	313,529	2,648,550	36,557,608
0012	Instruction resources and media services	804,372	-	8,944	124,216	937,532
0013	Curriculum and instructional staff development	1,134,204	-	-	942,118	2,076,322
0021	Instructional leadership	950,962	-	-	13,862	964,824
0023	School leadership	3,139,610	-	-	87,792	3,227,402
0031	Guidance, counseling and evaluation services	2,410,810	-	-	781,286	3,192,096
0032	Social work services	-	-	-	22,000	22,000
0033	Health services	667,173	-	-	118	667,291
0034	Student transportation	2,297,283	-	-	-	2,297,283
0035	Food services	1,240	-	-	2,715,422	2,716,662
0036	Extracurricular activities	2,228,330	-	-	494,051	2,722,381
0041	General administration	2,521,505	-	25,805	1,932	2,549,242
0051	Facilities maintenance and operations	6,775,551	-	257,492	170,769	7,203,812
0052	Security and monitoring services	792,760	-	58,408	153,741	1,004,909
0053	Data processing services	1,403,655	-	79,348	33,155	1,516,158
0061	Community services	512,455	-	-	-	512,455
Debt Service:						
0071	Principal on long-term debt	132,751	6,285,000	-	1,271	6,419,022
0072	Interest on long-term debt	3,367	6,329,725	-	112	6,333,204
0073	Debt service costs and fees	-	5,000	-	-	5,000
Capital Outlay:						
0081	Facilities acquisition and construction	-	-	68,912,378	233,675	69,146,053
Intergovernmental:						
0093	Payments related to shared services arrangements	74,879	-	-	-	74,879
0095	Payments to Juvenile Justice Alternative Education Program	2,371	-	-	-	2,371
0099	Other intergovernmental charges	358,207	-	-	-	358,207
6030	Total Expenditures	59,807,014	12,619,725	69,655,904	8,424,070	150,506,713
1100	Excess (deficiency) of revenues over expenditures	(1,551,562)	508,473	(66,574,283)	137,248	(67,480,124)
Other Financing Sources (Uses)						
7913	Proceeds from right-to-use lease assets	301,431	-	-	7,579	309,010
7915	Transfers in	-	-	-	37,300	37,300
7080	Total Other Financing Sources (Uses)	301,431	-	-	44,879	346,310
1200	Net change in fund balances	(1,250,131)	508,473	(66,574,283)	182,127	(67,133,814)
0100	Fund Balance - September 1 (Beginning)	18,613,968	4,032,465	105,250,836	2,851,194	130,748,463
3000	Fund Balance - August 31 (Ending)	\$ 17,363,837	\$ 4,540,938	\$ 38,676,553	\$ 3,033,321	\$ 63,614,649

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, 2023

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (67,133,814)
	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	70,109,664
2	Depreciation/amortization expense	(5,404,852)
	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	72,062
	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.	
4	Lease issued	(309,010)
5	Principal paid on leases	134,022
6	Principal paid on bonds	6,285,000
	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	(680,591)
8	Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,466,349
9	Decrease in interest payable not recognized in fund statements	10,310
10	Amortization of bond premiums and discounts	721,992
11	Amortization of deferred amounts on refunded bonds	(252,923)
12	Compensated absences	60,006
	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The increase (decrease) of the internal service funds is reported with governmental activities (see D-2).	<u>(27,159)</u>
	Change in Net Position of Governmental Activities (see B-1)	<u><u>\$ 5,051,056</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2023

Exhibit D-1

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
Current Assets:		
Cash and cash equivalents	\$ 24,607	\$ -
Other receivables	820	-
Total Assets	<u>25,427</u>	<u>-</u>
Liabilities		
Current Liabilities:		
Accounts payable	9,290	-
Total Liabilities	<u>9,290</u>	<u>-</u>
Net Position		
Unrestricted net position	16,137	-
Total Net Position	<u>\$ 16,137</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2023

Exhibit D-2

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 243,934	\$ -
Total Operating Revenues	<u>243,934</u>	<u>-</u>
Operating Expenses		
Purchased and contracted services	194,006	-
Claims expense and other operating expenses	4,263	27,159
Total Operating Expenses	<u>198,269</u>	<u>27,159</u>
Operating Income	<u>45,665</u>	<u>(27,159)</u>
Non-Operating Revenues (Expenses)		
Investment earnings	-	-
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>-</u>
Income (loss) before transfers	45,665	(27,159)
Transfers		
Transfers out	(37,300)	-
Total Transfers	<u>(37,300)</u>	<u>-</u>
Change in Net Position	8,365	(27,159)
Net Position - September 1 (Beginning)	<u>7,772</u>	<u>27,159</u>
Net Position - August 31 (Ending)	<u>\$ 16,137</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended August 31, 2023

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	\$ 231,308	\$ -
Cash payments for insurance claims	-	(27,159)
Cash payments to suppliers for goods and services	(198,269)	-
Net Cash Provided by (Used for) Operating Activities	<u>33,039</u>	<u>(27,159)</u>
Cash Flows from Non-Capital Financing Activities:		
Advances to other funds	(37,300)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(37,300)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,261)	(27,159)
Cash and Cash Equivalents at Beginning of Year	28,868	27,159
Cash and Cash Equivalents at End of Year	<u>\$ 24,607</u>	<u>\$ -</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	\$ 24,607	\$ -
Cash and Cash Equivalents per Balance Sheet	<u>\$ 24,607</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 45,665	\$ (27,159)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	806	-
Increase (decrease) in accounts payable	(13,432)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 33,039</u>	<u>\$ (27,159)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT*Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION****August 31, 2023**

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 6,689	\$ 409,491
Other receivables	-	-
Total Assets	<u>6,689</u>	<u>409,491</u>
Liabilities		
Accounts payable	-	45,538
Due to others	-	57,956
Total Liabilities	<u>-</u>	<u>103,494</u>
Net Position		
Restricted Net Position	6,689	305,997
Total Net Position	<u>\$ 6,689</u>	<u>\$ 305,997</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2023

Exhibit E-2

	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions		
Investment earnings	\$ -	\$ 28,146
Revenues from student activities	-	297,570
Property taxes collected for other governments	-	57,325,565
Total Additions	<u>-</u>	<u>57,651,281</u>
Deductions		
Payments for student activities	-	304,266
Property taxes distributed to other governments	-	57,353,711
Total Deductions	<u>-</u>	<u>57,657,977</u>
Change in net position	-	(6,696)
Net Position Beginning of Year	<u>6,689</u>	<u>312,693</u>
Net Position End of Year	<u>\$ 6,689</u>	<u>\$ 305,997</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 a custodian 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 2023 (tax year 2022) were \$4,220,794,361. 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 \$1.2094, which included \$0.9170 for maintenance and operations, and \$0.2924 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 2023 fiscal year was \$51,046,287. 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, right-to-use lease assets, and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The measurement of the right-to-use lease assets is discussed in their respective section of this note. 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/amortized 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 \$2,207,344 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 issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District has evaluated the effects of this standard and has determined that it does not impact the financial statements.

GASB issued Statement No. 99, *Omnibus 2022* was issued in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective immediately upon issuance, for periods beginning after June 15, 2022 and June 15, 2023, depending on the topical area.

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, 2023, the District's cash in bank totaled \$41,027 while the carrying value was \$20,411,685, which included funds in a sweep account of \$13,359,653. Pledged collateral and FDIC insurance for these deposits totaled \$18,639,012. The funds in the sweep account are not subject to pledged collateral requirements. Certificates of deposit requiring collateral at August 31, 2023 totaled \$2,500,000. A letter of credit and NCUSIF insurance for the certificates of deposit totaled \$3,677,263. As such, the District's cash and certificates of deposit were properly collateralized at August 31, 2023.

Note 2 - Deposits and Investments (continued)

Cash Deposits (continued)

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 2023, 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, Texas Range 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.

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.

Texas Range 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	\$ 19,970,898	N/A
Certificates of deposit	3,500,000	122
Investments		
Local Government		
Investment Pools:		
Lone Star	3,461,092	23
MBIA Texas Class	50,989	40
TexPool	1,340,807	23
TexSTAR	22,610,818	27
TexFit	20,350,712	16
Texas Range	<u>1,341,045</u>	36
Total Local Government		
Investment Pools	<u>49,155,463</u>	22
Money Market:		
TD Ameritrade	477,591	335
Securities:		
Treasury Agency	3,129,789	98
Municipal Bonds	<u>548,126</u>	31
Total Securities	<u>3,677,915</u>	88
Total Investments	<u>56,810,969</u>	35
Total Governmental Activities	<u>76,781,867</u>	
	-	
Business-Type Activities:		
Cash and deposits	<u>24,607</u>	N/A
Total Business-Type Activities	<u>24,607</u>	
Fiduciary Funds:		
Cash and deposits	<u>416,180</u>	N/A
Total Fiduciary Funds	<u>416,180</u>	
Total	<u>\$ 77,222,654</u>	
Investment earnings	\$ 4,801,368	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments' fair value measurement are as follows at August 31, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt Securities:				
Certificates of Deposit	\$ 3,500,000	\$ 3,500,000	\$ -	\$ -
Municipal Bonds	548,126	-	548,126	-
Total Debt Securities	<u>\$ 4,048,126</u>	<u>\$ 3,500,000</u>	<u>\$ 548,126</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of internally created pooled fund groups to no more than 180 days. The weighted average maturity for the general fund, debt service fund, capital projects fund, and internal service fund pooled fund groups are 203, 19, 16, and 6, respectively.

	<u>Carrying Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	\$ 3,500,000	\$ 3,500,000	\$ -
Local Government Investment Pools:			
Lone Star	3,461,092	3,461,092	-
MBIA Texas Class	50,989	50,989	-
TexPool	1,340,807	1,340,807	-
TexSTAR	22,610,818	22,610,818	-
TexFit	20,350,712	20,350,712	-
TexasTERM	1,341,045	1,341,045	-
Money Market - TD Ameritrade	477,591	477,591	-
Investment Securities:			
Federal Farm Credit Bank	3,129,789	1,276,554	1,853,235
Municipal Bonds	548,126	548,126	-
	<u>\$ 56,810,969</u>	<u>\$ 54,957,734</u>	<u>\$ 1,853,235</u>

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Note 2 - Deposits and Investments (continued)

Credit Risk (continued)

As of August 31, 2023, the District's portfolio consisted of the following:

Investment Type	Carrying Value	Percentage of Portfolio	Rating	Rating Agency
Certificates of deposit	\$ 3,500,000	6.2%	N/A	N/A
Lone Star	3,461,092	6.1%	AAAm	Standard and Poor's
MBIA Texas Class	50,989	0.1%	AAAm	Standard and Poor's
TexPool	1,340,807	2.4%	AAAm	Standard and Poor's
TexSTAR	22,610,818	39.7%	AAAm	Standard and Poor's
TexFIT	20,350,712	35.8%	AAAm	Standard and Poor's
Texas Range	1,341,045	2.4%	AAAm	Standard and Poor's
Money Market	477,591	0.8%	N/A	N/A
Municipal Bonds	548,126	1.0%	A+ to AAA	Standard and Poor's
Treasury Agency	3,129,789	5.5%	AA+	Standard and Poor's
	<u>\$ 56,810,969</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	Capital Projects Fund	Nonmajor Governmental Funds	Proprietary Funds	Total
Property taxes	\$ 536,941	\$ 156,790	\$ -	\$ -	\$ -	\$ 693,731
Due from other governments	8,021	-	-	649,174	-	657,195
Other	160,316	-	133,580	7,626	820	302,342
Gross receivables	705,278	156,790	133,580	656,800	820	1,653,268
Less allowance for doubtful accounts	(94,236)	(26,981)	-	-	-	(121,217)
Net Total Receivables	<u>\$ 611,042</u>	<u>\$ 129,809</u>	<u>\$ 133,580</u>	<u>\$ 656,800</u>	<u>\$ 820</u>	<u>\$ 1,532,051</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 \$1,347,896.

Note 4 - Capital Assets

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

	Balance September 1, 2022	Additions	Retirements	Transfers	Balance August 31, 2023
Capital Assets, not being Depreciated					
Land	\$ 2,882,739	\$ -	\$ -	\$ -	\$ 2,882,739
Construction in progress	20,958,200	32,906,946	-	(9,405,964)	44,459,182
Total Capital Assets, not being Depreciated	<u>23,840,939</u>	<u>32,906,946</u>	<u>-</u>	<u>(9,405,964)</u>	<u>47,341,921</u>
Capital Assets, being Depreciated					
Buildings and improvements	145,073,447	34,596,253	(31,562)	9,405,964	189,044,102
Furniture and equipment	13,124,209	2,297,455	-	-	15,421,664
Right-to-use assets	214,032	309,010	(214,032)	-	309,010
Total Capital Assets, being Depreciated	<u>158,411,688</u>	<u>37,202,718</u>	<u>(245,594)</u>	<u>9,405,964</u>	<u>204,774,776</u>
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(84,160,540)	(4,527,214)	31,562	-	(88,656,192)
Furniture and equipment	(10,018,381)	(765,363)	-	-	(10,783,744)
Right-to-use assets	(145,632)	(112,275)	214,032	-	(43,875)
Total Accumulated Depreciation/Amortization	<u>(94,324,553)</u>	<u>(5,404,852)</u>	<u>245,594</u>	<u>-</u>	<u>(99,483,811)</u>
Governmental Capital Assets	<u>\$ 87,928,074</u>	<u>\$ 64,704,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,632,886</u>

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

	Depreciation/ Amortization Expense
Instruction	\$ 2,931,139
Instructional resources and media services	76,054
Curriculum and staff development	93,088
Instructional leadership	82,975
School leadership	273,874
Guidance, counseling and evaluation services	210,370
Health services	58,218
Student transportation	200,426
Food services	236,819
Extracurricular activities	194,366
General administration	219,686
Plant maintenance and operations	591,041
Security and monitoring services	69,148
Data processing services	122,955
Community services	44,693
	<u>\$ 5,404,852</u>

Note 4 - Capital Assets (continued)

Open construction commitments at August 31, 2023 were as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
FHS Additions and Renovations	\$ 62,613,263	\$ 41,598,492	\$ 21,014,771
Westwood Elementary Renovations	3,007,000	1,272,621	1,734,379
Bales Intermediate Renovations	2,377,000	1,513,128	863,872
District-Wide Priority Maintenance	5,824,540	33,841	5,790,699
Networking Supplies & Installation	284,714	9,100	275,614
Natorium HVAC Replacement	2,907,000	32,000	2,875,000
	<u>\$ 77,013,517</u>	<u>\$ 44,459,182</u>	<u>\$ 32,554,335</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, 2023, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Funds			
General Fund	\$ 381,022	\$ -	\$ 381,022
Nonmajor Governmental Funds	-	381,022	(381,022)
Total	<u>\$ 381,022</u>	<u>\$ 381,022</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, 2023:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	\$ 37,300
Total		<u>\$ 37,300</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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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, 2022	\$ 769,418
Additions: New entrants and salary increments	109,740
Deductions: Payments to participants	<u>(169,746)</u>
Balance, August 31, 2023	<u><u>\$ 709,412</u></u>

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

Note 7 - Long-Term Liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the 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, 2023, the legal debt limit was \$422,079,436 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, 2023.

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, 2023 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	\$ 74,520,000
Unlimited Tax School Building Bonds Series 2021	120,445,000	2.50% to 4.50%	2/15/2051	115,385,000
				<u><u>\$ 189,905,000</u></u>

Note 7 - Long-Term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Totals
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	7,770,000	4,844,725	12,614,725
2029 - 2033	44,130,000	18,947,175	63,077,175
2034 - 2038	45,980,000	10,077,325	56,057,325
2039 - 2043	22,705,000	5,294,450	27,999,450
2044 - 2048	25,105,000	2,905,950	28,010,950
2049 - 2053	16,305,000	493,350	16,798,350
	<u>\$ 189,905,000</u>	<u>\$ 65,114,775</u>	<u>\$ 255,019,775</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, 2023:

	Balance August 31, 2022	Additions	Retirements	Balance August 31, 2023	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 196,190,000	\$ -	\$ (6,285,000)	\$ 189,905,000	\$ 6,530,000
Premiums/discounts	19,260,186	-	(721,992)	18,538,194	-
Total bonds payable, net	<u>\$ 215,450,186</u>	<u>\$ -</u>	<u>\$ (7,006,992)</u>	<u>\$ 208,443,194</u>	<u>\$ 6,530,000</u>
Other liabilities:					
Leases	67,909	309,010	(134,022)	242,897	83,724
Workers' compensation claims	-	27,159	(27,159)	-	-
Compensated absences	769,418	109,740	(169,746)	709,412	166,785
Net pension liability	7,874,005	10,218,675	-	18,092,680	-
Net OPEB liability	16,258,930	-	(6,371,273)	9,887,657	-
Total Governmental Activities	<u>\$ 240,420,448</u>	<u>\$ 10,664,584</u>	<u>\$ (13,709,192)</u>	<u>\$ 237,375,840</u>	<u>\$ 6,780,509</u>

Note 7 - Long-Term Liabilities (continued)

Leases

The District is under contract for noncancellable lease agreements that convey control of the right-to-use of equipment. The liabilities outstanding as of August 31, 2023, are as follows:

Description	Term		Interest Rate	Lease Liability		Right to Use Asset		
	Start Date	End Date		Original	Outstanding	Original	Accumulated	Net Amount
				Amount	Balance	Amount	Amortization	
Equipment	01/10/23	01/10/26	3.12%	\$ 76,228	\$ 59,899	\$ 76,228	\$ 16,940	\$ 59,288
Equipment	07/01/23	07/01/28	2.23%	131,262	103,225	131,262	4,375	126,887
Equipment	01/10/23	01/10/26	3.12%	101,520	79,773	101,520	22,560	78,960
				<u>\$ 309,010</u>	<u>\$ 242,897</u>	<u>\$ 309,010</u>	<u>\$ 43,875</u>	<u>\$ 265,135</u>

The future principal and interest lease payments as of August 31, 2023, are as follows:

Year Ending August 31,	Principal	Interest	Totals
2024	\$ 83,724	\$ 5,840	\$ 89,564
2025	86,140	3,425	89,565
2026	46,822	1,317	48,139
2027	26,211	5,980	32,191
	<u>\$ 242,897</u>	<u>\$ 16,562</u>	<u>\$ 259,459</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	\$ 38,648,302	\$ 12,320,249	\$ -	\$ -	\$ -	\$ 50,968,551
Investment Income	1,341,268	303,105	3,081,621	75,374	-	4,801,368
Rent (short-term leases)	431,023	-	-	-	-	431,023
Co-curricular activities	704,330	-	-	-	8,365	712,695
Food Sales	-	-	-	2,505,780	235,569	2,741,349
Other	846,259	-	-	1,993,052	-	2,839,311
	<u>\$ 41,971,182</u>	<u>\$ 12,623,354</u>	<u>\$ 3,081,621</u>	<u>\$ 4,574,206</u>	<u>\$ 243,934</u>	<u>\$ 62,494,297</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/pages/about_publications.aspx, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

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

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

Contributions

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

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

	Contribution Rates	
	Measurement Year	
	2023	2022
Member	8.00%	8.00%
Non-employer contributing agency	8.00%	7.75%
Employers	8.00%	7.75%

	Current Fiscal Year	
	Contributions	
Employer (District)	\$	1,612,365
Employee (Member)		3,462,671
Non-employer Contributing Entity		
On-behalf Contributions (State)		2,470,470

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 1.7 percent of the member’s salary beginning in fiscal year 2022, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	3.91% - 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)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% 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, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity ¹	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return ¹	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ⁴			-0.91%
Expected Return	100.00%		8.21%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2022 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2022.

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 7.00%, 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 28,145,350	\$ 18,092,680	\$ 9,944,519

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

At August 31, 2023, the District reported a liability of \$18,092,680 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	\$ 18,092,680
State's proportionate share that is associated with the District	<u>30,273,834</u>
	<u>\$ 48,366,514</u>

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

At August 31, 2022, the District’s proportion of the collective net pension liability was 0.0305% which was a decrease of 0.0004% from its proportion measured as of August 31, 2021.

Changes since the Prior Actuarial Valuation

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

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2023, the District recognized pension expense of \$2,293,861. The District also recognized on-behalf pension expense and revenue of \$2,893,835 for support provided by the State.

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

Changes Since the Prior Actuarial Valuation (continued)

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 262,342	\$ (394,455)
Changes of assumption	3,371,255	(840,211)
Net difference between projected and actual earnings on pension plan investments	1,787,499	-
Changes in proportion and differences between District contributions and proportionate share of contributions	784,584	(680,462)
District contributions subsequent to the measurement date	1,612,365	-
Total	<u>\$ 7,818,045</u>	<u>\$ (1,915,128)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,612,365 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:

<u>Fiscal Year</u>	<u>Pension Expense</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2024	\$ 1,280,667	\$ 3,009,885
2025	585,696	2,424,189
2026	67,298	2,356,891
2027	2,075,066	281,825
2028	281,825	-
	<u>\$ 4,290,552</u>	

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.

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

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/pages/about_publications.aspx, 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	

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 0.75 percent 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.

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

Contributions (continued)

	Contribution Rates	
	Measurement Year	
	2023	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%

	Current Fiscal Year	
	Contributions	
Employer (District)	\$	359,613
Employee (Member)		281,350
Non-employer Contributing Entity		
On-behalf Contributions (State)		746,727

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.

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. The initial prescription drug trend was 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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

Actuarial Assumptions (continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022: (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 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate 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, 2022, using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following table presents the District’s proportional share of the Net OPEB Liability of the plan using the discount rate of 3.91%, 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 (2.91%)	Current Rate (3.91%)	1% Increase (4.91%)
District's proportional share of the net OPEB liability	\$ 11,658,331	\$ 9,887,657	\$ 8,453,183

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

At August 31, 2023, the District reported a liability of 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	\$ 9,887,657
State's proportionate share that is associated with the District	<u>12,061,388</u>
Total	<u><u>\$ 21,949,045</u></u>

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

At August 31, 2022, the District’s proportion of the collective Net OPEB Liability was 0.0413% which was an decrease of 0.0008% from its proportion measured as of August 31, 2021 of 0.0421%.

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:

	<u>Healthcare Cost Trend Rate</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's proportional share of the net OPEB liability	\$ 8,147,474	\$ 9,887,657	\$ 12,143,580

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 1.95 percent as of August 31, 2021, to 3.91% as of August 31, 2022. This change decreased the Total OPEB Liability.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB liability.

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

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

Changes Since the Prior Actuarial Valuation (continued)

For the year ended August 31, 2023, the District recognized negative OPEB expense of \$1,106,717. The District also recognized negative on-behalf OPEB expense and revenue of \$1,711,608 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 549,719	\$ (8,237,306)
Changes of assumption	1,506,086	(6,869,356)
Net difference between projected and actual earnings on OPEB plan investments	29,452	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,465,351	(992,721)
District contributions subsequent to the measurement date	359,613	-
Total	\$ 3,910,221	\$ (16,099,383)

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, 2024.

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:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2024	\$ (2,233,124)	\$ (10,315,651)
2025	(2,233,019)	(8,082,632)
2026	(1,813,721)	(6,268,911)
2027	(1,246,055)	(5,022,856)
2028	(1,702,310)	(3,320,546)
Thereafter	(3,320,546)	-
	\$ (12,548,775)	

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, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on-behalf of the District were \$232,645, \$175,632, and \$182,164, 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 1.2 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>\$ 33,178</u>
Expenditures:	
Payroll costs	\$ 24,493
Contract services	5,709
Supplies and materials	2,510
Other operating costs	466
Total Expenditures	<u>\$ 33,178</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 \$32,375 for the 2023 fiscal year. Expenditures in the same amount were attributable to payroll costs.

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides certain special education and/or related services for students with significant behavioral needs requiring placement off the student’s home campus for students residing in the participating Districts. An Admission, Review, and Dismissal Committee (ARDC) recommendation is required for students to receive specialized services from the SSA. In addition to the District, other member districts include Alvin ISD, and Pearland ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in the Texas Education Agency’s Financial Accountability and Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in the special revenue funds listed below and will be accounted for using Model 3 in the SSA section of the resource guide.

In year one of the SSA the District paid for the startup costs in the amount of \$598,608. Of which \$570,627 was reimbursed by the state, and the remaining \$27,981 was split equally to the member districts. The amounts of the SSA are summarized below:

	Fund 459	
	SSA - Therapeutic Education Center	
	Local Funds	State Funds
Alvin Independent School District	\$ 9,327	\$ -
Friendswood Independent School District	9,327	570,627
Pearland Independent School District	9,327	-
	\$ 27,981	\$ 570,627

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, 2023.



REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local revenues	\$ 40,140,818	\$ 40,140,818	\$ 41,971,182	\$ 1,830,364
State program revenues	15,840,185	15,840,185	15,778,796	(61,389)
Federal program revenues	474,938	474,938	505,474	30,536
Total Revenues	<u>56,455,941</u>	<u>56,455,941</u>	<u>58,255,452</u>	<u>1,799,511</u>
Expenditures				
Current:				
Instruction	34,225,392	33,656,618	33,595,529	61,089
Instruction resources and media services	654,253	965,171	804,372	160,799
Curriculum and instructional staff development	1,043,948	1,086,284	1,134,204	(47,920)
Instructional leadership	814,336	965,981	950,962	15,019
School leadership	3,096,095	3,155,805	3,139,610	16,195
Guidance, counseling and evaluation services	2,489,697	2,429,814	2,410,810	19,004
Social work services	-	3,000	-	3,000
Health services	634,927	678,828	667,173	11,655
Student transportation	2,285,377	2,516,277	2,297,283	218,994
Food services	1,850	2,850	1,240	1,610
Extracurricular activities	2,278,433	2,326,954	2,228,330	98,624
General administration	2,553,333	2,554,696	2,521,505	33,191
Facilities maintenance and operations	6,257,373	7,097,273	6,775,551	321,722
Security and monitoring services	733,053	857,113	792,760	64,353
Data processing services	1,555,264	1,508,843	1,403,655	105,188
Community services	282,321	528,906	512,455	16,451
Debt Service:				
Principal on long-term debt	164,289	142,878	132,751	10,127
Interest on long-term debt	-	3,367	3,367	-
Capital Outlay:				
Facilities, acquisition and construction	30,000	25,000	-	25,000
Intergovernmental:				
Payments related to shared services arrangements	40,000	76,000	74,879	1,121
Payments to Juvenile Justice Alternative Education Programs	11,000	11,000	2,371	8,629
Other intergovernmental charges	405,000	420,686	358,207	62,479
Total Expenditures	<u>59,555,941</u>	<u>61,013,344</u>	<u>59,807,014</u>	<u>1,206,330</u>
Excess (deficiency) of revenues over expenditures	<u>(3,100,000)</u>	<u>(4,557,403)</u>	<u>(1,551,562)</u>	<u>3,005,841</u>
Other Financing Sources (Uses)				
Proceeds from right-to-use lease assets	-	-	301,431	301,431
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>301,431</u>	<u>301,431</u>
Special Item				
Net change in fund balances	(3,100,000)	(4,557,403)	(1,250,131)	3,307,272
Fund Balances - Beginning	<u>18,613,968</u>	<u>18,613,968</u>	<u>18,613,968</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 15,513,968</u>	<u>\$ 14,056,565</u>	<u>\$ 17,363,837</u>	<u>\$ 3,307,272</u>

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, 2023.

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, 2022. 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 NINE MEASUREMENT YEARS

Exhibit G-2

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate share of the net pension liability	\$ 18,092,680	\$ 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	30,273,834	13,715,891	28,671,259	26,688,300	29,981,051
Total	<u>\$ 48,366,514</u>	<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)	\$ 42,362,987	\$ 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	42.71%	19.11%	40.14%	44.79%	47.51%
Plan fiduciary net position as a percentage of the total pension liability ¹	75.65%	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll ¹	112.72%	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 TEN FISCAL YEARS

Exhibit G-3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 1,612,366	\$ 1,421,184	\$ 1,319,277	\$ 1,222,580	\$ 1,115,693
Contributions in relation to the contractual required contributions	<u>1,612,366</u>	<u>1,421,184</u>	<u>1,319,277</u>	<u>1,222,580</u>	<u>1,115,693</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441
Contributions as a percentage of covered payroll	3.73%	3.35%	3.20%	3.10%	3.02%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,064,870	\$ 953,601	\$ 874,428	\$ 790,748	\$ 393,963
Contributions in relation to the contractual required contributions	<u>1,064,870</u>	<u>953,601</u>	<u>874,428</u>	<u>790,748</u>	<u>393,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254
Contributions as a percentage of covered payroll	2.91%	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.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

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

Exhibit G-4

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportionate share of the net OPEB liability	\$ 9,887,657	\$ 16,258,930	\$ 15,794,480	\$ 20,193,231
State's proportionate share of the net OPEB liability associated with the District	12,061,388	21,783,342	21,223,995	26,832,290
Total	<u>\$ 21,949,045</u>	<u>\$ 38,042,272</u>	<u>\$ 37,018,475</u>	<u>\$ 47,025,521</u>
District's covered payroll (for Measurement Year)	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441
District's proportionate share of the net OPEB liability as a percentage of covered payroll	23.3%	39.5%	40.0%	54.57%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	11.52%	6.18%	4.99%	2.66%
Plan's net OPEB liability as a percentage of covered payroll ¹	59.10%	100.13%	101.46%	135.21%
	<u>2018</u>	<u>2017</u>		
District's proportionate share of the net OPEB liability	\$ 21,398,962	\$ 16,779,851		
State's proportionate share of the net OPEB liability associated with the District	32,141,434	27,978,520		
Total	<u>\$ 53,540,396</u>	<u>\$ 44,758,371</u>		
District's covered payroll (for Measurement Year)	\$ 36,621,859	\$ 34,640,606		
District's proportionate share of the net OPEB liability as a percentage of covered payroll	58.43%	48.44%		
Plan fiduciary net position as a percentage of the total OPEB liability ¹	1.57%	0.91%		
Plan's net OPEB liability as a percentage of covered payroll ¹	146.64%	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 TEN FISCAL YEARS

Exhibit G-5

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 359,613	\$ 339,151	\$ 328,965	\$ 315,191	\$ 302,515
Contributions in relation to the contractual required contributions	359,613	339,151	328,965	315,191	302,515
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273	\$ 37,003,441
Contributions as a percentage of covered payroll	0.83%	0.80%	0.80%	0.80%	0.82%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 295,653	\$ 203,471	\$ 189,837	\$ 180,711	\$ 174,025
Contributions in relation to the contractual required contributions	295,653	203,471	189,837	180,711	174,025
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365	\$ 31,141,812	\$ 29,900,254
Contributions as a percentage of covered payroll	0.81%	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.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.



OTHER SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 1 of 5

Data Control Codes		211	224	225	226
		ESEA Title I, Part		IDEA-B	
		A	IDEA-B Formula	IDEA-B Preschool	Discretionary
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	19,475	29,680	-	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 19,475</u>	<u>\$ 29,680</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	19,475	29,680	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>19,475</u>	<u>29,680</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 19,475</u>	<u>\$ 29,680</u>	<u>\$ -</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 2 of 5

Data Control Codes		240	244	255	263
		Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III
	Assets				
1110	Cash and temporary investments	\$ 1,421,738	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	-	16,860	6,568
1290	Other receivables	126	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 1,421,864</u>	<u>\$ -</u>	<u>\$ 16,860</u>	<u>\$ 6,568</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 141,369	\$ -	\$ -	\$ -
2160	Accrued wages payable	4,851	-	-	-
2170	Due to other funds	-	-	16,860	6,568
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>146,220</u>	<u>-</u>	<u>16,860</u>	<u>6,568</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	-	-	-	-
	Restricted:				
3450	Grant restrictions	1,275,644	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>1,275,644</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,421,864</u>	<u>\$ -</u>	<u>\$ 16,860</u>	<u>\$ 6,568</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 3 of 5

Data Control Codes		282	284	285	289
		ESSER III	IDEA Part B, Formula - ARP	IDEA Part B, Preschool - ARP	Miscellaneous Federal Programs
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	69,186	38,017	5,994	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 69,186</u>	<u>\$ 38,017</u>	<u>\$ 5,994</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	69,186	38,017	5,994	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>69,186</u>	<u>38,017</u>	<u>5,994</u>	<u>-</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	-	-	-	-
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 69,186</u>	<u>\$ 38,017</u>	<u>\$ 5,994</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 4 of 5

Data Control Codes	397 Advanced Placement Incentive	410 Instructional Materials Allotment	427 Dyslexia Grant	429 State Funded Special Revenue Fund
Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -
	Receivables:			
1240	Receivables from other governments	-	235,137	24,000
1290	Other receivables	-	-	-
1410	Prepaid items	-	78,988	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 314,125</u>	<u>\$ 24,000</u>
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ -	\$ 261,942	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	41,223	24,000
2300	Unearned revenues	-	10,960	-
2000	Total Liabilities	<u>-</u>	<u>314,125</u>	<u>24,000</u>
Fund Balances:				
Nonspendable:				
3430	Prepaid items	-	-	-
Restricted:				
3450	Grant restrictions	-	-	-
3490	Other purposes	-	-	-
Committed:				
3545	Other purposes	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 314,125</u>	<u>\$ 24,000</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 5 of 5

Data Control Codes		459	461	480	Total Nonmajor Governmental Funds
		SSA - Therapeutic Education Center	Campus Activity	Education Foundation Grants	
Assets					
1110	Cash and temporary investments	\$ -	\$ 1,811,720	\$ 125,966	\$ 3,359,424
	Receivables:				
1240	Receivables from other governments	189,944	-	-	649,174
1290	Other receivables	-	-	7,500	7,626
1410	Prepaid items	-	250	-	79,238
1000	Total Assets	<u>\$ 189,944</u>	<u>\$ 1,811,970</u>	<u>\$ 133,466</u>	<u>\$ 4,095,462</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 60,060	\$ 52,120	\$ 33,656	\$ 563,325
2160	Accrued wages payable	-	-	-	4,851
2170	Due to other funds	129,884	-	-	381,022
2300	Unearned revenues	-	13,800	88,183	112,943
2000	Total Liabilities	<u>189,944</u>	<u>65,920</u>	<u>121,839</u>	<u>1,062,141</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	250	-	250
Restricted:					
3450	Grant restrictions	-	-	-	1,275,644
3490	Other purposes	-	-	11,627	11,627
Committed:					
3545	Other purposes	-	1,745,800	-	1,745,800
3000	Total Fund Balances	<u>-</u>	<u>1,746,050</u>	<u>11,627</u>	<u>3,033,321</u>
4000	Total Liabilities and Fund Balances	<u>\$ 189,944</u>	<u>\$ 1,811,970</u>	<u>\$ 133,466</u>	<u>\$ 4,095,462</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

Exhibit H-2
Page 1 of 5

		211	224	225	226
Data Control Codes		ESEA Title I, Part			IDEA-B
		A	IDEA-B Formula	IDEA-B Preschool	Discretionary
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	264,940	1,047,299	17,922	37,639
5020	Total Revenues	<u>264,940</u>	<u>1,047,299</u>	<u>17,922</u>	<u>37,639</u>
Expenditures					
Current:					
0011	Instruction	119,492	466,383	17,922	37,639
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	145,448	4,140	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	576,776	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>264,940</u>	<u>1,047,299</u>	<u>17,922</u>	<u>37,639</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)					
7913	Proceeds from right-to-use lease assets	-	-	-	-
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

Exhibit H-2
Page 2 of 5

		240	244	255	263
Data Control Codes		Vocational Ed -			
		Child Nutrition	Basic	Title II, Part A	Title III
Revenues					
5700	Local, intermediate, and out-of-state	\$ 2,581,154	\$ -	\$ -	\$ -
5800	State program revenues	4,432	-	-	-
5900	Federal program revenues	320,636	44,677	126,693	16,302
5020	Total Revenues	2,906,222	44,677	126,693	16,302
Expenditures					
Current:					
0011	Instruction	-	44,677	4,624	16,302
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	108,207	-
0021	Instructional leadership	-	-	13,862	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	2,715,422	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	2,715,422	44,677	126,693	16,302
1100	Excess (deficiency) of revenues over expenditures	190,800	-	-	-
Other Financing Sources (Uses)					
7913	Proceeds from right-to-use lease assets	-	-	-	-
7915	Transfers in	16,975	-	-	-
7080	Total Other Financing Sources (Uses)	16,975	-	-	-
1200	Net change in fund balances	207,775	-	-	-
0100	Fund Balance - September 1 (Beginning)	1,067,869	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 1,275,644	\$ -	\$ -	\$ -

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

Exhibit H-2
Page 3 of 5

Data Control Codes		282	284	285	289
		ESSER III	IDEA Part B, Formula - ARP	IDEA Part B, Preschool - ARP	Miscellaneous Federal Programs
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	1,011,245	38,017	5,994	35,552
5020	Total Revenues	1,011,245	38,017	5,994	35,552
Expenditures					
Current:					
0011	Instruction	392,952	38,017	5,994	5,836
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	426,920	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	171,873	-	-	7,716
0032	Social work services	-	-	-	22,000
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	19,500	-	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	1,011,245	38,017	5,994	35,552
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)					
7913	Proceeds from right-to-use lease assets	-	-	-	-
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, 2023

Exhibit H-2
Page 4 of 5

Data Control Codes	397 Advanced Placement Incentive	410 Instructional Materials Allotment	427 Innovative Services Autism	429 State Funded Special Revenue Fund
Revenues				
5700	\$ -	\$ -	\$ -	\$ -
5800	-	246,097	24,000	175,040
5900	-	-	-	-
5020 Total Revenues	-	246,097	24,000	175,040
Expenditures				
Current:				
0011	-	244,137	-	-
0012	-	1,960	-	-
0013	-	-	-	-
	1,982	-	24,000	-
0021	-	-	-	-
0023	-	-	-	-
0031	-	-	-	-
0032	-	-	-	-
0033	-	-	-	-
0035	-	-	-	-
0036	-	-	-	-
0041	-	-	-	-
0051	-	-	-	-
0052	-	-	-	146,283
0053	-	-	-	-
Debt service:				
0071	-	-	-	-
0072	-	-	-	-
Capital outlay:				
0081	-	-	-	28,757
6030 Total Expenditures	1,982	246,097	24,000	175,040
1100	(1,982)	-	-	-
Other Financing Sources (Uses)				
7913	-	-	-	-
7915	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200	(1,982)	-	-	-
0100 Fund Balance - September 1 (Beginning)	1,982	-	-	-
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, 2023

Exhibit H-2

Page 5 of 5

Data Control Codes		459	461	480	Total Nonmajor Governmental Funds
		SSA - Therapeutic Education Center	Campus Activity	Education Foundation Grants	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 27,981	\$ 1,351,234	\$ 613,837	\$ 4,574,206
5800	State program revenues	570,627	-	-	1,020,196
5900	Federal program revenues	-	-	-	2,966,916
5020	Total Revenues	598,608	1,351,234	613,837	8,561,318
Expenditures					
Current:					
0011	Instruction	208,730	526,933	518,912	2,648,550
0012	Instruction resources and media services	-	50,639	71,617	124,216
0013	Curriculum and instructional staff development	218,721	8,834	3,866	942,118
0021	Instructional leadership	-	-	-	13,862
0023	School leadership	3,695	84,097	-	87,792
0031	Guidance, counseling and evaluation services	-	23,094	1,827	781,286
0032	Social work services	-	-	-	22,000
0033	Health services	-	118	-	118
0035	Food service	-	-	-	2,715,422
0036	Extracurricular activities	-	493,259	792	494,051
0041	General administration	-	1,932	-	1,932
0051	Plant maintenance and operations	-	158,269	12,500	170,769
0052	Security and monitoring services	3,135	-	4,323	153,741
0053	Data processing services	1,167	12,488	-	33,155
Debt service:					
0071	Principal on long-term debt	-	1,271	-	1,271
0072	Interest on long-term debt	-	112	-	112
Capital outlay:					
0081	Facilities acquisition and construction	163,160	41,758	-	233,675
6030	Total Expenditures	598,608	1,402,804	613,837	8,424,070
1100	Excess (deficiency) of revenues over expenditures	-	(51,570)	-	137,248
Other Financing Sources (Uses)					
7913	Proceeds from right-to-use lease assets	-	7,579	-	7,579
7915	Transfers in	-	20,325	-	37,300
7080	Total Other Financing Sources (Uses)	-	27,904	-	44,879
1200	Net change in fund balances	-	(23,666)	-	182,127
0100	Fund Balance - September 1 (Beginning)	-	1,769,716	11,627	2,839,567
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 1,746,050	\$ 11,627	\$ 3,033,321

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
August 31, 2023

Exhibit H-3

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 13,309	\$ 11,298	\$ 24,607
Other receivables	820	-	820
Total Assets	<u>\$ 14,129</u>	<u>\$ 11,298</u>	<u>\$ 25,427</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ -	\$ 9,290	\$ 9,290
Total Liabilities	<u>-</u>	<u>9,290</u>	<u>9,290</u>
Net Position			
Unrestricted net position	14,129	2,008	16,137
Total Net Position	<u>14,129</u>	<u>2,008</u>	<u>16,137</u>
Total Liabilities and Net Position	<u>\$ 14,129</u>	<u>\$ 11,298</u>	<u>\$ 25,427</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, 2023

Exhibit H-4

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 8,365	\$ 235,569	\$ 243,934
Total Operating Revenues	<u>8,365</u>	<u>235,569</u>	<u>243,934</u>
Operating Expenses			
Purchased and contracted services	-	194,006	194,006
Claims expense and other operating expenses	-	4,263	4,263
Total Operating Expenses	<u>-</u>	<u>198,269</u>	<u>198,269</u>
Income (Loss) before Transfers	8,365	37,300	45,665
Transfers out	<u>-</u>	<u>(37,300)</u>	<u>(37,300)</u>
Change in Net Position	8,365	-	8,365
Total Net Position - Beginning	<u>5,764</u>	<u>2,008</u>	<u>7,772</u>
Total Net Position - Ending	<u>\$ 14,129</u>	<u>\$ 2,008</u>	<u>\$ 16,137</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2023

Exhibit H-5

	Fuel Fund	Vending Fund	Total
Cash Flows from Operating Activities:			
Cash received from user charges	\$ (7,849)	\$ 239,157	\$ 231,308
Cash payments to suppliers for goods and services	-	(198,269)	(198,269)
Net Cash Provided by (Used for) Operating Activities	<u>(7,849)</u>	<u>40,888</u>	<u>33,039</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to other funds	-	(37,300)	(37,300)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>(37,300)</u>	<u>(37,300)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,849)	3,588	(4,261)
Cash and Cash Equivalents at Beginning of Year	21,158	7,710	28,868
Cash and Cash Equivalents at End of Year	<u>\$ 13,309</u>	<u>\$ 11,298</u>	<u>\$ 24,607</u>
Reconciliation to Balance Sheet			
Cash and Cash Equivalents Per Cash Flow	\$ 13,309	\$ 11,298	\$ 24,607
Cash and Cash Equivalents per Balance Sheet	<u>\$ 13,309</u>	<u>\$ 11,298</u>	<u>\$ 24,607</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 8,365	\$ 37,300	\$ 45,665
Change in Assets and Liabilities			
Decrease (increase) in receivables	806	-	806
Increase (decrease) in Accounts payable	(17,020)	3,588	(13,432)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (7,849)</u>	<u>\$ 40,888</u>	<u>\$ 33,039</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2023

Exhibit H-6

	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
Assets						
Cash and cash equivalents	\$ 5,296	\$ 1,393	\$ 6,689	\$ 316,837	\$ 92,654	\$ 409,491
Total Assets	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 316,837</u>	<u>\$ 92,654</u>	<u>\$ 409,491</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 10,840	\$ 34,698	\$ 45,538
Due to others	-	-	-	-	57,956	57,956
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,840</u>	<u>\$ 92,654</u>	<u>\$ 103,494</u>
Net Position						
Restricted	\$ 5,296	\$ 1,393	\$ 6,689	\$ 305,997	\$ -	\$ 305,997
Total Net Position	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 305,997</u>	<u>\$ -</u>	<u>\$ 305,997</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2023

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	\$ -	\$ -	\$ -	\$ -	\$ 28,146	\$ 28,146
Revenues from student activities	-	-	-	297,570	-	297,570
Property taxes collected for other governments	-	-	-	-	57,325,565	57,325,565
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,570</u>	<u>57,353,711</u>	<u>57,651,281</u>
Deductions						
Payments for student activities	-	-	-	304,266	-	304,266
Property taxes distributed to other governments	-	-	-	-	57,353,711	57,353,711
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,266</u>	<u>57,353,711</u>	<u>57,657,977</u>
Change in net position	-	-	-	(6,696)	-	(6,696)
Net Position Beginning of Year	<u>5,296</u>	<u>1,393</u>	<u>6,689</u>	<u>312,693</u>	<u>-</u>	<u>312,693</u>
Net Position End of Year	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 305,997</u>	<u>\$ -</u>	<u>\$ 305,997</u>

REQUIRED TEA SCHEDULES

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2023

Exhibit J-1

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 8/31/22	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/23	
	1 Maintenance	2 Debt Service								
2014 and prior	Various	Various	Various	\$ 31,717	\$ -	\$ 2	\$ -	\$ (1,321)	\$ 30,394	
2015	1.040000	0.327000	2,331,605,048	14,421	-	30	10	(4,461)	9,920	
2016	1.040000	0.327000	2,516,791,368	15,468	-	30	10	(6,509)	8,919	
2017	1.130000	0.257000	2,735,343,475	17,004	-	33	7	(5,646)	11,318	
2018	1.130000	0.237000	2,955,329,700	22,142	-	432	91	(7,413)	14,206	
2019	1.170000	0.197000	3,039,984,418	25,665	-	1,208	203	(7,104)	17,150	
2020	1.042400	0.217000	3,229,186,835	38,983	-	9,118	1,898	2,065	30,032	
2021	0.983500	0.275900	3,494,896,727	67,674	-	28,039	7,866	10,072	41,841	
2022	0.934400	0.305000	3,909,645,900	176,947	-	102,267	33,381	15,537	56,836	
2023	0.917000	0.292400	4,220,794,361	-	51,046,287	38,499,519	12,276,183	-	270,585	
1000 Totals				<u>\$ 410,021</u>	<u>\$ 51,046,287</u>	<u>\$ 38,640,678</u>	<u>\$ 12,319,649</u>	<u>\$ (4,780)</u>	<u>491,201</u>	
									Penalty and interest receivable on taxes	<u>202,530</u>
									Total taxes receivable per Exhibit C-1	<u>\$ 693,731</u>
8000									Taxes refunded under Section 26.155(c), Tax Code, for tax refunds issued for immediate homestead exemptions pursuant to Senate Bill (SB) 8, 87-2	<u>\$ 9,938</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2023

Exhibit J-2

	Budget		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local, Intermediate, and Out-of-State	\$ 2,524,414	\$ 2,524,414	\$ 2,581,154	\$ 56,740
State Program Revenues	4,250	4,250	4,432	182
Federal Program Revenues	272,264	272,264	320,636	48,372
Total Revenues	2,800,928	2,800,928	2,906,222	105,294
Expenditures				
Food Services	2,506,608	3,446,608	2,715,422	731,186
Total Expenditures	2,506,608	3,446,608	2,715,422	731,186
Excess (Deficiency) Revenues Over Expenditures	294,320	(645,680)	190,800	836,480
Other Financing Sources (Uses)				
Transfers in	-	-	16,975	16,975
Total Other Financing Sources (Uses)	-	-	16,975	16,975
Increase (Decrease) in Fund Balance	294,320	(645,680)	207,775	853,455
Fund Balance - September 1 (Beginning)	1,067,869	1,067,869	1,067,869	-
Fund Balance - August 31 (Ending)	\$ 1,362,189	\$ 422,189	\$ 1,275,644	\$ 853,455

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2023

Exhibit J-3

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual Amounts GAAP Basis	
Revenues				
Local, Intermediate, and Out-of-State	\$ 12,332,061	\$ 12,332,061	\$ 12,623,354	\$ 291,293
State Program Revenues	246,905	246,905	504,844	257,939
Total Revenues	12,578,966	12,578,966	13,128,198	549,232
Expenditures				
Debt Service:				
Principal	6,285,000	6,285,000	6,285,000	-
Interest and Fiscal Agent Fees	6,329,726	6,329,726	6,329,725	1
Debt service costs and fees	6,999	6,999	5,000	1,999
Total Expenditures	12,621,725	12,621,725	12,619,725	2,000
Increase (Decrease) in Fund Balance	(42,759)	(42,759)	508,473	551,232
Fund Balance - September 1 (Beginning)	4,032,465	4,032,465	4,032,465	-
Fund Balance - August 31 (Ending)	\$ 3,989,706	\$ 3,989,706	\$ 4,540,938	\$ 551,232

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES

For the Year Ended August 31, 2023

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.	\$ 1,037,401
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA’s fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 604,582
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.	\$ 93,569
AP8	List the actual direct program expenditures for bilingual education programs during the LEA’s fiscal year. (PIC 25)	\$ 38,698

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2023

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 hold was	
	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 funds?	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

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, 2023, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 16, 2024.

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 or significant deficiencies 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 District'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 District'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
January 16, 2024

**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

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, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District’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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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.

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

Houston, Texas
January 16, 2024

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

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 - 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

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2023

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, 2023

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:				
226600010849116600	IDEA - Part B, Formula	224	84.027A	\$ 315
236600010849116600	IDEA - Part B, Formula	224	84.027A	1,088,658
225350020849115350	COVID-19 IDEA - Part B, Formula - ARP	284	84.027X	38,017
66002306	IDEA - Part B, High Cost Risk Pool	226	84.027A	37,639
236610010849116610	IDEA - Part B, Preschool	225	84.173A	18,635
225360020849115360	COVID-19 IDEA - Part B, Preschool - ARP	285	84.173X	5,994
	<i>Total Special Education Cluster (ALN # 84.027, 84.173)</i>			<u>1,189,258</u>
22610101084911	ESEA Title I Part A	211	84.010A	1,010
23610101084911	ESEA Title I Part A	211	84.010A	274,474
	<i>Total ALN 84.010</i>			<u>275,484</u>
23420006084911	Carl D. Perkins - Basic Formula	244	84.048A	46,454
23671001084911	Title III - Part A, ELA	263	84.365A	16,952
23694501084911	ESEA Title II, Part A, Supporting Effective Instruction	255	84.367A	129,136
24694501084911	ESEA Title II, Part A, Supporting Effective Instruction	255	84.367A	2,600
23680101084911	Title IV, Part A, Subpart 1	289	84.424A	30,898
21528001084911	COVID-19 ARP ESSER III	282	84.425U	1,051,490
S369A190045	LEP Summer School (2022-23)	289	84.369	5,836
	Total U.S. Department of Education			<u>2,748,108</u>
U.S. Department of Homeland Security				
Passed Through the Texas Health and Human Services				
Commission:				
4586PATXP0000001	FISD Winter Storm 2021	199	97.036	1,336
	Total U.S. Department of Homeland Security			<u>1,336</u>
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
00410	National School Lunch Program - USDA Commodities (Non-cash assistance)	240	10.555	63,299
Passed Through Texas Education Agency:				
Cash Assistance:				
71302301	National School Lunch Program	240	10.555	276,093
71402301	School Breakfast Program	240	10.553	19,842
	<i>Total Child Nutrition Cluster (ALN # 10.553, 10.555)</i>			<u>359,234</u>
Passed Through State Department of Agriculture:				
00410	COVID-19 Pandemic EBT, admin costs	240	10.649	628
00410	CN Commodity Delivery Refund	240	10.560	427
	Total U.S. Department of Agriculture			<u>360,289</u>
	Total Expenditures of Federal Awards			<u>\$ 3,109,733</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, 2023. 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	\$ 3,109,733
Medicaid SHARS	<u>362,657</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 3,472,390</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	\$ 362,657
Reimbursements for Prior Year Expenditures	
FISD Winter Storm 2021	1,336
Indirect Costs:	
National School Lunch Program	36,994
School Breakfast Program	2,659
ESEA Title I Part A	10,544
IDEA - Part B, Formula	41,674
IDEA - Part B, Preschool	713
Carl D. Perkins - Basic Formula	1,777
ESEA Title II, Part A, Supporting Effective Instruction	5,043
Title III - Part A, ELA	650
Title IV, Part A, Subpart 1	1,182
ARP ESSER III	40,245
Total Indirect Costs	<u>141,481</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 505,474</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2023

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, 2023

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