

**FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended August 31, 2025

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Friendswood Independent School District

Name of School District

Galveston

County

084-911

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on December 8, 2025.

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 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, 2025, 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, 2025, 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 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 fund financial statements, required TEA compliance schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025 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
December 8, 2025



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, 2025. 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 \$17,136,655 (net deficit). Of this amount, a deficit of \$19,297,834 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. \$5,673,936 was restricted for debt service, \$1,040,398 was restricted for federal and state programs, and \$74,265 was restricted for other purposes. The remaining amount was a deficit unrestricted net position of \$4,627,420.

- The District's total net position increased by \$2,292,365 due to decrease in the total amount recorded for the net pension liability, net OPEB liability, and related deferred inflows and outflows, offset by a decrease to beginning net position of \$1,606,357 due to implementation of GASB 101. The aggregate negative impact of these amounts decreased by \$816,702 from the prior year.
- The District's governmental funds reported combined ending fund balances of \$40,463,890 as of August 31, 2025. Of this amount, \$1,399,868 is non-spendable in the form of (1) inventory in the amount of \$123,437 and (2) prepaid items in the amount of \$1,276,431. Fund balance of \$16,141,821 is restricted for (1) federal and state grants in the amount of \$1,040,398, (2) capital acquisitions in the amount of \$9,248,147, (3) debt service in the amount of \$5,779,011, and (4) \$74,265 for other purposes. Fund balance of \$4,202,520 is committed for (1) disaster recovery of \$1.5 million, (2) decreases in state funding of \$1.2 million, and (3) other committed in the amount of \$1,502,520. Fund balance of \$5,253,813 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$13,465,868 in the general fund is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$24,125 as compared to the prior fiscal year. The unassigned fund balance represents 21% of total general fund expenditures.
- The District's bonded debt decreased by \$6,810,000 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 individual enterprise funds for fuel and vending and food service. *Enterprise funds*, a 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 and Food Service 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 \$17,136,655 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 53,178,597	\$ 60,390,385	\$ 347,934	\$ 37,289	\$ 53,526,531	\$ 60,427,674
Capital assets	172,189,792	174,044,727	-	-	172,189,792	174,044,727
Total Assets	225,368,389	234,435,112	347,934	37,289	225,716,323	234,472,401
Deferred outflows	12,351,656	14,845,892	-	-	12,351,656	14,845,892
Total Deferred Outflows of Resources	12,351,656	14,845,892	-	-	12,351,656	14,845,892
Other liabilities	24,377,434	24,014,406	142,223	13,019	24,519,657	24,027,425
Long term liabilities	218,288,418	227,670,906	-	-	218,288,418	227,670,906
Total Liabilities	242,665,852	251,685,312	142,223	13,019	242,808,075	251,698,331
Deferred inflows	12,396,559	15,442,625	-	-	12,396,559	15,442,625
Total Deferred Inflows of Resources	12,396,559	15,442,625	-	-	12,396,559	15,442,625
Net Position						
Net investment in capital assets	(13,182,947)	(12,192,103)	-	-	(13,182,947)	(12,192,103)
Restricted	6,788,599	6,499,387	-	-	6,788,599	6,499,387
Unrestricted	(10,948,018)	(12,154,217)	205,711	24,270	(10,742,307)	(12,129,947)
Total Net Position	\$ (17,342,366)	\$ (17,846,933)	\$ 205,711	\$ 24,270	\$ (17,136,655)	\$ (17,822,663)

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

	Governmental Activities	
	2025	2024
Federal and state programs	\$ 1,040,398	\$ 1,140,059
Debt Service	5,673,936	5,347,701
Other Purposes	74,265	11,627
	\$ 6,788,599	\$ 6,499,387

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$4,833,131. 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 \$2,110,924 during the current fiscal year due to a gain on sale of capital assets of \$1.9 million. The District's net position of the business-type activities had an ending balance of \$205,711, 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 \$2,110,924 due to a gain on sale of capital assets, a offset by a decrease to beginning net position of \$1,606,357 due to implementation of GASB 101 . Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 92 percent of total revenues. Charges for services, investment earnings, and other miscellaneous revenue account for the remaining 8 percent. Property tax revenue increased 4%, due to increased appraised values of approximately 10% offset by a decrease in the tax rate of 4%.

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

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for services	\$ 3,015,512	\$ 4,570,810	\$ 2,060,729	\$ 213,831	\$ 5,076,241	\$ 4,784,641
Operating grants	8,716,704	9,948,097	-	-	8,716,704	9,948,097
General Revenues						
Property taxes	44,810,264	42,930,335	-	-	44,810,264	42,930,335
State Aid - Formula Grants	22,343,200	24,113,445	-	-	22,343,200	24,113,445
Interest earnings	3,409,655	6,083,146	-	-	3,409,655	6,083,146
Total Revenues	82,295,335	87,645,833	2,060,729	213,831	84,356,064	87,859,664
Expenses						
Instruction	40,605,347	40,264,433	-	-	40,605,347	40,264,433
Instructional resources and media services	835,028	858,390	-	-	835,028	858,390
Curriculum and staff development	1,568,717	1,651,735	-	-	1,568,717	1,651,735
Instructional leadership	1,391,343	1,248,624	-	-	1,391,343	1,248,624
School leadership	3,747,883	3,621,162	-	-	3,747,883	3,621,162
Guidance, counseling, and evaluation services	3,511,481	3,548,543	-	-	3,511,481	3,548,543
Social work services	22,501	22,000	-	-	22,501	22,000
Health services	755,124	751,035	-	-	755,124	751,035
Student transportation	2,538,230	2,535,830	-	-	2,538,230	2,535,830
Food service	1,330,006	2,899,833	-	-	1,330,006	2,899,833
Extracurricular activities	3,747,465	3,058,802	-	-	3,747,465	3,058,802
General administration	2,959,637	2,840,159	-	-	2,959,637	2,840,159
Facilities maintenance and operations	9,485,983	8,719,965	-	-	9,485,983	8,719,965
Security and monitoring services	1,343,830	1,129,481	-	-	1,343,830	1,129,481
Data processing services	1,795,639	1,665,809	-	-	1,795,639	1,665,809
Community services	733,121	683,327	-	-	733,121	683,327
Interest on long-term debt	5,223,684	5,756,735	-	-	5,223,684	5,756,735
Facilities repairs	-	45,474	-	-	-	45,474
Payments related to shared services arrangements	52,590	62,426	-	-	52,590	62,426
Payments to Juvenile Justice Alternative Education Programs	11,139	553	-	-	11,139	553
Other intergovernmental charges	431,617	378,354	-	-	431,617	378,354
Fuel Fund	-	-	-	613	-	613
Vending Fund	-	-	118,006	179,792	118,006	179,792
Food Service Fund	-	-	1,745,233	-	1,745,233	-
Total Expenses	82,090,365	81,742,670	1,863,239	180,405	83,953,604	81,923,075
Excess (deficiency) before transfers	204,970	5,903,163	197,490	33,426	402,460	5,936,589
Special item	1,889,905	-	-	-	1,889,905	-
Transfers	16,049	25,293	(16,049)	(25,293)	-	-
Increase (Decrease) in Net Position	2,110,924	5,928,456	181,441	8,133	2,292,365	5,936,589
Beginning Net Position (2025 Restated)	(19,453,290)	(23,775,389)	24,270	16,137	(19,429,020)	(23,759,252)
Ending Net Position	\$ (17,342,366)	\$ (17,846,933)	\$ 205,711	\$ 24,270	\$ (17,136,655)	\$ (17,822,663)

	% of Total	
	Total Revenues	Revenues
Property taxes	\$ 44,810,264	54%
State aid - formula grants	22,343,200	27%
Operating grants and contributions	8,716,704	11%
Charges for services and other revenue	6,425,167	8%
Total Revenues	\$ 82,295,335	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 12 percent, 6 percent, and 5 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	\$ 40,605,347	49%
Plant maintenance and operations	9,485,983	12%
Interest on long-term debt	5,223,684	6%
School leadership	3,747,883	5%
Other expenses	23,027,468	28%
Total Expenses	<u>\$ 82,090,365</u>	<u>100%</u>

Business-Type Activities

Net position of the District’s business type activities increased by \$181,441 primarily due to activities of the Food Service Fund resulting in revenues exceeding expenses by \$172,072 for the year ended August 31, 2025.

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 \$40,463,890, a decrease of \$4,745,465 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 \$13,465,868, while total fund balance reached \$17,544,879. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21 percent of expenditures and total fund balance represents 28 percent of the same amount.

During the current fiscal year, the total fund balance of the District’s general fund remained unchanged. Total general fund expenditures decreased of \$1,150,913 which was primarily due to no capital outlay from the general fund at the end of the fiscal year. Total revenues increased \$412,756 due to increased assessed property tax values. The excess of revenues over expenditures were transferred to the capital projects fund to help fund capital projects.

The capital projects fund has a total fund balance of \$14,501,960, a decrease of \$4,919,108 from the prior year. The District had an increase in capital outlay expenditures during the year related to the completion of construction projects and the acquisition of other capital assets. This was offset by the gain of \$1,889,905 for the sale of capital assets.

The debt service fund has a total fund balance of \$5,779,011, 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 \$313,470 was in line with budgeted expectations.

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

General Fund Budgetary Highlights

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

	Budget	
	Original	Final Amended
Total Revenues	\$ 61,345,389	\$ 61,345,389
Total Expenditures	62,457,389	63,199,918
Other Sources (Uses)	1,112,000	1,112,000
Net Change in Fund Balance	\$ -	\$ (742,529)

Capital Assets and Long-Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2025, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$9,474,815. The following table summarizes the investment in capital assets as of August 31, 2025 and 2024.

	August 31, 2025	August 31, 2024
Land	\$ 2,882,739	\$ 2,882,739
Buildings and improvements	253,776,333	256,963,924
Furniture and equipment	21,394,441	17,556,240
Right-to-use lease assets	309,010	309,010
Construction in progress	-	2,748,379
	<u>278,362,523</u>	<u>280,460,292</u>
Less Accumulated Depreciation/Amortization for:		
Buildings and improvements	(92,988,349)	(94,407,874)
Furniture and equipment	(12,969,504)	(11,878,315)
Right-to-use lease assets	(214,878)	(129,376)
	<u>(106,172,731)</u>	<u>(106,415,565)</u>
Governmental Capital Assets	<u>\$ 172,189,792</u>	<u>\$ 174,044,727</u>

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

Long-term Financing

At the end of the current fiscal year, the District had \$176,565,000 in financing liabilities outstanding, a decrease of \$6,810,000 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, 2025, are as follows:

	Outstanding 09/01/24	Issued	Retired	Outstanding 08/31/25
General obligation bonds	\$ 183,375,000	\$ -	\$ (6,810,000)	\$ 176,565,000
Maintenance tax notes	4,000,000	-	-	4,000,000
Premiums/discounts	17,912,165	-	(1,027,936)	16,884,229
Leases	159,173	-	(86,140)	73,033
Total	<u>\$ 205,446,338</u>	<u>\$ -</u>	<u>\$ (7,924,076)</u>	<u>\$ 197,522,262</u>

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

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

Economic Factors and Next Year's Budgets and Rates

- The District's enrollment was projected to remain stable at 6,143 students at the time the 2025-2026 budget was adopted.
- For 2025-2026, the maintenance and operations tax rate is \$0.7869 while the debt service rate is \$0.2431. The maintenance and operations rate remained constant, and the debt service rate decreased by \$0.0100 compared to 2024-2025.
- Net taxable values in the District have decreased 3.71%. The average taxable residence in Friendswood has shown a ten-year upward trend increasing from average taxable value in 2015 of \$242,926 to \$421,110. Senate Bill 4 of the 89th Legislature increased the state's homestead exemption from \$100,000 to \$140,000.
- Operating expenses per student in the District's general fund were \$10,116 for 2024-2025. Operating expenses per student for the 2025-2026 fiscal year are projected to be \$10,986.
- Expenditures are budgeted to increase 6.15% or \$3.91 million. This increase is primarily due to the mandated compensation increases of House Bill 2 of the 89th Legislature.
- For 2026, construction of new commercial and residential property in the are estimated to bring in an estimated \$85.5 million in taxable value.

These indicators were taken into account when adopting the budget for 2025-2026. The Friendswood Independent School District general fund adopted budget for 2025-2026 is as follows:

	Fiscal Year 2026 Adopted Budget
	<hr/>
Budgeted Revenues	\$ 67,483,958
Budgeted Expenditures	67,483,958
	<hr/> <hr/>
	\$ -

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

August 31, 2025

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 40,552,909	\$ 343,817	\$ 40,896,726
1120	Current investments	5,426,152	-	5,426,152
1225	Property taxes receivables, net	757,334	-	757,334
1240	Due from other governments	1,884,383	-	1,884,383
1260	Internal balances			
1290	Other receivables, net	549,313	4,117	553,430
1300	Inventories	123,437	-	123,437
1410	Prepaid items	1,314,273	-	1,314,273
	Capital assets not subject to depreciation:			
1510	Land	2,882,739	-	2,882,739
	Capital assets net of depreciation/amortization:			
1520	Buildings and improvements, net	160,787,984	-	160,787,984
1530	Furniture and equipment, net	8,424,937	-	8,424,937
1550	Right-to-use assets, net	94,132	-	94,132
1910	Long-term investments	2,570,796	-	2,570,796
1000	Total Assets	225,368,389	347,934	225,716,323
Deferred Outflows of Resources				
	Deferred charge on refunding	2,901,376	-	2,901,376
	Deferred outflows - pension	4,363,526	-	4,363,526
	Deferred outflows - OPEB	5,086,754	-	5,086,754
1700	Total Deferred Outflows of Resources	12,351,656	-	12,351,656
Liabilities				
2110	Accounts payable	6,958,583	141,542	7,100,125
2120	Other liabilities - current	2,500	-	2,500
2140	Interest payable	254,338	-	254,338
2160	Accrued wages payable	4,186,585	681	4,187,266
2300	Unearned revenue	938,936	-	938,936
	Noncurrent Liabilities:			
2501	Due within one year	7,924,842	-	7,924,842
2502	Due in more than one year	191,682,213	-	191,682,213
2540	Net pension liability	18,681,363	-	18,681,363
2545	Net OPEB liability	12,036,492	-	12,036,492
2000	Total Liabilities	242,665,852	142,223	242,808,075
Deferred Inflows of Resources				
	Deferred inflows - Pension	908,899	-	908,899
	Deferred inflows - OPEB	11,487,660	-	11,487,660
2600	Total Deferred Inflows of Resources	12,396,559	-	12,396,559
Net Position (Deficit)				
3200	Net investment in capital assets	(13,182,947)	-	(13,182,947)
	Restricted for:			
3820	Federal and state programs	1,040,398	-	1,040,398
3850	Debt service	5,673,936	-	5,673,936
3890	Other purposes	74,265	-	74,265
3900	Unrestricted	(10,948,018)	205,711	(10,742,307)
3000	Total Net Position (Deficit)	\$ (17,342,366)	\$ 205,711	\$ (17,136,655)

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

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	\$ 40,605,347	\$ 946,576	\$ 3,830,798
12	Instructional resources and media services	835,028	-	84,478
13	Curriculum and staff development	1,568,717	-	265,179
21	Instructional leadership	1,391,343	-	48,162
23	School leadership	3,747,883	-	270,247
31	Guidance, counseling, and evaluation services	3,511,481	-	947,650
32	Social work services	22,501	-	22,501
33	Health services	755,124	-	73,609
34	Student transportation	2,538,230	-	74,696
35	Food service	1,330,006	741,573	284,139
36	Extracurricular activities	3,747,465	261,638	495,824
41	General administration	2,959,637	-	102,166
51	Facilities maintenance and operations	9,485,983	391,627	41,926
52	Security and monitoring services	1,343,830	-	405,800
53	Data processing services	1,795,639	-	36,684
61	Community services	733,121	649,954	7,234
72	Interest on long-term debt	5,223,684	-	1,685,498
93	Payments related to shared services arrangements	52,590	24,144	40,113
95	Payments to Juvenile Justice Alternative Education Programs	11,139	-	-
99	Payments to appraisal district	431,617	-	-
TG	Total Governmental Activities	<u>82,090,365</u>	<u>3,015,512</u>	<u>8,716,704</u>
Business-Type Activities:				
01	Fuel Fund	-	9,369	-
02	Vending Fund	118,006	134,055	-
03	Food Service Funds	1,745,233	1,917,305	-
TB	Total Business-Type Activities	<u>1,863,239</u>	<u>2,060,729</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 83,953,604</u>	<u>\$ 5,076,241</u>	<u>\$ 8,716,704</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

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	\$ (35,827,973)		\$ (35,827,973)
12	Instructional resources and media services	(750,550)		(750,550)
13	Curriculum and staff development	(1,303,538)		(1,303,538)
21	Instructional leadership	(1,343,181)		(1,343,181)
23	School leadership	(3,477,636)		(3,477,636)
31	Guidance, counseling, and evaluation services	(2,563,831)		(2,563,831)
32	Social work services	-		-
33	Health services	(681,515)		(681,515)
34	Student transportation	(2,463,534)		(2,463,534)
35	Food service	(304,294)		(304,294)
36	Extracurricular activities	(2,990,003)		(2,990,003)
41	General administration	(2,857,471)		(2,857,471)
51	Facilities maintenance and operations	(9,052,430)		(9,052,430)
52	Security and monitoring services	(938,030)		(938,030)
53	Data processing services	(1,758,955)		(1,758,955)
61	Community services	(75,933)		(75,933)
72	Interest on long-term debt	(3,538,186)		(3,538,186)
93	Payments related to shared services arrangements	11,667		11,667
95	Payments to Juvenile Justice Alternative Education Programs	(11,139)		(11,139)
99	Payments to appraisal district	(431,617)		(431,617)
TG	Total Governmental Activities	<u>(70,358,149)</u>		<u>(70,358,149)</u>
Business-Type Activities:				
01	Fuel Fund	-	\$ 9,369	9,369
02	Vending Fund	-	16,049	16,049
03	Food Service Funds	-	172,072	172,072
TB	Total Business-Type Activities	-	<u>197,490</u>	<u>197,490</u>
TP	Total Primary Government	<u>(70,358,149)</u>	<u>197,490</u>	<u>(70,160,659)</u>
General Revenues:				
Taxes:				
MT	Property taxes, levied for general purposes	33,930,969	-	33,930,969
DT	Property taxes, levied for debt service	10,879,295	-	10,879,295
SF	State-aid formula grants	22,343,200	-	22,343,200
IE	Investment earnings	3,409,655	-	3,409,655
SI	Gain on sale of asset	1,889,905	-	1,889,905
FR	Transfers	16,049	(16,049)	-
TR	Total General Revenues and Transfers	<u>72,469,073</u>	<u>(16,049)</u>	<u>72,453,024</u>
CN	Change in net position	2,110,924	181,441	2,292,365
NB	Net Position (Deficit) - Beginning of Year, as Previously Presented	(17,846,933)	24,270	(17,822,663)
PA	Restatements (Note 14)	(1,606,357)	-	(1,606,357)
	Net Position (Deficit) - Beginning of Year, as Restated	<u>(19,453,290)</u>	<u>24,270</u>	<u>(19,429,020)</u>
NE	Net Position (Deficit) - Ending	<u>\$ (17,342,366)</u>	<u>\$ 205,711</u>	<u>\$ (17,136,655)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2025**

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
1110 Cash and temporary investments	\$ 10,954,927	\$ 5,952,738	\$ 20,616,847	\$ 3,028,397	\$ 40,552,909
1120 Investments	5,426,152	-	-	-	5,426,152
Receivables:					
1220 Property taxes - delinquent	688,039	213,340	-	-	901,379
1230 Allowance for uncollectible taxes (credit)	(111,418)	(32,627)	-	-	(144,045)
1240 Receivables from other governments	1,046,536	-	-	837,847	1,884,383
1260 Due from other funds	921,278	-	-	-	921,278
1290 Other receivables	214,629	-	-	334,684	549,313
1300 Inventories, at cost	123,437	-	-	-	123,437
1410 Prepaid items	1,255,574	-	-	58,699	1,314,273
1910 Long-term investments	2,570,796	-	-	-	2,570,796
1000 Total Assets	<u>\$ 23,089,950</u>	<u>\$ 6,133,451</u>	<u>\$ 20,616,847</u>	<u>\$ 4,259,627</u>	<u>\$ 54,099,875</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
2110 Accounts payable	\$ 534,448	\$ -	\$ 6,114,887	\$ 309,248	\$ 6,958,583
2120 Other liabilities - current	2,500	-	-	-	2,500
2160 Accrued wages payable	4,181,014	-	-	5,571	4,186,585
2170 Due to other funds	-	-	-	921,278	921,278
2300 Unearned revenue	348,269	205,177	-	385,490	938,936
2000 Total Liabilities	<u>5,066,231</u>	<u>205,177</u>	<u>6,114,887</u>	<u>1,621,587</u>	<u>13,007,882</u>
Deferred Inflows of Resources:					
2600 Unavailable revenue - property taxes	478,840	149,263	-	-	628,103
2600 Total Deferred Inflows of Resources	<u>478,840</u>	<u>149,263</u>	<u>-</u>	<u>-</u>	<u>628,103</u>
Fund Balances:					
Nonspendable:					
3410 Inventories	123,437	-	-	-	123,437
3430 Prepaid items	1,255,574	-	-	20,857	1,276,431
Restricted:					
3450 Grant restrictions	-	-	-	1,040,398	1,040,398
3470 Capital acquisitions	-	-	9,248,147	-	9,248,147
3480 Debt service	-	5,779,011	-	-	5,779,011
3490 Other	-	-	-	74,265	74,265
Committed:					
3545 Other purposes	2,700,000	-	-	1,502,520	4,202,520
Assigned:					
3570 Capital expenditures for equipment	-	-	5,253,813	-	5,253,813
3600 Unassigned	13,465,868	-	-	-	13,465,868
3000 Total Fund Balances	<u>17,544,879</u>	<u>5,779,011</u>	<u>14,501,960</u>	<u>2,638,040</u>	<u>40,463,890</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,089,950</u>	<u>\$ 6,133,451</u>	<u>\$ 20,616,847</u>	<u>\$ 4,259,627</u>	<u>\$ 54,099,875</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
August 31, 2025

Exhibit C-1R

<u>Data Control Codes</u>		
	Total Fund Balance, Governmental Funds	\$ 40,463,890
	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.	172,189,792
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).	628,103
3	Deferred charges on refunding	2,901,376
	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	4,363,526
5	Deferred inflows relating to pension activities	(908,899)
6	Deferred outflows relating to OPEB activities	5,086,754
7	Deferred inflows relating to OPEB activities	(11,487,660)
	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	(176,565,000)
9	Premiums on issuance	(16,884,229)
10	Notes Payable	(4,000,000)
11	Compensated absences	(2,084,793)
12	Accrued interest payable	(254,338)
13	Lease payable	(73,033)
14	Net pension liability	(18,681,363)
15	Net OPEB liability	(12,036,492)
29	Total Net Deficit - Governmental Activities	<u>\$ (17,342,366)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2025

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	\$ 37,557,986	\$ 11,246,190	\$ 1,672,469	\$ 3,544,308	\$ 54,020,953
5800	State program revenues	25,880,711	1,685,430	-	1,038,240	28,604,381
5900	Federal program revenues	138,313	-	-	1,720,444	1,858,757
5020	Total Revenues	<u>63,577,010</u>	<u>12,931,620</u>	<u>1,672,469</u>	<u>6,302,992</u>	<u>84,484,091</u>
Expenditures						
Current:						
0011	Instruction	34,313,467	-	273,703	2,965,889	37,553,059
0012	Instruction resources and media services	693,322	-	-	73,560	766,882
0013	Curriculum and instructional staff development	1,263,085	-	-	224,608	1,487,693
0021	Instructional leadership	1,264,616	-	-	16,565	1,281,181
0023	School leadership	3,237,290	-	-	207,112	3,444,402
0031	Guidance, counseling and evaluation services	2,595,553	-	-	824,680	3,420,233
0032	Social work services	-	-	-	22,501	22,501
0033	Health services	692,126	-	-	38	692,164
0034	Student transportation	2,247,605	-	20,762	5,621	2,273,988
0035	Food services	5,616	-	-	1,144,678	1,150,294
0036	Extracurricular activities	2,436,299	-	483,126	495,628	3,415,053
0041	General administration	2,661,870	-	-	5,045	2,666,915
0051	Facilities maintenance and operations	7,704,676	-	691,175	3,269	8,399,120
0052	Security and monitoring services	684,098	-	157,732	404,664	1,246,494
0053	Data processing services	1,457,084	-	120,727	24,824	1,602,635
0061	Community services	655,224	-	-	-	655,224
Debt Service:						
0071	Principal on long-term debt	86,069	6,810,000	-	71	6,896,140
0072	Interest on long-term debt	203,424	5,806,500	-	2	6,009,926
0073	Debt service costs and fees	750	1,650	-	-	2,400
Capital Outlay:						
0081	Facilities acquisition and construction	-	-	7,653,860	-	7,653,860
Intergovernmental:						
0093	Payments related to shared services arrangements	12,477	-	-	40,113	52,590
0095	Payments to Juvenile Justice Alternative Education Program	11,139	-	-	-	11,139
0099	Other intergovernmental charges	431,617	-	-	-	431,617
6030	Total Expenditures	<u>62,657,407</u>	<u>12,618,150</u>	<u>9,401,085</u>	<u>6,458,868</u>	<u>91,135,510</u>
1100	Excess (deficiency) of revenues over expenditures	<u>919,603</u>	<u>313,470</u>	<u>(7,728,616)</u>	<u>(155,876)</u>	<u>(6,651,419)</u>
Other Financing Sources (Uses)						
7912	Sale of real or personal property	-	-	1,889,905	-	1,889,905
7915	Transfers in	-	-	919,603	16,049	935,652
8911	Transfers out	(919,603)	-	-	-	(919,603)
7080	Total Other Financing Sources (Uses)	<u>(919,603)</u>	<u>-</u>	<u>2,809,508</u>	<u>16,049</u>	<u>1,905,954</u>
1200	Net change in fund balances	-	313,470	(4,919,108)	(139,827)	(4,745,465)
0100	Fund Balance - September 1 (Beginning)	<u>17,544,879</u>	<u>5,465,541</u>	<u>19,421,068</u>	<u>2,777,867</u>	<u>45,209,355</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 17,544,879</u>	<u>\$ 5,779,011</u>	<u>\$ 14,501,960</u>	<u>\$ 2,638,040</u>	<u>\$ 40,463,890</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit C-2R

<u>Data Control Codes</u>		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	\$ (4,745,465)
	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	9,474,815
2	Depreciation/amortization expense	(9,269,324)
	The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	
3	Sale of capital assets	(2,060,426)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,501
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
5	Principal paid on leases	86,140
6	Principal paid on bonds	6,810,000
	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	(866,582)
8	Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,683,284
9	Decrease in interest payable not recognized in fund statements	13,629
10	Amortization of bond premiums and discounts	1,027,936
11	Amortization of deferred amounts on refunded bonds	(252,923)
12	Compensated absences	198,339
	Change in Net Position of Governmental Activities (see B-1)	<u>\$ 2,110,924</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****August 31, 2025***Exhibit D-1*

	Business-type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash and cash equivalents	\$ 343,817
Other receivables	4,117
Total Assets	<u>347,934</u>
Liabilities	
Current Liabilities:	
Accounts payable	141,542
Accrued wages payable	681
Total Liabilities	<u>142,223</u>
Net Position	
Unrestricted net position	<u>205,711</u>
Total Net Position	<u>\$ 205,711</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-2

	Business-type Activities - Enterprise Funds
Operating Revenues	
Charges for services	\$ 2,060,729
Total Operating Revenues	<u>2,060,729</u>
Operating Expenses	
Payroll costs	16,789
Purchased and contracted services	1,837,050
Supplies and materials	4,851
Claims expense and other operating expenses	4,549
Total Operating Expenses	<u>1,863,239</u>
Income (loss) before transfers	197,490
Transfers	
Transfers out	<u>(16,049)</u>
Total Transfers	<u>(16,049)</u>
Change in Net Position	181,441
Net Position - September 1 (Beginning)	24,270
Net Position - August 31 (Ending)	<u>\$ 205,711</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-3

	Business-type Activities - Enterprise Funds
	<u> </u>
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 2,185,963
Cash payments to suppliers for goods and services	(1,846,450)
Cash payments to employees	(16,108)
Net Cash Provided by (Used for) Operating Activities	<u>323,405</u>
Cash Flows from Non-Capital Financing Activities:	
Advances to other funds	(16,049)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(16,049)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	307,356
Cash and Cash Equivalents at Beginning of Year	36,461
Cash and Cash Equivalents at End of Year	<u>\$ 343,817</u>
Reconciliation to Balance Sheet	
Cash and Cash Equivalents Per Cash Flow	\$ 343,817
Cash and Cash Equivalents per Balance Sheet	<u>\$ 343,817</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	\$ 197,490
Change in Assets and Liabilities:	
Decrease (increase) in receivables	(3,289)
Increase (decrease) in accounts payable	128,523
Increase (decrease) in accrued wages payable	681
Net Cash Provided by (Used for) Operating Activities	<u>\$ 323,405</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****August 31, 2025***Exhibit E-1*

	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Assets		
Cash and cash equivalents	\$ 6,689	\$ 363,037
Total Assets	<u>\$ 6,689</u>	<u>\$ 363,037</u>
Liabilities		
Accounts payable	\$ -	\$ 40,842
Due to others	-	94,485
Total Liabilities	<u>\$ -</u>	<u>\$ 135,327</u>
Net Position		
Restricted Net Position	\$ 6,689	\$ 227,710
Total Net Position	<u>\$ 6,689</u>	<u>\$ 227,710</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2025

Exhibit E-2

	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions		
Investment earnings	\$ -	\$ 57,007
Revenues from student activities	-	402,008
Property taxes collected for other governments	-	50,883,026
Total Additions	<u>-</u>	<u>51,342,041</u>
Deductions		
Payments for student activities	-	472,006
Property taxes distributed to other governments	-	50,940,033
Total Deductions	<u>-</u>	<u>51,412,039</u>
Change in net position	-	(69,998)
Net Position Beginning of Year	<u>6,689</u>	<u>297,708</u>
Net Position End of Year	<u>\$ 6,689</u>	<u>\$ 227,710</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 and food service fund.

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.

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 2025 (tax year 2024) were \$4,350,378,750. 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 \$1.0400, which included \$0.7869 for maintenance and operations, and \$0.2531 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 2025 fiscal year was \$45,243,939. 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.

If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.

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 lease asset	Lease term

Compensated Absences

A liability is recognized for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, the following types of leave qualify for liability recognition for compensated absences – local leave, state personal leave, and sick leave bank. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

A summary of the District’s policies for each type of leave is as follows:

Local Leave

The policy effective during the current fiscal year permits employees to earn between five and seven paid local leave days per school year in accordance with administrative regulations and shall accumulate without limit. A liability for estimated value of local leave that will be used by employees as time off is included in the liability for compensated absences.

State Personal Leave

Districts are required to provide employees with five days per year of state personal leave, in accordance with Texas Education Code 22.003(a), with no limit on accumulation and no restrictions on transfer among districts. A liability for estimated value of state personal leave that will be used by employees as time off is included in the liability for compensated absences.

Compensation for any other type of absence does not accumulate, including vacation leave. The District’s liability for accrued compensated absences as of June 30, 2025 is included in the government-wide financial statements. A liability is reported as an expenditure in governmental funds only if it matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

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

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

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 measurement 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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 differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

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 \$5,253,813 in the Capital Projects Fund for capital expenditures for equipment.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

In accordance with GASB Statement No. 102, Certain Risk Disclosures, the District evaluates whether it has vulnerabilities due to concentrations or constraints that could make it susceptible to a substantial impact. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources, such as reliance on a single revenue source or vendor. A constraint is a limitation imposed by an external party or by formal action of the government's highest level of decision-making authority, such as statutory spending caps or debt limits. The District assesses whether the concentration or constraint is known prior to issuance of the financial statements, whether it makes the District vulnerable to a substantial impact, and whether an event associated with the concentration or constraint has occurred, begun to occur, or is more likely than not to occur within 12 months of the issuance date. If all three criteria are met, the District discloses in the notes the nature of the concentration or constraint, the event or events that could cause a substantial impact, and the actions taken to mitigate the risk prior to issuance. If mitigating actions eliminate these conditions before issuance, disclosure is not required. The District had no concentrations or constraints meeting the requirements for disclosure.

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 14 for more information.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not have a material impact on the financial statements.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2025, the District's cash in bank totaled \$14,472 while the carrying value was \$23,152,548, which included funds in a sweep account of \$24,734,616. Pledged collateral and FDIC insurance for these deposits totaled \$13,824,918. The funds in the sweep account are not subject to pledged collateral requirements. Certificates of deposit requiring collateral at August 31, 2025 totaled \$3,500,000. As such, the District's cash and certificates of deposit were properly collateralized at August 31, 2025.

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 2025, 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, money market mutual funds and US agencies securities. TexPool, TexSTAR, Lone Star, Texas Class, and TexasTERM operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

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

Note 2 - Deposits and Investments (continued)

Investments (continued)

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

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

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

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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of internally created pooled fund groups to no more than 180 days. The weighted average maturity for the general fund, debt service fund, and capital projects fund are 99, 14, and 1, respectively.

Note 2 - Deposits and Investments (continued)

Interest Rate Risk (continued)

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

	Fair Value	Weighted Average Maturity (In days)	Investment Maturity in Years	
			Less than 1	1-5
Governmental Activities:				
Cash and Cash Equivalents				
Cash and deposits	\$ 22,439,005	1	\$ -	\$ -
Local Government				
Investment Pools:				
Lone Star	5,646,481	26	5,646,481	-
MBIA Texas Class	56,415	44	56,415	-
TexPool	1,065,792	42	1,065,792	-
TexSTAR	3,846,717	47	3,846,717	-
TexFit	5,898,556	18	5,898,556	-
Texas Range	1,576,295	51	1,576,295	-
Total Local Government				
Investment Pools	18,090,256	31	18,090,256	-
Money Market:				
Charles Schwab	23,648	28	23,648	-
Total Cash and Cash Equivalents	40,552,909	14	18,113,724	-
Investments				
Certificates of deposit	3,500,000	121	3,500,000	-
Securities:				
Government Agencies	4,496,948	368	1,926,152	2,570,796
Total Securities	4,496,948	368	1,926,152	2,570,796
Total Investments	26,110,852	79	5,426,152	2,570,796
Total Governmental Activities	48,549,857		23,539,876	2,570,796
Business-Type Activities:				
Cash and deposits	343,817	1	-	-
Total Business-Type Activities	343,817		-	-
Fiduciary Funds:				
Cash and deposits	369,726	1	-	-
Total Fiduciary Funds	369,726		-	-
Total	\$ 49,263,400		\$ 23,539,876	\$ 2,570,796
Investment earnings	\$ 3,352,648			

Note 2 - Deposits and Investments (continued)

Interest Rate Risk (continued)

Investments' fair value measurement are as follows at August 31, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
Certificates of Deposit	\$ 3,500,000	\$ 3,500,000	\$ -	\$ -
Government Agencies	4,496,948	4,496,948	-	-
Total Debt Securities	\$ 7,996,948	\$ 7,996,948	\$ -	\$ -

Credit Risk and Concentration of 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.

As of August 31, 2025, the District's portfolio consisted of the following:

Investment Type	Fair Value	Percentage of Portfolio	Standard and Poor's Rating
Certificates of deposit	\$ 3,500,000	13.4%	N/A
Lone Star	5,646,481	21.6%	AAAm
MBIA Texas Class	56,415	0.2%	AAAm
TexPool	1,065,792	4.1%	AAAm
TexSTAR	3,846,717	14.8%	AAAm
TexFIT	5,898,556	22.6%	AAAm
Texas Range	1,576,295	6.0%	AAAm
Money Market	23,648	0.1%	N/A
Government Agencies	4,496,948	17.2%	AA+
	\$ 26,110,852	100%	

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 pools do not impose any liquidity fees or redemption gates.

Note 3 - Receivables

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Proprietary Funds	Total
Property taxes	\$ 688,039	\$ 213,340	\$ -	\$ -	\$ 901,379
Due from other governments	1,046,536	-	837,847	-	1,884,383
Other	214,629	-	334,684	4,117	553,430
Gross receivables	1,949,204	213,340	1,172,531	4,117	3,339,192
Less allowance for doubtful accounts	(111,418)	(32,627)	-	-	(144,045)
Net Total Receivables	\$ 1,837,786	\$ 180,713	\$ 1,172,531	\$ 4,117	\$ 3,195,147

Governmental funds report unearned revenue 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 \$938,936.

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

	Balance September 1, 2024	Additions	Retirements	Transfers	Balance August 31, 2025
Capital Assets, not being Depreciated					
Land	\$ 2,882,739	\$ -	\$ -	\$ -	\$ 2,882,739
Construction in progress	2,748,379	-	-	(2,748,379)	-
Total Capital Assets, not being Depreciated	5,631,118	-	-	(2,748,379)	2,882,739
Capital Assets, being Depreciated					
Buildings and improvements	256,963,924	5,158,201	(11,094,171)	2,748,379	253,776,333
Furniture and equipment	17,556,240	4,316,614	(478,413)	-	21,394,441
Intangible assets					
Lease assets - equipment	309,010	-	-	-	309,010
Total Capital Assets, being Depreciated	274,829,174	9,474,815	(11,572,584)	2,748,379	275,479,784
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(94,407,874)	(7,647,991)	9,067,516	-	(92,988,349)
Furniture and equipment	(11,878,315)	(1,535,831)	444,642	-	(12,969,504)
Intangible assets					
Lease assets - equipment	(129,376)	(85,502)	-	-	(214,878)
Total Accumulated Depreciation/Amortization	(106,415,565)	(9,269,324)	9,512,158	-	(106,172,731)
Governmental Capital Assets	\$ 174,044,727	\$ 205,491	\$ (2,060,426)	\$ -	\$ 172,189,792

Note 4 - Capital Assets (continued)

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

	Depreciation/ Amortization Expense
Instruction	\$ 5,044,308
Instructional resources and media services	101,932
Curriculum and staff development	185,698
Instructional leadership	185,923
School leadership	475,945
Guidance, counseling and evaluation services	381,597
Health services	101,756
Student transportation	330,442
Food services	168,290
Extracurricular activities	357,780
General administration	391,788
Plant maintenance and operations	1,132,738
Security and monitoring services	100,576
Data processing services	214,220
Community services	96,331
	<u>\$ 9,269,324</u>

The calculation of Net Investments in Capital Assets as presented in Exhibit A-1 is as follows:

Capital Assets, Net of Depreciation/Amortization	\$ 172,189,792
Less:	
Bonds, notes, and leases payable	(180,638,033)
Premiums	(16,884,229)
Capital related payables	(6,114,887)
Plus:	
Deferred charges on refunding	2,901,376
Unspent bond proceeds	15,363,034
Net Investment in Capital Assets Per Exhibit A-1	<u>\$ (13,182,947)</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, 2025, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Funds			
General Fund	\$ 921,278	\$ -	\$ 921,278
Nonmajor Governmental Funds	-	921,278	(921,278)
Total	<u>\$ 921,278</u>	<u>\$ 921,278</u>	<u>\$ -</u>

Note 5 - Interfund Receivables, Payables, and Transfers (continued)

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, 2025:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 919,603
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	16,049

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

Note 6 - 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, 2025, the legal debt limit was \$435,037,875 and the legal debt margin was \$247,367,657.

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, 2025.

General Obligation Bonds and Maintenance Tax Notes

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/notes payable for the year ended August 31, 2025 were as follows:

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Governmental Activities				
General Obligation Bonds				
Unlimited Tax Refunding Bonds				
Series 2016	\$ 80,840,000	2.00% to 5.00%	2/15/2037	\$ 66,500,000
Unlimited Tax School Building Bonds				
Series 2021	120,445,000	2.50% to 4.50%	2/15/2051	<u>110,065,000</u>
Total General Obligation Bonds				<u>176,565,000</u>
Maintenance Tax Notes				
Maintenance Tax Note, Series 2024	4,000,000	5.00%	2/15/2031	<u>4,000,000</u>
Total Governmental Activities				<u>\$ 180,565,000</u>

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds and Maintenance Tax Notes (continued)

Debt service requirements to maturity are as follows:

Year Ending August 31,	General Obligations Bonds		Maintenance Tax Notes		Total
	Principal	Interest	Principal	Interest	
2026	\$ 7,130,000	\$ 5,485,550	\$ 585,000	\$ 185,375	\$ 13,385,925
2027	7,440,000	5,172,550	615,000	155,375	13,382,925
2028	7,770,000	4,844,725	650,000	123,750	13,388,475
2029	8,115,000	4,503,400	680,000	90,500	13,388,900
2030	8,470,000	4,145,850	715,000	55,625	13,386,475
2031 - 2035	47,655,000	15,418,700	755,000	18,875	63,847,575
2036 - 2040	34,680,000	7,345,850	-	-	42,025,850
2041 - 2045	23,635,000	4,367,750	-	-	28,002,750
2046 - 2050	26,130,000	1,881,300	-	-	28,011,300
2051 - 2055	5,540,000	55,400	-	-	5,595,400
	<u>\$ 176,565,000</u>	<u>\$ 53,221,075</u>	<u>\$ 4,000,000</u>	<u>\$ 629,500</u>	<u>\$ 234,415,575</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, 2025:

	Balance August 31, 2024, as Restated	Additions	Retirements	Balance August 31, 2025	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 183,375,000	\$ -	\$ (6,810,000)	\$ 176,565,000	\$ 7,130,000
Premiums/discounts	17,912,165	-	(1,027,936)	16,884,229	-
Total Bonds Payable, Net	<u>\$ 201,287,165</u>	<u>\$ -</u>	<u>\$ (7,837,936)</u>	<u>\$ 193,449,229</u>	<u>\$ 7,130,000</u>
Other long-term liabilities:					
Maintenance tax notes	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	\$ 585,000
Lease liability	159,173	-	(86,140)	73,033	46,820
Compensated absences*	2,283,132	-	(198,339)	2,084,793	163,022
Net pension liability	21,547,793	-	(2,866,430)	18,681,363	-
Net OPEB liability	9,182,011	2,854,481	-	12,036,492	-
Total Governmental Activities	<u>\$ 238,459,274</u>	<u>\$ 2,854,481</u>	<u>\$ (10,988,845)</u>	<u>\$ 230,324,910</u>	<u>\$ 7,924,842</u>

* The change in compensated absences above is a net change for the year.

Note 6 - Long-Term Liabilities (continued)

Leases

The District is under contract for noncancellable lease agreements that convey control of the right-to-use lease equipment. The liabilities outstanding as of August 31, 2025, 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	\$ 8,826	\$ 76,228	\$ 67,123	\$ 9,105
Equipment	07/01/23	07/01/28	2.23%	131,262	52,453	131,262	58,361	72,901
Equipment	01/10/23	01/10/26	3.12%	101,520	11,754	101,520	89,394	12,126
				<u>\$ 309,010</u>	<u>\$ 73,033</u>	<u>\$ 309,010</u>	<u>\$ 214,878</u>	<u>\$ 94,132</u>

The future principal and interest lease payments as of August 31, 2025, are as follows:

Year Ending August 31,	Principal	Interest	Totals
2026	\$ 46,820	\$ 1,317	\$ 48,137
2027	26,213	5,980	32,193
	<u>\$ 73,033</u>	<u>\$ 7,297</u>	<u>\$ 80,330</u>

Note 7 - 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	\$ 33,918,604	\$ 10,880,159	\$ -	\$ -	\$ -	\$ 44,798,763
Investment Income	1,365,566	366,031	745,059	47,777	9,952	2,534,385
Rent (short-term leases)	391,627	-	-	-	-	391,627
Co-curricular activities	894,604	-	-	-	9,369	903,973
Food Services and Sales	-	-	-	741,573	2,041,146	2,782,719
Campus activities	-	-	-	1,431,699	-	1,431,699
Other	987,585	-	927,410	1,323,259	262	3,238,516
	<u>\$ 37,557,986</u>	<u>\$ 11,246,190</u>	<u>\$ 1,672,469</u>	<u>\$ 3,544,308</u>	<u>\$ 2,060,729</u>	<u>\$ 56,081,682</u>

Note 8 - Pension Plan and Other Post-Employment Benefits

Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan 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.

Note 8 - Pension Plan and Other Post-Employment Benefits (continued)

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/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

Note 8 - 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 2019 through 2025.

	<u>Contribution Rates</u>		<u>Contribution</u>
	<u>September 1, 2024 to</u> <u>August 31, 2025</u>		<u>Amounts</u>
Active Employee	8.25%	\$	3,727,194
Non-Employer Contributing Entity (State)	8.25%		2,657,197
District	8.25%		1,757,910

Contributors to the plan include active members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges and universities, medical schools and other entities, 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 schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional education service centers must contribute 1.9% of the member’s salary beginning in fiscal year 2024, gradually increasing to 2% 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.

Note 8 - Pension Plan and Other Post-Employment Benefits (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
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 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
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, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

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 9.54% of payroll in fiscal year 2025 and thereafter. 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.

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.

Note 8 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024, 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%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 AAA Study CMA Survey (as of 12/31/2023)

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability:

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 29,838,871	\$ 18,681,363	\$ 9,436,575

Note 8 - Pension Plan and Other Post-Employment Benefits (continued)

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

At August 31, 2025, the District reported a liability of \$18,681,363 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	\$ 18,681,363
State's proportionate share that is associated with the District	<u>27,590,942</u>
	<u>\$ 46,272,305</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 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, 2023 through August 31, 2024.

At August 31, 2024, the District’s proportion of the collective net pension liability was 0.0306% which was a decrease of 0.0008% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of \$2,624,551 and revenue of \$3,297,579 for support provided by the State.

At August 31, 2025, 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	\$ 1,029,691	\$ (145,855)
Changes of assumption	964,559	(129,314)
Net difference between projected and actual earnings on pension plan investments	113,558	-
Changes in proportion and differences between District contributions and proportionate share of contributions	497,808	(633,730)
District contributions subsequent to the measurement date of the net pension liability	<u>1,757,910</u>	<u>-</u>
Total	<u>\$ 4,363,526</u>	<u>\$ (908,899)</u>

Note 8 - Pension Plan and Other Post-Employment Benefits (continued)

Changes Since the Prior Actuarial Valuation (continued)

The District recognized \$1,757,910 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other 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>
2026	\$ (14,981)	\$ 1,711,698
2027	1,999,478	(287,780)
2028	199,970	(487,750)
2029	(503,790)	16,040
2030	16,040	-
	<u>\$ 1,696,717</u>	

Note 9 - 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 benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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.

Note 9 - Defined Other Post-Employment Benefit Plans

Benefits Provided (continued)

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 participating employers are based on active employee compensation. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public-school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	Contribution
	September 1, 2024 to August 31, 2025	
Active Employee	0.65%	\$ 293,648
Non-Employer Contributing Entity (State)	1.25%	880,305
District:		
District, Excluding Federal/Private Funding	0.75%	344,719
Federal/Private Funding	1.25%	14,125
Total District		<u>358,844</u>
Total		<u>\$ 1,532,797</u>

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 9 - Defined Other Post-Employment Benefit Plans

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 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

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 updated based on the experience study performed for TRS for the period ending August 31, 2021. 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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (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 PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year.

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate (continued)

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer’s “20-Bond GO Index” as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's proportional share of the net OPEB liability	\$ 14,299,915	\$ 12,036,492	\$ 10,207,612

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

At August 31, 2025, the District reported a liability of \$12,036,492 or 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	\$ 12,036,492
State's proportionate share that is associated with the District	15,081,561
Total	\$ 27,118,053

The Net OPEB Liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, 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, 2023, through August 31, 2024.

At August 31, 2024, the District’s proportion of the collective Net OPEB Liability was 0.0397% which was an decrease of 0.0018% from its proportion measured as of August 31, 2023 of 0.0415%.

Healthcare Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 9,801,936	\$ 12,036,492	\$ 14,948,342

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

Changes Since the Prior Actuarial Valuation

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized negative OPEB expense of \$1,324,676. The District also recognized negative on-behalf OPEB expense and revenue of \$1,960,325 for support provided by the State.

At August 31, 2025, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,306,991	\$ (6,006,862)
Changes of assumption	1,540,529	(3,927,368)
Net difference between projected and actual earnings on OPEB plan investments	-	(33,707)
Changes in proportion and differences between District contributions and proportionate share of contributions	880,390	(1,519,723)
District contributions subsequent to the measurement date of the net OPEB liability	358,844	-
Total	<u>\$ 5,086,754</u>	<u>\$ (11,487,660)</u>

The District recognized \$358,844 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The other amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>OPEB Expense Amount</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2026	\$ (1,637,976)	\$ (5,121,774)
2027	(1,092,826)	(4,028,948)
2028	(1,542,091)	(2,486,857)
2029	(1,298,894)	(1,187,963)
2030	(747,664)	(440,299)
Thereafter	(440,299)	-
	<u>\$ (6,759,750)</u>	

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

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, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$329,704, \$236,427, and \$232,645, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 10 - 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 11 - Shared Service Arrangements / Joint Ventures

The District participates in three 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 0.2 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.

Note 11 - Shared Service Arrangements / Joint Ventures (continued)

Revenues:	
Local revenue	\$ <u>6,000</u>
Expenditures:	
Payroll costs	\$ 3,410
Contract services	2,058
Supplies and materials	416
Other operating costs	116
Total Expenditures	\$ <u>6,000</u>

The District participates in a Shared Service Arrangement (SSA) for the Coastal Alternative Program that educational services for students of member district. In addition to Friendswood ISD, the other member districts include Texas City ISD, Dickinson ISD, Galveston ISD, Hitchcock ISD, and Santa Fe ISD. All services are provided by the fiscal agent, Dickison ISD. The member districts provide the funds to the fiscal agent. Although approximately 0.4 percent of the total SSA expenditures are attributable to the District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. In addition, the District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent.

Revenues:	
Local revenue	\$ <u>11,139</u>
Expenditures:	
Payroll costs	\$ 11,139
Total expenditures	\$ <u>11,139</u>

The District is the fiscal agent for a SSA for the Therapeutic Education Center. The Therapeutic Education Center at Friendswood is a day school partnership between Friendswood ISD, Alvin ISD and Pearland ISD serving students with autism, a low incidence disability or an emotional disability who require extensive self-contained support for behavior and who have progressed through all other in-district options of the LEAs continuum of support & services. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund No. 459, SSA – Therapeutic Education Center using Model 3 in SSA section of the FASRG. Each District’s revenue contributions and total expenditures of the SSA are summarized below:

	Fund 459
	SSA - Therapeutic
Alvin Independent School District	\$ 252,893
Deer Park Independent School District	50,578
Friendswood Independent School District	50,579
Pearland Independent School District	252,893
	\$ <u>606,943</u>

Note 12 - 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 13 - 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, 2025.

Note 14 – Restatement of Beginning Balances

GASB Statement No. 101, Compensated Absences was implemented in the current fiscal year. In addition to the value of unused vacation time owed to employees upon separation of employment, the liability for compensated absences now includes recognition of an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years. The effect of the change in accounting principle is summarized below:

Governmental Activities:	
Beginning Balance - As Originally Presented	\$ (17,846,933)
GASB 101 Implementation	(1,606,357)
Beginning Balance - As Restated	<u><u>\$ (19,453,290)</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local revenues	\$ 37,073,813	\$ 37,073,813	\$ 37,557,986	\$ 484,173
State program revenues	23,996,638	23,996,638	25,880,711	1,884,073
Federal program revenues	274,938	274,938	138,313	(136,625)
Total Revenues	61,345,389	61,345,389	63,577,010	2,231,621
Expenditures				
Current:				
Instruction	34,428,560	34,421,201	34,313,467	107,734
Instruction resources and media services	665,248	709,567	693,322	16,245
Curriculum and instructional staff development	1,279,663	1,267,211	1,263,085	4,126
Instructional leadership	1,192,823	1,273,433	1,264,616	8,817
School leadership	3,200,038	3,253,802	3,237,290	16,512
Guidance, counseling and evaluation services	2,606,239	2,602,504	2,595,553	6,951
Social work services	-	2,000	-	2,000
Health services	679,936	695,941	692,126	3,815
Student transportation	2,564,739	2,354,071	2,247,605	106,466
Food services	1,850	9,850	5,616	4,234
Extracurricular activities	2,452,515	2,476,761	2,436,299	40,462
General administration	2,593,874	2,729,836	2,661,870	67,966
Facilities maintenance and operations	7,508,183	7,709,222	7,704,676	4,546
Security and monitoring services	662,984	747,637	684,098	63,539
Data processing services	1,448,577	1,466,158	1,457,084	9,074
Community services	373,133	696,608	655,224	41,384
Debt Service:				
Principal on long-term debt	286,427	96,703	86,069	10,634
Interest on long-term debt	-	203,424	203,424	-
Bond issuance costs and fees	-	750	750	-
Capital Outlay:				
Facilities, acquisition and construction	-	2,000	-	2,000
Intergovernmental:				
Payments related to shared services arrangements	72,000	27,000	12,477	14,523
Payments to Juvenile Justice Alternative Education Programs	5,000	17,639	11,139	6,500
Other intergovernmental charges	435,600	436,600	431,617	4,983
Total Expenditures	62,457,389	63,199,918	62,657,407	542,511
Excess (deficiency) of revenues over expenditures	(1,112,000)	(1,854,529)	919,603	2,774,132
Other Financing Sources (Uses)				
Transfers in	1,112,000	1,112,000	-	(1,112,000)
Transfers out	-	-	(919,603)	(919,603)
Total Other Financing Sources (Uses)	1,112,000	1,112,000	(919,603)	(2,031,603)
Net change in fund balances	-	(742,529)	-	742,529
Fund Balances - Beginning	17,544,879	17,544,879	17,544,879	-
Fund Balances - Ending	\$ 17,544,879	\$ 16,802,350	\$ 17,544,879	\$ 742,529

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, 2025.

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, 2024. 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

Exhibit G-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	0.0306%	0.0314%	0.0305%	0.0309%	0.0296%
District's proportionate share of the net pension liability	\$ 18,681,363	\$ 21,547,793	\$ 18,092,680	\$ 7,874,005	\$ 15,847,340
State's proportionate share of the net pension liability associated with the District	27,590,942	32,051,898	30,273,834	13,715,891	28,671,259
Total	<u>\$ 46,272,305</u>	<u>\$ 53,599,691</u>	<u>\$ 48,366,514</u>	<u>\$ 21,589,896</u>	<u>\$ 44,518,599</u>
District's covered payroll (for Measurement Year)	\$ 44,740,310	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554	\$ 39,481,273
District's proportionate share of the net pension liability as a percentage of covered payroll	41.76%	49.78%	42.71%	19.11%	40.14%
Plan fiduciary net position as a percentage of the total pension liability ¹	77.51%	73.15%	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll ¹	102.39%	122.32%	112.72%	51.08%	110.36%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0319%	0.0316%	0.0291%	0.0264%	0.0270%
District's proportionate share of the net pension liability	\$ 16,574,576	\$ 17,399,059	\$ 9,303,323	\$ 9,980,962	\$ 9,594,406
State's proportionate share of the net pension liability associated with the District	26,688,300	29,981,051	17,831,579	21,689,972	20,961,599
Total	<u>\$ 43,262,876</u>	<u>\$ 47,380,110</u>	<u>\$ 27,134,902</u>	<u>\$ 31,670,934</u>	<u>\$ 30,556,005</u>
District's covered payroll (for Measurement Year)	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606	\$ 32,808,364	\$ 31,141,812
District's proportionate share of the net pension liability as a percentage of covered payroll	44.79%	47.51%	26.86%	30.42%	30.81%
Plan fiduciary net position as a percentage of the total pension liability ¹	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll ¹	114.93%	126.11%	75.93%	92.75%	91.94%

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

Notes:

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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 1,757,910	\$ 1,723,440	\$ 1,612,366	\$ 1,421,184	\$ 1,319,277
Contributions in relation to the contractual required contributions	1,757,910	1,723,440	1,612,366	1,421,184	1,319,277
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,178,108	\$ 44,740,310	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554
Contributions as a percentage of covered payroll	3.89%	3.85%	3.73%	3.35%	3.20%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 1,222,580	\$ 1,115,693	\$ 1,064,870	\$ 953,601	\$ 874,428
Contributions in relation to the contractual required contributions	1,222,580	1,115,693	1,064,870	953,601	874,428
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365
Contributions as a percentage of covered payroll	3.10%	3.02%	2.91%	2.75%	2.67%

Notes to Required Supplementary Information – Pension

Changes of Assumptions

<u>Measurement</u>	
<u>Year</u>	<u>Changes</u>
2017	None
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.
2019	None
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.
2021	The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
2022	The discount rate changed from 7.25% to 7.00%.
2023	None
2024	None

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

Exhibit G-4

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net OPEB liability	0.0397%	0.0415%	0.0413%	0.4210%
District's proportionate share of the net OPEB liability	\$ 12,036,492	\$ 9,182,011	\$ 9,887,657	\$ 16,258,930
State's proportionate share of the net OPEB liability associated with the District	15,081,561	11,079,508	12,061,388	21,783,342
Total	<u>\$ 27,118,053</u>	<u>\$ 20,261,519</u>	<u>\$ 21,949,045</u>	<u>\$ 38,042,272</u>
District's covered payroll (for Measurement Year)	\$ 44,740,310	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554
District's proportionate share of the net OPEB liability as a percentage of covered payroll	26.9%	21.2%	23.3%	39.5%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll ¹	67.98%	51.86%	59.10%	100.13%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0415%	0.0427%	0.0429%	0.0386%
District's proportionate share of the net OPEB liability	\$ 15,794,480	\$ 20,193,231	\$ 21,398,962	\$ 16,779,851
State's proportionate share of the net OPEB liability associated with the District	21,223,995	26,832,290	32,141,434	27,978,520
Total	<u>\$ 37,018,475</u>	<u>\$ 47,025,521</u>	<u>\$ 53,540,396</u>	<u>\$ 44,758,371</u>
District's covered payroll (for Measurement Year)	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606
District's proportionate share of the net OPEB liability as a percentage of covered payroll	40.0%	54.6%	58.4%	48.4%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll ¹	101.46%	135.21%	146.64%	132.55%

¹ Per Teacher Retirement System of Texas' annual comprehensive 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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 358,844	\$ 360,457	\$ 359,613	\$ 339,151	\$ 328,965
Contributions in relation to the contractual required contributions	358,844	360,457	359,613	339,151	328,965
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,178,108	\$ 44,740,310	\$ 43,283,356	\$ 42,362,987	\$ 41,211,554
Contributions as a percentage of covered payroll	0.79%	0.81%	0.83%	0.80%	0.80%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 315,191	\$ 302,515	\$ 295,653	\$ 203,471	\$ 189,837
Contributions in relation to the contractual required contributions	315,191	302,515	295,653	203,471	189,837
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,481,273	\$ 37,003,441	\$ 36,621,859	\$ 34,640,606	\$ 32,808,365
Contributions as a percentage of covered payroll	0.80%	0.82%	0.81%	0.59%	0.58%

Notes:

The District implemented GASB 75 during fiscal year 2018.

Notes to Required Supplementary Information – OPEB

Changes of Assumptions

<u>Measurement Year</u>	<u>Discount Rate</u>	<u>Other Changes</u>
2017	3.42%	Updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
2018	3.69%	Lowered the participation rates and updated the health care trend rate assumption.
2019	2.63%	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.
2020	2.33%	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.
2021	1.95%	N/A
2022	3.91%	Lowered the participation rates, and updated the healthcare trend rate assumption.
2023	4.13%	Revised demographic and economic assumptions based on the TRS experience study.
2024	3.87%	The tables used to model the impact of aging on the underlying claims were revised.



OTHER SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

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	14,799	87,841	-	-
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 14,799</u>	<u>\$ 87,841</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	14,799	87,841	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>14,799</u>	<u>87,841</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>\$ 14,799</u>	<u>\$ 87,841</u>	<u>\$ -</u>	<u>\$ -</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

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	\$ 1,091,666	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	-	5,396	11,409
1290	Other receivables	1,040	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 1,092,706</u>	<u>\$ -</u>	<u>\$ 5,396</u>	<u>\$ 11,409</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 46,941	\$ -	\$ 35	\$ -
2160	Accrued wages payable	5,571	-	-	-
2170	Due to other funds	-	-	5,361	11,409
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>52,512</u>	<u>-</u>	<u>5,396</u>	<u>11,409</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Grant restrictions	1,040,194	-	-	-
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>1,040,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,092,706</u>	<u>\$ -</u>	<u>\$ 5,396</u>	<u>\$ 11,409</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 3 of 5

Data Control Codes		289	397	410	429
		Miscellaneous Federal Programs	Advanced Placement Incentive	Instructional Materials Allotment	Safe Cycle 2
Assets					
1110	Cash and temporary investments	\$ -	\$ 204	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	-	559,850	50,134
1290	Other receivables	-	-	-	-
1410	Prepaid items	-	-	34,014	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 593,864</u>	<u>\$ 50,134</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ 30,073	\$ 24,570
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	507,725	25,564
2300	Unearned revenues	-	-	56,066	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>593,864</u>	<u>50,134</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Grant restrictions	-	204	-	-
3490	Other purposes	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>204</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 593,864</u>	<u>\$ 50,134</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
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<u>Data Control Codes</u>		<u>459</u>	<u>461</u>	<u>480</u>	<u>481</u>
		<u>SSA - Therapeutic Education Center</u>	<u>Campus Activity</u>	<u>Education Foundation Grants</u>	<u>Locally Funded Special Revenue Funds</u>
	Assets				
1110	Cash and temporary investments	\$ -	\$ 1,873,534	\$ -	\$ 62,993
	Receivables:				
1240	Receivables from other governments	108,418	-	-	-
1290	Other receivables	-	-	333,644	-
1410	Prepaid items	3,828	20,857	-	-
1000	Total Assets	<u>\$ 112,246</u>	<u>\$ 1,894,391</u>	<u>\$ 333,644</u>	<u>\$ 62,993</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 1,292	\$ 185,768	\$ 20,569	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	110,954	-	157,625	-
2300	Unearned revenues	-	185,246	144,178	-
2000	Total Liabilities	<u>112,246</u>	<u>371,014</u>	<u>322,372</u>	<u>-</u>
	Fund Balances:				
	Nonspendable:				
3430	Prepaid items	-	20,857	-	-
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	11,272	62,993
	Committed:				
3545	Other purposes	-	1,502,520	-	-
3000	Total Fund Balances	<u>-</u>	<u>1,523,377</u>	<u>11,272</u>	<u>62,993</u>
4000	Total Liabilities and Fund Balances	<u>\$ 112,246</u>	<u>\$ 1,894,391</u>	<u>\$ 333,644</u>	<u>\$ 62,993</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 5 of 5

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
	Assets	
1110	Cash and temporary investments	\$ 3,028,397
	Receivables:	
1240	Receivables from other governments	837,847
1290	Other receivables	334,684
1410	Prepaid items	58,699
1000	Total Assets	<u>\$ 4,259,627</u>
	 Liabilities and Fund Balances	
	Liabilities:	
	Current Liabilities:	
2110	Accounts payable	\$ 309,248
2160	Accrued wages payable	5,571
2170	Due to other funds	921,278
2300	Unearned revenues	385,490
2000	Total Liabilities	<u>1,621,587</u>
	 Fund Balances:	
	Nonspendable:	
3430	Prepaid items	20,857
	Restricted:	
3450	Grant restrictions	1,040,398
3490	Other purposes	74,265
	Committed:	
3545	Other purposes	1,502,520
3000	Total Fund Balances	<u>2,638,040</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,259,627</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, 2025

Exhibit H-2
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
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	163,081	1,057,435	17,992	45,734
5020	Total Revenues	<u>163,081</u>	<u>1,057,435</u>	<u>17,992</u>	<u>45,734</u>
Expenditures					
Current:					
0011	Instruction	4,089	238,424	17,992	-
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	154,491	1,355	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	817,656	-	-
0032	Social work services	4,501	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	5,621
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	-	-	-	-
0093	Payments related to shared services arrangement	-	-	-	40,113
6030	Total Expenditures	<u>163,081</u>	<u>1,057,435</u>	<u>17,992</u>	<u>45,734</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)					
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)	-	-	-	-
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, 2025

Data Control Codes		240	244	255	263
		Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III
Revenues					
5700	Local, intermediate, and out-of-state	\$ 789,350	\$ -	\$ -	\$ -
5800	State program revenues	4,121	-	-	-
5900	Federal program revenues	249,524	42,714	101,465	21,436
5020	Total Revenues	1,042,995	42,714	101,465	21,436
Expenditures					
Current:					
0011	Instruction	-	42,714	62,255	21,436
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	20,205	-
0021	Instructional leadership	-	-	16,180	-
0023	School leadership	-	-	1,330	-
0031	Guidance, counseling and evaluation services	-	-	1,150	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	1,144,678	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	345	-
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	-	-	-	-
0093	Payments related to shared services arrangement	-	-	-	-
6030	Total Expenditures	1,144,678	42,714	101,465	21,436
1100	Excess (deficiency) of revenues over expenditures	(101,683)	-	-	-
Other Financing Sources (Uses)					
7915	Transfers in	2,022	-	-	-
7080	Total Other Financing Sources (Uses)	2,022	-	-	-
1200	Net change in fund balances	(99,661)	-	-	-
0100	Fund Balance - September 1 (Beginning)	1,139,855	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 1,040,194	\$ -	\$ -	\$ -

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 3 of 5

Data Control Codes	289 Miscellaneous Federal Programs	397 Advanced Placement Incentive	410 Instructional Materials Allotment	429 Safe Cycle 2
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	631,749	402,370
5900	Federal program revenues	21,063	-	-
5020	Total Revenues	21,063	631,749	402,370
Expenditures				
Current:				
0011	Instruction	2,727	629,789	-
0012	Instruction resources and media services	-	1,960	35
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	336	-	-
0032	Social work services	18,000	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	402,335
0053	Data processing services	-	-	-
Debt service:				
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
0093	Payments related to shared services arrangement	-	-	-
6030	Total Expenditures	21,063	631,749	402,370
1100	Excess (deficiency) of revenues over expenditures	-	-	-
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	204	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 204	\$ -

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 4 of 5

<u>Data Control Codes</u>	459 SSA - Therapeutic Education Center	461 Campus Activity	480 Education Foundation Grants	481 Locally Funded Special Revenue Funds	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 606,943	\$ 1,431,699	\$ 632,236	\$ 84,080
5800	State program revenues	-	-	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>606,943</u>	<u>1,431,699</u>	<u>632,236</u>	<u>84,080</u>
Expenditures					
Current:					
0011	Instruction	508,564	816,450	600,362	21,087
0012	Instruction resources and media services	-	40,120	31,445	-
0013	Curriculum and instructional staff development	-	48,228	329	-
0021	Instructional leadership	-	385	-	-
0023	School leadership	98,379	107,403	-	-
0031	Guidance, counseling and evaluation services	-	5,083	455	-
0032	Social work services	-	-	-	-
0033	Health services	-	38	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	495,628	-	-
0041	General administration	-	4,700	-	-
0051	Plant maintenance and operations	-	3,269	-	-
0052	Security and monitoring services	-	2,329	-	-
0053	Data processing services	-	24,824	-	-
Debt service:					
0071	Principal on long-term debt	-	71	-	-
0072	Interest on long-term debt	-	2	-	-
0093	Payments related to shared services arrangement	-	-	-	-
6030	Total Expenditures	<u>606,943</u>	<u>1,548,530</u>	<u>632,591</u>	<u>21,087</u>
1100	Excess (deficiency) of revenues over expenditures	-	(116,831)	(355)	62,993
Other Financing Sources (Uses)					
7915	Transfers in	-	14,027	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>14,027</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	(102,804)	(355)	62,993
0100	Fund Balance - September 1 (Beginning)	-	1,626,181	11,627	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 1,523,377</u>	<u>\$ 11,272</u>	<u>\$ 62,993</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, 2025

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
Revenues		
5700	Local, intermediate, and out-of-state	\$ 3,544,308
5800	State program revenues	1,038,240
5900	Federal program revenues	1,720,444
5020	Total Revenues	<u>6,302,992</u>
Expenditures		
Current:		
0011	Instruction	2,965,889
0012	Instruction resources and media services	73,560
0013	Curriculum and instructional staff development	224,608
0021	Instructional leadership	16,565
0023	School leadership	207,112
0031	Guidance, counseling and evaluation services	824,680
0032	Social work services	22,501
0033	Health services	38
0034	Student transportation	5,621
0035	Food service	1,144,678
0036	Extracurricular activities	495,628
0041	General administration	5,045
0051	Plant maintenance and operations	3,269
0052	Security and monitoring services	404,664
0053	Data processing services	24,824
Debt service:		
0071	Principal on long-term debt	71
0072	Interest on long-term debt	2
0093	Payments related to shared services arrangement	40,113
6030	Total Expenditures	<u>6,458,868</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(155,876)</u>
Other Financing Sources (Uses)		
7915	Transfers in	16,049
7080	Total Other Financing Sources (Uses)	<u>16,049</u>
1200	Net change in fund balances	(139,827)
0100	Fund Balance - September 1 (Beginning)	<u>2,777,867</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 2,638,040</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

August 31, 2025

Exhibit H-3

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 27,513	\$ 10,231	\$ 306,073	\$ 343,817
Other receivables	4,117	-	-	4,117
Total Assets	<u>\$ 31,630</u>	<u>\$ 10,231</u>	<u>\$ 306,073</u>	<u>\$ 347,934</u>
Liabilities and Net Position				
Liabilities				
Accounts payable	\$ -	\$ 8,222	\$ 133,320	\$ 141,542
Accrued wages payable	-	-	681	681
Total Liabilities	<u>-</u>	<u>8,222</u>	<u>134,001</u>	<u>142,223</u>
Net Position				
Unrestricted net position	<u>31,630</u>	<u>2,009</u>	<u>172,072</u>	<u>205,711</u>
Total Net Position	<u>31,630</u>	<u>2,009</u>	<u>172,072</u>	<u>205,711</u>
Total Liabilities and Net Position	<u>\$ 31,630</u>	<u>\$ 10,231</u>	<u>\$ 306,073</u>	<u>\$ 347,934</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, 2025

Exhibit H-4

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$ 9,369	\$ 134,055	\$ 1,917,305	\$ 2,060,729
Total Operating Revenues	<u>9,369</u>	<u>134,055</u>	<u>1,917,305</u>	<u>2,060,729</u>
Operating Expenses				
Payroll costs	-	-	16,789	16,789
Purchased and contracted services	-	115,693	1,721,357	1,837,050
Supplies and materials	-	-	4,851	4,851
Claims expense and other operating expenses	-	2,313	2,236	4,549
Total Operating Expenses	<u>-</u>	<u>118,006</u>	<u>1,745,233</u>	<u>1,863,239</u>
Income (Loss) before Transfers	9,369	16,049	172,072	197,490
Transfers out	-	(16,049)	-	(16,049)
Change in Net Position	9,369	-	172,072	181,441
Total Net Position - Beginning	<u>22,261</u>	<u>2,009</u>	<u>-</u>	<u>24,270</u>
Total Net Position - Ending	<u>\$ 31,630</u>	<u>\$ 2,009</u>	<u>\$ 172,072</u>	<u>\$ 205,711</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended August 31, 2025

Exhibit H-5

	Fuel Fund	Vending Fund	Food Service Fund	Total
Cash Flows from Operating Activities:				
Cash received from user charges	\$ 6,080	\$ 129,258	\$ 2,050,625	\$ 2,185,963
Cash payments to suppliers for goods and services	-	(118,006)	(1,728,444)	(1,846,450)
Cash payments to employees	-	-	(16,108)	(16,108)
Net Cash Provided by (Used for) Operating Activities	6,080	11,252	306,073	323,405
Cash Flows from Non-Capital Financing Activities:				
Advances to other funds	-	(16,049)	-	(16,049)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	(16,049)	-	(16,049)
Net Increase (Decrease) in Cash and Cash Equivalents	6,080	(4,797)	306,073	307,356
Cash and Cash Equivalents at Beginning of Year	21,433	15,028	-	36,461
Cash and Cash Equivalents at End of Year	\$ 27,513	\$ 10,231	\$ 306,073	\$ 343,817
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 9,369	\$ 16,049	\$ 172,072	\$ 197,490
Change in Assets and Liabilities				
Decrease (increase) in receivables	(3,289)	-	-	(3,289)
Increase (decrease) in Accounts payable	-	(4,797)	133,320	128,523
Increase (decrease) in Accrued Wages Payable	-	-	681	681
Net Cash Provided by (Used for) Operating Activities	\$ 6,080	\$ 11,252	\$ 306,073	\$ 323,405

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2025

Exhibit H-6

	Private Purpose Trust Funds			Custodial Funds		
	Winston Scholarship Fund	Willard Scholarship Fund	Total	Student Activity Funds	Tax Assessor Collector	Total
Assets						
Cash and cash equivalents	\$ 5,296	\$ 1,393	\$ 6,689	\$ 231,565	\$ 131,472	\$ 363,037
Total Assets	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 231,565</u>	<u>\$ 131,472</u>	<u>\$ 363,037</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 3,855	\$ 36,987	\$ 40,842
Due to others	-	-	-	-	94,485	94,485
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,855</u>	<u>\$ 131,472</u>	<u>\$ 135,327</u>
Net Position						
Restricted	\$ 5,296	\$ 1,393	\$ 6,689	\$ 227,710	\$ -	\$ 227,710
Total Net Position	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 227,710</u>	<u>\$ -</u>	<u>\$ 227,710</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2025

Exhibit H-7

	Private Purpose Trust Funds			Custodial Funds		
	Winston Scholarship Fund	Willard Scholarship Fund	Total	Student Activity Funds	Tax Assessor Collector	Total
Additions						
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ 57,007	\$ 57,007
Revenues from student activities	-	-	-	402,008	-	402,008
Property taxes collected for other governments	-	-	-	-	50,883,026	50,883,026
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,008</u>	<u>50,940,033</u>	<u>51,342,041</u>
Deductions						
Payments for student activities	-	-	-	472,006	-	472,006
Property taxes distributed to other governments	-	-	-	-	50,940,033	50,940,033
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,006</u>	<u>50,940,033</u>	<u>51,412,039</u>
Change in net position	-	-	-	(69,998)	-	(69,998)
Net Position Beginning of Year	<u>5,296</u>	<u>1,393</u>	<u>6,689</u>	<u>297,708</u>	<u>-</u>	<u>297,708</u>
Net Position End of Year	<u>\$ 5,296</u>	<u>\$ 1,393</u>	<u>\$ 6,689</u>	<u>\$ 227,710</u>	<u>\$ -</u>	<u>\$ 227,710</u>

REQUIRED TEA SCHEDULES



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION PROGRAM FUND

For the Year Ended August 31, 2025

Exhibit J-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local, Intermediate, and Out-of-State	\$ 766,831	\$ 766,831	\$ 789,350	\$ 22,519
State Program Revenues	4,250	4,250	4,121	(129)
Federal Program Revenues	335,490	335,490	249,524	(85,966)
Total Revenues	<u>1,106,571</u>	<u>1,106,571</u>	<u>1,042,995</u>	<u>(63,576)</u>
Expenditures				
Food Services	1,069,568	1,161,979	1,144,678	17,301
Total Expenditures	<u>1,069,568</u>	<u>1,161,979</u>	<u>1,144,678</u>	<u>17,301</u>
Excess (Deficiency) Revenues Over Expenditures	<u>37,003</u>	<u>(55,408)</u>	<u>(101,683)</u>	<u>(46,275)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	2,022	2,022
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,022</u>	<u>2,022</u>
Increase (Decrease) in Fund Balance	37,003	(55,408)	(99,661)	(44,253)
Fund Balance - September 1 (Beginning)	<u>1,139,855</u>	<u>1,139,855</u>	<u>1,139,855</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 1,176,858</u>	<u>\$ 1,084,447</u>	<u>\$ 1,040,194</u>	<u>\$ (44,253)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2025

Exhibit J-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local, Intermediate, and Out-of-State	\$ 11,170,724	\$ 11,170,724	\$ 11,246,190	\$ 75,466
State Program Revenues	1,845,120	1,845,120	1,685,430	(159,690)
Total Revenues	<u>13,015,844</u>	<u>13,015,844</u>	<u>12,931,620</u>	<u>(84,224)</u>
Expenditures				
Debt Service:				
Principal	6,810,000	6,810,000	6,810,000	-
Interest and Fiscal Agent Fees	5,806,500	5,806,500	5,806,500	-
Debt service costs and fees	7,000	7,000	1,650	5,350
Total Expenditures	<u>12,623,500</u>	<u>12,623,500</u>	<u>12,618,150</u>	<u>5,350</u>
Increase (Decrease) in Fund Balance	392,344	392,344	313,470	(78,874)
Fund Balance - September 1 (Beginning)	<u>5,465,541</u>	<u>5,465,541</u>	<u>5,465,541</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 5,857,885</u>	<u>\$ 5,857,885</u>	<u>\$ 5,779,011</u>	<u>\$ (78,874)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES

For the Year Ended August 31, 2025

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.	\$ 647,878
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 637,038
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.	\$ 112,381
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 111,614

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2025

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 issued. 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, 2025, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 8, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
December 8, 2025

**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, 2025. 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, 2025.

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.

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.

Board of Trustees
Friendswood Independent School District

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

Whitley Penn LLP

Houston, Texas
December 8, 2025



FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

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>Special Education Cluster</i>	84.027A; 84.173A
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, 2025

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, 2025

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:				
256600010849116600	<i>IDEA - Part B, Formula</i>	224	84.027A	\$ 1,099,495
256610010849116610	<i>IDEA - Part B, Preschool</i>	225	84.173A	18,709
66002506	<i>IDEA - Part B, High Cost Risk Pool</i>	226	84.027A	45,734
	<i>Total Special Education Cluster (ALN # 84.027, 84.173)</i>			<u>1,163,938</u>
Passed Through Texas Education Agency:				
25610101084911	<i>ESEA Title I Part A</i>	211	84.010A	169,567
	<i>Total ALN 84.010</i>			<u>169,567</u>
25420006084911	<i>Carl D. Perkins - Basic Formula</i>	244	84.048A	44,403
25671001084911	<i>Title III - Part A, ELA</i>	263	84.365A	22,289
25694501084911	<i>ESEA Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	105,503
25680101084911	<i>Title IV, Part A, Subpart 1</i>	289	84.424A	19,066
S369A190045	<i>LEP Summer School (2024-25)</i>	289	84.369	2,727
	Total U.S. Department of Education			<u>1,527,493</u>
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
	<i>National School Lunch Program - USDA Commodities</i>			
NT4XL1YGLGC5	<i>(Non-cash assistance)</i>	240	10.555	83,999
Passed Through Texas Education Agency:				
Cash Assistance:				
71302301	<i>National School Lunch Program</i>	240	10.555	175,851
71402301	<i>School Breakfast Program</i>	240	10.553	13,924
	<i>Total Child Nutrition Cluster (ALN # 10.553, 10.555)</i>			<u>273,774</u>
	Total U.S. Department of Agriculture			<u>273,774</u>
	Total Expenditures of Federal Awards			<u>\$ 1,801,267</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, 2025. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards ("SEFA") and expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 1,801,267
Medicaid SHARS	<u>57,490</u>
Total Federal Revenue - Exhibit C-2	<u><u>\$ 1,858,757</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	\$ 57,490
Indirect Costs:	
National School Lunch Program	22,471
School Breakfast Program	1,779
ESEA Title I Part A	6,486
IDEA - Part B, Formula	42,060
IDEA - Part B, Preschool	717
Carl D. Perkins - Basic Formula	1,689
ESEA Title II, Part A, Supporting Effective Instruction	4,038
Title III - Part A, ELA	853
Title IV, Part A, Subpart 1	730
Total Indirect Costs	<u>80,823</u>
Total Federal Revenue Accounted for in General Fund - Exhibit C-2	<u><u>\$ 138,313</u></u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2025

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, 2025

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

