

**FRIENDSWOOD INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For The Year Ended August 31, 2018

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, 2018, at a meeting of the board of trustees of such school district on December 10, 2018.

President of the Board

Vice President of the Board

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Friendswood Independent School District (the "District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2018, 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.

Emphasis of Matter

As discussed in Note 1, Note 10, and Note 16 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of August 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 7 through 16 and the budgetary comparison schedule, the required pension system information, and the required other post-employment benefit information on pages 66 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, and required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

To the Board of Trustees
Friendswood Independent School District

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Houston, Texas
December 6, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Friendswood Independent School District's annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2018. 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 \$26,207,960 (net deficit). Of this amount, negative \$14,463,391 was net investment in capital assets, which represents the debt related to the capital assets which exceed the carrying value of the capital assets, \$2,117,449 was restricted for debt service, \$744,840 was restricted for food service, \$2,625 was restricted for federal and state programs, \$10,305 was restricted for other purposes. The remaining amount was a deficit unrestricted net position of \$14,619,788.

- The District's total net position increased by \$5,287,272 due to current year activities, offset by a negative prior period adjustment of \$29,423,368. This resulted in an overall decrease in net position of \$24,136,096 during the current fiscal year. This decrease is mainly due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.
- The District's governmental funds reported combined ending fund balances of \$18,216,828 as of August 31, 2018. Of this amount, \$679,804 is non-spendable in the form of (1) inventory in the amount of \$180,204 and (2) prepaid items in the amount of \$499,600. Fund balance of \$2,959,290 is restricted for (1) federal and state grants in the amount of \$747,465, (2) debt service in the amount of \$2,202,023, and (3) \$9,802 for other purposes. Fund balance of \$3,735,256 is committed for (1) disaster recovery of \$1.5 million and (2) decreases in state funding of \$1.2 million and (3) other committed in the amount of \$1,035,256. Fund balance of \$1,548,914 is assigned for capital expenditures for equipment. The remaining amount in fund balance of \$9,293,564 in the general is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$318,618 as compared to the prior fiscal year. The unassigned fund balance represents 19% of total general fund expenditures.
- The District's bonded debt decreased by \$2,755,000 as a result of principal payments made during the current fiscal year.
- Implementation of new accounting standards regarding the accounting for Other Post-Employment Benefits (OPEB) promulgated by the Government Accounting Standards Board relating to the Texas Public School retired Group Insurance Program (TRS-Care) resulted in a deficit governmental activities unrestricted net position of \$14,654,775.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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).

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt service, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Funds

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

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

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

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

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

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

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

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 \$26,207,960 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	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 22,159,945	\$ 22,490,879	\$ 37,211	\$ 31,371	\$ 22,197,156	\$ 22,522,250
Capital and non current assets	86,314,049	88,775,279	-	-	86,314,049	88,775,279
Total Assets	108,473,994	111,266,158	37,211	31,371	108,511,205	111,297,529
Deferred outflows	9,311,538	10,901,255	-	-	9,311,538	10,901,255
Total Deferred Outflows of Resources	9,311,538	10,901,255	-	-	9,311,538	10,901,255
Current liabilities	22,166,819	4,592,701	2,224	2,243	22,169,043	4,594,944
Long term liabilities	113,419,751	147,445,487	-	-	113,419,751	147,445,487
Total Liabilities	135,586,570	152,038,188	2,224	2,243	135,588,794	152,040,431
Deferred inflows	8,441,909	1,653,585	-	-	8,441,909	1,653,585
Total Deferred Inflows of Resources	8,441,909	1,653,585	-	-	8,441,909	1,653,585
Net Position:						
Net investment in capital assets	(14,463,391)	(13,168,843)	-	-	(14,463,391)	(13,168,843)
Restricted	2,875,219	2,407,355	-	-	2,875,219	2,407,355
Unrestricted	(14,654,775)	(20,762,872)	34,987	29,128	(14,619,788)	(20,733,744)
Total Net Position	\$ (26,242,947)	\$ (31,524,360)	\$ 34,987	\$ 29,128	\$ (26,207,960)	\$ (31,495,232)

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

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

	Governmental Activities	
	2018	2017
Federal and state programs	\$ 2,625	\$ 4,293
Food Service	744,840	548,777
Debt Service	2,117,449	1,833,300
Other Purposes	10,305	20,985
	\$ 2,875,219	\$ 2,407,355

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$14,619,788. 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 decrease by \$24,141,955 during the current fiscal year due to the implementation of GASB Statement No. 75.

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

The District's net position of the business-type activities had an ending balance of \$34,987, all of which is unrestricted and may be used to meet on-going obligations.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017*	2018	2017*	2018	2017*
Program Revenues						
Charges for services	\$ 5,516,012	\$ 5,560,285	\$ 96,003	\$ 102,081	\$ 5,612,015	\$ 5,662,366
Operating grants	(5,250,436)	4,664,193	-	-	(5,250,436)	4,664,193
General Revenues						
Property taxes	40,592,030	38,161,940	-	-	40,592,030	38,161,940
State Aid - Formula Grants	12,807,086	14,823,880	-	-	12,807,086	14,823,880
Interest earnings	408,453	153,308	-	-	408,453	153,308
Other	36,860	183,700	-	-	36,860	183,700
Total Revenues	54,110,005	63,547,306	96,003	102,081	54,206,008	63,649,387
Expenses						
Instruction	23,616,082	34,175,852	-	-	23,616,082	34,175,852
Instructional resources and media services	608,741	825,177	-	-	608,741	825,177
Curriculum and staff development	605,242	678,865	-	-	605,242	678,865
Instructional leadership	610,361	848,233	-	-	610,361	848,233
School leadership	2,326,427	3,316,289	-	-	2,326,427	3,316,289
Guidance, counseling, and evaluation services	1,445,732	1,370,772	-	-	1,445,732	1,370,772
Social work services	3,484	3,169	-	-	3,484	3,169
Health services	440,789	638,491	-	-	440,789	638,491
Student transportation	1,368,761	1,735,545	-	-	1,368,761	1,735,545
Food service	2,510,588	2,634,127	-	-	2,510,588	2,634,127
Extracurricular activities	2,069,969	2,531,771	-	-	2,069,969	2,531,771
General administration	1,981,993	2,681,473	-	-	1,981,993	2,681,473
Plant, maintenance and operations	5,582,701	6,125,739	-	-	5,582,701	6,125,739
Security and monitoring services	465,983	215,591	-	-	465,983	215,591
Data processing services	931,637	1,209,277	-	-	931,637	1,209,277
Community services	297,134	370,790	-	-	297,134	370,790
Interest on long-term debt	3,595,480	3,722,802	-	-	3,595,480	3,722,802
Facilities repairs	4,846	91,262	-	-	4,846	91,262
Payments related to shared services arrangements	53,586	99,200	-	-	53,586	99,200
Payments to Juvenile Justice						
Alternative Education Programs	30,535	27,348	-	-	30,535	27,348
Other intergovernmental charges	310,992	290,336	-	-	310,992	290,336
Vending Fund	-	-	57,673	61,956	57,673	61,956
Total Expenses	48,861,063	63,592,109	57,673	61,956	48,918,736	63,654,065
Excess (deficiency) before transfers	5,248,942	(44,803)	38,330	40,125	5,287,272	(4,678)
Transfers	32,471	33,487	(32,471)	(33,487)	-	-
Increase (Decrease) in Net Position	5,281,413	(11,316)	5,859	6,638	5,287,272	(4,678)
Beginning net position	(2,100,992)	(2,089,676)	29,128	22,490	(2,071,864)	(2,067,186)
Prior Period Adjustment	(29,423,368)	-	-	-	(29,423,368)	-
Ending Net Position	\$ (26,242,947)	\$ (2,100,992)	\$ 34,987	\$ 29,128	\$ (26,207,960)	\$ (2,071,864)

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

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

Governmental Activities

Governmental activities increased the District's net position by \$5,281,413 before the GASB No. 75 prior period adjustment. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 89 percent of total revenues. Charges for services represent 10 percent of total revenues and the remaining 1 percent is generated from investment earnings and miscellaneous revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 40,592,030	75%
State Aid - Formula Grants	12,807,086	24%
Operating grants and contributions	(5,250,436)	-10%
Charges for services	5,516,012	10%
Other revenue	445,313	1%
Total Revenues	<u>\$ 54,110,005</u>	<u>100%</u>

The primary functional expense of the District is instruction, which represents 48 percent of total expenses. Plant maintenance and operations represents 12 percent of the total expenses. The remaining individual functional categories of expenses are each less than 10 percent of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 23,616,082	48%
Interest on long-term debt	3,595,480	7%
School Leadership	2,326,427	5%
Plant maintenance and Operations	5,582,701	12%
Other expenses	13,740,373	28%
Total Expenses	<u>\$ 48,861,063</u>	<u>100%</u>

The dramatic change in total expenses as well as operating grants and contributions revenues from year to year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense of \$5.6 million in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State, or an additional \$9.4 million. See Note 11 to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

Business-Type Activities

Net position of the District's business type activities increased by \$5,859 for the year ended August 31, 2018.

Financial Analysis of the Government's Funds

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

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$18,216,828, an increase of \$1,072,520 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 \$9,293,564, while total fund balance reached \$12,660,533. 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 19 percent of expenditures and total fund balance represents 25 percent of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by \$106,569, while total general fund expenditures showed an increase of \$1,032,505. The increase in expenditures was primarily due to new personnel costs, teacher salary increases ranging between 3.97% and 4.98%, and a 3% salary increase given to all other full-time employees.

The debt service fund has a total fund balance of \$2,202,023, 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 \$302,056 was in line with budgeted expectations.

General Fund Budgetary Highlights

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

	Budget	
	Original	Final Amended
Total revenues	\$ 49,950,000	\$ 49,950,000
Total expenditures	49,950,000	51,085,928
Net change in fund balance	\$ -	\$ (1,135,928)

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

Capital Assets and Long-Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2018, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$1,282,033. The following table summarizes the investment in capital assets as of August 31, 2018 and 2017.

	Balance August 31, 2018	Balance August 31, 2017
Land	\$ 2,561,019	\$ 2,453,779
Buildings and improvements	143,823,380	142,848,246
Furniture and equipment	11,003,695	10,892,208
Construction in progress	-	20,559
	<u>157,388,094</u>	<u>156,214,792</u>
Less accumulated depreciation for:		
Buildings and improvements	(65,976,869)	(61,023,752)
Furniture and Equipment	(7,261,743)	(6,562,375)
	<u>(73,238,612)</u>	<u>(67,586,127)</u>
Governmental Capital Assets	<u>\$ 84,149,482</u>	<u>\$ 88,628,665</u>

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$91,510,000 in bonded debt outstanding, a decrease of \$2,755,000 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, 2018, are as follows:

Outstanding 09/01/17	Issued	Retired	Outstanding 08/31/18
<u>\$ 94,265,000</u>	<u>\$ -</u>	<u>\$ (2,755,000)</u>	<u>\$ 91,510,000</u>

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

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

Economic Factors and Next Year’s Budgets and Rates

Indicators, both financial and non-financial, that will impact the District in the immediate future are:

- The District’s enrollment was projected to remain stable at approximately 6,141 students at the time the 2018-2019 budget was adopted.
- For 2018-2019, the maintenance and operations tax rate is \$1.17, while the debt service tax rate is \$0.197. The maintenance and operations tax rate increased four cents, and the debt service rate decreased by four cents compared to 2017-2018. The adopted tax rate represents a one-year tax rate swap between maintenance and operations and debt service as permitted by Section 26.08 (a) of the Tax Code as a result of an increase of expenditures related to Hurricane Harvey.
- Net taxable property values in the District have increased 2.53% over the prior year. The average taxable value of a residence in Friendswood has shown a nine-year upward trend increasing from an average taxable value in 2009 of \$223,820 to \$311,395 in 2018. From the increase in tax rates and taxable property values, the District estimates an increase in general fund tax revenue of \$1.85M offset by a decrease in state funding of \$2.565M, for a net decrease of \$715K in 2018-19. This decrease is expected to be offset by an increase in investment interest and other local revenues, for a net increase in total revenues of \$500K.
- Operating expenses per student in the District’s general fund were \$8,314 for 2017-2018. Operating expenses per student for the 2018-2019 fiscal year are projected to be \$8,305.
- Expenditures are budgeted to increase 1.6% or \$815,000. This increase is primarily due to a 2% pay increase given to all full-time employees.
- Construction from commercial and residential new property development is expected to increase taxable values by an estimated \$50M in the near future.

These indicators were taken into account when adopting the budget for 2018-2019. The Friendswood Independent School District general fund adopted budget for 2018–2019 is as follows:

General Fund Budget	Original
Budgeted Revenues	\$ 50,450,000
Budgeted Expenditures	51,000,000
	\$ (550,000)

Contacting the District’s Financial Management

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

BASIC FINANCIAL STATEMENTS

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FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2018

Data Control Codes	Governmental Activities	Business-type Activities	Total	
Assets				
1110	Cash and cash equivalents	\$ 19,214,805	\$ 35,381	\$ 19,250,186
1225	Property taxes receivables, net	502,470	-	502,470
1240	Due from other governments	1,701,230	-	1,701,230
1290	Other receivables, net	61,636	1,830	63,466
1300	Inventories	180,204	-	180,204
1410	Prepaid items	499,600	-	499,600
Capital assets not subject to depreciation:				
1510	Land	2,561,019	-	2,561,019
Capital assets net of depreciation:				
1520	Buildings and improvements, net	77,846,511	-	77,846,511
1530	Furniture and equipment, net	3,741,952	-	3,741,952
1910	Long-term investments	2,164,567	-	2,164,567
1000	Total Assets	<u>108,473,994</u>	<u>37,211</u>	<u>108,511,205</u>
Deferred Outflows of Resources				
1700	Deferred charge on refunding	4,672,529	-	4,672,529
1705	Deferred outflows - pension	4,340,732	-	4,340,732
1706	Deferred outflows - OPEB	298,277	-	298,277
	Total deferred outflows of resources	<u>9,311,538</u>	<u>-</u>	<u>9,311,538</u>
Liabilities				
2110	Accounts payable	1,216,288	2,224	1,218,512
2120	Other liabilities - current	7,750	-	7,750
2140	Interest payable	173,081	-	173,081
2150	Payroll deductions and withholdings	1,664	-	1,664
2160	Accrued wages payable	3,261,737	-	3,261,737
2300	Unearned revenue	726,448	-	726,448
Noncurrent Liabilities:				
2501	Due within one year	3,285,337	-	3,285,337
2502	Due in more than one year	100,831,091	-	100,831,091
2540	Net pension liability	9,303,323	-	9,303,323
2545	Net OPEB liability	16,779,851	-	16,779,851
2000	Total Liabilities	<u>135,586,570</u>	<u>2,224</u>	<u>135,588,794</u>
Deferred Inflows of Resources				
2605	Deferred inflows - Pension	1,422,866	-	1,422,866
2606	Deferred inflows - OPEB	7,019,043	-	7,019,043
	Total deferred inflows of resources	<u>8,441,909</u>	<u>-</u>	<u>8,441,909</u>
Net Position				
3200	Net investment in capital assets	(14,463,391)	-	(14,463,391)
Restricted for:				
3820	Federal and state programs	2,625	-	2,625
3820	Food service	744,840	-	744,840
3850	Debt service	2,117,449	-	2,117,449
3890	Other purposes	10,305	-	10,305
3900	Unrestricted	(14,654,775)	34,987	(14,619,788)
3000	Total Net Position (Deficit)	<u>\$ (26,242,947)</u>	<u>\$ 34,987</u>	<u>\$ (26,207,960)</u>

See Notes to the Financial Statements

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2018

Data Control Codes	Functions/Programs	Program Revenue		
		Expenses	Charges for Services	Operating Grants and Contributions
	Governmental activities:			
11	Instruction	\$ 23,616,082	\$ 1,603,955	\$ (3,865,169)
12	Instructional resources and media services	608,741	47,406	(120,176)
13	Curriculum and staff development	605,242	23,703	152,710
21	Instructional leadership	610,361	-	(97,167)
23	School leadership	2,326,427	71,108	(513,662)
31	Guidance, counseling, and evaluation	1,445,732	11,851	228,428
32	Social work services	3,484	-	-
33	Health services	440,789	-	23,022
34	Student transportation	1,368,761	-	(206,334)
35	Food service	2,510,588	2,246,271	220,386
36	Extracurricular activities	2,069,969	733,860	(218,634)
41	General administration	1,981,993	1,977	(323,018)
51	Plant, maintenance and operations	5,582,701	460,513	(528,451)
52	Security and monitoring services	465,983	15,805	-
53	Data processing services	931,637	-	(173,660)
61	Community services	297,134	299,563	(35,742)
72	Interest on long-term debt	3,595,480	-	201,481
81	Facilities repairs	4,846	-	5,550
93	Payments related to shared services	53,586	-	-
95	Payments to Juvenile Justice Alternative	30,535	-	-
99	Other intergovernmental charges	310,992	-	-
TG	Total governmental activities	<u>48,861,063</u>	<u>5,516,012</u>	<u>(5,250,436)</u>
	Business-type activities			
01	Fuel Fund	-	5,859	-
02	Vending Fund	57,673	90,144	-
TB	Total business-type activities	<u>57,673</u>	<u>96,003</u>	<u>-</u>
TP	Total primary government	<u>\$ 48,918,736</u>	<u>\$ 5,612,015</u>	<u>\$ (5,250,436)</u>

**Data
Control
Codes**

General revenues:

Taxes:

MT Property taxes, levied for general purposes

DT Property taxes, levied for debt service

SF State-aid formula grants

IE Investment earnings

MI Miscellaneous

FR Transfers

TR **Total general**

CN Change in net position

NB **Net position (deficit) - beginning**

PA **Prior period adjustments**

NE **Net position (deficit) - ending**

See Notes to the Financial Statements

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (25,877,296)		\$ (25,877,296)
(681,511)		(681,511)
(428,829)		(428,829)
(707,528)		(707,528)
(2,768,981)		(2,768,981)
(1,205,453)		(1,205,453)
(3,484)		(3,484)
(417,767)		(417,767)
(1,575,095)		(1,575,095)
(43,931)		(43,931)
(1,554,743)		(1,554,743)
(2,303,034)		(2,303,034)
(5,650,639)		(5,650,639)
(450,178)		(450,178)
(1,105,297)		(1,105,297)
(33,313)		(33,313)
(3,393,999)		(3,393,999)
704		704
(53,586)		(53,586)
(30,535)		(30,535)
(310,992)		(310,992)
<u>(48,595,487)</u>		<u>(48,595,487)</u>
-	5,859	5,859
-	32,471	32,471
-	38,330	38,330
<u>(48,595,487)</u>	<u>38,330</u>	<u>(48,557,157)</u>
33,552,796	-	33,552,796
7,039,234	-	7,039,234
12,807,086	-	12,807,086
408,453	-	408,453
36,860	-	36,860
32,471	(32,471)	-
<u>53,876,900</u>	<u>(32,471)</u>	<u>53,844,429</u>
5,281,413	5,859	5,287,272
(2,100,992)	29,128	(2,071,864)
(29,423,368)	-	(29,423,368)
<u>\$ (26,242,947)</u>	<u>\$ 34,987</u>	<u>\$ (26,207,960)</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2018

Data Control Codes	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
1110 Cash and temporary investments	\$ 12,661,216	\$ 2,190,232	\$ 3,904,672	\$ 18,756,120
Receivables:				
1220 Property taxes - delinquent	483,457	119,922	-	603,379
1230 Allowance for uncollectible taxes (credit)	(81,285)	(19,624)	-	(100,909)
1240 Receivables from other governments	1,106,826	-	594,404	1,701,230
1260 Due from other funds	568,637	-	-	568,637
1290 Other receivables	60,543	-	1,093	61,636
1300 Inventories, at cost	180,204	-	-	180,204
1410 Prepaid items	486,765	-	12,835	499,600
1910 Long-term investments	2,164,567	-	-	2,164,567
1000 Total Assets	\$ 17,630,930	\$ 2,290,530	\$ 4,513,004	\$ 24,434,464
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
2110 Accounts payable	\$ 692,453	\$ -	\$ 523,835	\$ 1,216,288
2120 Other liabilities - current	7,750	-	-	7,750
2150 Payroll withholdings payable	1,664	-	-	1,664
2160 Accrued wages payable	3,252,624	-	9,113	3,261,737
2170 Due to other funds	-	-	568,637	568,637
2300 Unearned revenue	669,301	-	57,147	726,448
2000 Total Liabilities	4,623,792	-	1,158,732	5,782,524
Deferred Inflows of Resources				
2600 Unavailable revenue - property taxes	346,605	88,507	-	435,112
Total Deferred Inflows of Resources	346,605	88,507	-	435,112
Fund Balances:				
Nonspendable:				
3410 Inventories	180,204	-	-	180,204
3430 Prepaid items	486,765	-	12,835	499,600
Restricted:				
3450 Grant restrictions	-	-	747,465	747,465
3480 Debt service	-	2,202,023	-	2,202,023
3490 Other	-	-	9,802	9,802
Committed:				
3545 Other purposes	2,700,000	-	1,035,256	3,735,256
Assigned:				
3570 Capital expenditures for equipment	-	-	1,548,914	1,548,914
3600 Unassigned	9,293,564	-	-	9,293,564
3000 Total Fund Balances	12,660,533	2,202,023	3,354,272	18,216,828
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 17,630,930	\$ 2,290,530	\$ 4,513,004	\$ 24,434,464

See Notes to the Financial Statements

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
August 31, 2018

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 18,216,828
	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.	84,149,482
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).	435,112
3	Deferred charges on refunding	4,672,529
4	Deferred inflows relating to pension activities	(1,422,866)
5	Deferred inflows relating to OPEB activities	(7,019,043)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(91,510,000)
7	Premiums on issuance	(11,775,402)
8	Accrued compensated absences	(831,026)
9	Accrued interest payable	(173,081)
10	Net pension liability	(9,303,323)
11	Net OPEB liability	(16,779,851)
12	Deferred outflows relating to pension activities	4,340,732
13	Deferred outflows relating to OPEB activities	298,277
14	Addition of Internal Service fund net position	<u>458,685</u>
19	Total net deficit - governmental activities	<u><u>\$ (26,242,947)</u></u>

See Notes to the Financial Statements

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2018

Exhibit C-3

Data Control Codes		Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 35,859,026	\$ 7,117,173	\$ 3,664,340
5800	State program revenues	15,303,722	201,481	415,175
5900	Federal program revenues	225,836	-	1,785,523
5020	Total Revenues	<u>51,388,584</u>	<u>7,318,654</u>	<u>5,865,038</u>
	Expenditures			
	Current:			
0011	Instruction	28,975,918	-	1,877,201
0012	Instruction resources and media services	696,437	-	57,867
0013	Curriculum and instructional staff development	497,910	-	249,721
0021	Instructional leadership	765,018	-	13,325
0023	School leadership	2,931,688	-	80,963
0031	Guidance, counseling and evaluation services	1,376,744	-	438,008
0032	Social work services	1,650	-	1,650
0033	Health services	576,176	-	-
0034	Student transportation	1,728,894	-	81,622
0035	Food services	-	-	2,322,207
0036	Extracurricular activities	1,894,318	-	439,082
0041	General administration	2,300,543	-	19,808
0051	Facilities maintenance and operations	5,530,950	-	350,421
0052	Security and monitoring services	394,054	-	37,797
0053	Data processing services	1,219,221	-	2,947
0061	Community services	313,794	-	5,550
	Debt service:			
0071	Principal on long-term debt	-	2,755,000	-
0072	Interest on long-term debt	-	4,261,598	-
	Capital outlay:			
0081	Facilities acquisition and construction	586,172	-	352,860
	Intergovernmental:			
0093	Payments related to shared services arrangements	53,586	-	-
0095	Payments to Juvenile Justice Alternative Education Program	30,535	-	-
0099	Other intergovernmental charges	310,992	-	-
6030	Total Expenditures	<u>50,184,600</u>	<u>7,016,598</u>	<u>6,331,029</u>
1100	Excess (deficiency) of revenues over expenditures	<u>1,203,984</u>	<u>302,056</u>	<u>(465,991)</u>
	Other Financing Sources (Uses)			
7915	Transfers in	2,585	-	1,132,471
8911	Transfers out	<u>(1,100,000)</u>	<u>-</u>	<u>(2,585)</u>
7080	Total other financing sources (uses)	<u>(1,097,415)</u>	<u>-</u>	<u>1,129,886</u>
1200	Net change in fund balances	106,569	302,056	663,895
0100	Fund Balance - September 1 (Beginning)	<u>12,553,964</u>	<u>1,899,967</u>	<u>2,690,377</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 12,660,533</u>	<u>\$ 2,202,023</u>	<u>\$ 3,354,272</u>

See Notes to the Financial Statements

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, 2018

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ 1,072,520
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
	Capital Outlay	1,282,033
	Depreciation Expense	(5,761,216)
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(76,603)
3	Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	1,064,875
4	OPEB contributions made after the net OPEB liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	295,653
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	2,755,000
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
6	Pension expense for the pension plan measurement year	(1,590,975)
7	OPEB negative expense for the OPEB plan measurement year	5,627,098
8	Decrease in interest payable not recognized in fund statements	3,566
9	Amortization of bond premium	682,558
10	Amortization of deferred loss on refunded bonds	(252,923)
11	Accreted interest on capital appreciation bonds	232,917
12	(Increase) in long-term portion of accrued compensated absences payable	53,642
13	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	<u>(106,732)</u>
	Change in net position of governmental activities (see B-1)	<u>\$ 5,281,413</u>

See Notes to the Financial Statements

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2018

Data Control Codes		Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	Assets		
1110	Cash and cash equivalents	\$ 35,381	\$ 458,685
1290	Other receivables	1,830	-
1000	Total Assets	<u>37,211</u>	<u>458,685</u>
	Liabilities		
2110	Accounts payable	2,224	-
2000	Total Liabilities	<u>2,224</u>	<u>-</u>
	Net Position		
3900	Unrestricted net position	34,987	458,685
3000	Total Net Position	<u>\$ 34,987</u>	<u>\$ 458,685</u>

See Notes to the Financial Statements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2018

Exhibit D-2

<u>Data Control Codes</u>	<u>Business-type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues		
5754 Charges for services	\$ 96,003	\$ -
5020 Total Operating Revenues	<u>96,003</u>	<u>-</u>
Operating Expenses		
6200 Purchased and contracted services	51,489	-
6400 Claims expense and other operating expenses	6,184	111,966
6030 Total Operating Expenses	<u>57,673</u>	<u>111,966</u>
1200 Operating Income	<u>38,330</u>	<u>(111,966)</u>
Non-Operating Revenues (Expenses)		
7955 Investment earnings	-	5,234
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>5,234</u>
Income (loss) before transfers	38,330	(106,732)
Transfers		
8911 Transfers out	(32,471)	-
Total Transfers	<u>(32,471)</u>	<u>-</u>
1200 Change in Net Position	5,859	(106,732)
0100 Net Position - September 1 (Beginning)	29,128	565,417
3300 Net Position - August 31 (Ending)	<u>\$ 34,987</u>	<u>\$ 458,685</u>

See Notes to the Financial Statements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2018

Exhibit D-3

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from user charges	\$ 96,663	\$ -
Cash payments for insurance claims	-	(111,966)
Cash payments to suppliers for goods and services	<u>(57,673)</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>38,990</u>	<u>(111,966)</u>
Cash Flows from Non-Capital Financing Activities:		
Advances to other funds	<u>(32,471)</u>	<u>-</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(32,471)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>-</u>	<u>5,234</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>5,234</u>
Net Increase(Decrease) in Cash and Cash Equivalents	6,519	(106,732)
Cash and Cash Equivalents at Beginning of Year	<u>28,862</u>	<u>565,417</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,381</u>	<u>\$ 458,685</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	<u>\$ 35,381</u>	<u>\$ 458,685</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 35,381</u>	<u>\$ 458,685</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 38,330	\$ (111,966)
Change in Assets and Liabilities:		
Decrease (increase) in Receivables	679	-
Increase (decrease) in Accounts Payable	<u>(19)</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 38,990</u>	<u>\$ (111,966)</u>

See Notes to the Financial Statements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2018

<u>Data Control Codes</u>		<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ 12,721	\$ 565,744
1290	Other receivables	-	4,901
	Total Assets	<u>\$ 12,721</u>	<u>\$ 570,645</u>
	Liabilities		
2110	Accounts payable	\$ -	\$ 62,102
2120	Other liabilities - current	-	1,134
2180	Due to others	-	33,813
2190	Due to student groups	-	330,064
2300	Unearned revenue	-	143,532
2000	Total Liabilities	<u>-</u>	<u>\$ 570,645</u>
	Net Position		
3800	Restricted	<u>\$ 12,721</u>	

See Notes to the Financial Statements.

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2018

Exhibit E-2

	<u>Private Purpose Trust Funds</u>
Deductions	
Non-operating expenses	\$ 500
Total deductions	<u>500</u>
Change in net position	(500)
Net position beginning of year	<u>13,221</u>
Net position end of year	<u><u>\$ 12,721</u></u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Proprietary Funds

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

Fiduciary Funds

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect district funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

Receivables and Payables

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Receivables and Payables (continued)

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on historical collections. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Galveston Central Appraisal District as of January 1 of each year. The amount of net assessed values for fiscal year 2018 (tax year 2017) were \$2,955,329,700. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. The District's combined tax rate was \$1.367, which included \$1.13 for maintenance and operations, and \$.237 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 2018 fiscal year was \$40,399,357. 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.

Capital Assets

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

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

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

Compensated Absences

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

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Pensions

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

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Net Position and Fund Balances

Friendswood Independent School District reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

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 \$1,548,914 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 insure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

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

Implementation of New Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Standards (continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources - that is, resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The District has determined that it has no impact on fiscal year 2018 operations.

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, 2018, the District's cash in bank totaled \$4,981,377 while the carrying value was \$11,380,759. Pledged collateral and FDIC insurance for these deposits totaled \$18,526,248. Certificates of deposit requiring collateral at August 31, 2018 totaled \$2,300,000. Pledged collateral and NCUSIF insurance for the certificates of deposit totaled \$2,335,037. As such, the District's cash and certificates of deposit were properly collateralized at August 31, 2018.

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 2018, 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 and TD Ameritrade. TexPool, TexSTAR and Lone Star 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.

Note 2 - Deposits and Investments (continued)

Investments (continued)

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

	<u>Carrying Value</u>	<u>Weighted Average Maturity (In days)</u>
Governmental Activities:		
Cash and deposits	\$ 10,766,913	N/A
Certificates of deposit	2,761,516	226
Investments		
Local Government Investment Pools:		
Lone Star	3,453,137	20
MBIA Texas Class	46,550	74
TexPool	66,724	28
TexSTAR	1,577,938	25
	<u>5,144,349</u>	22
Money Market		
TD Ameritrade	165,526	1
Securities		
Federal Home Loan Bank	707,401	570
Municipal Bonds	838,017	235
Federal Farm Credit Bank	995,650	583
	<u>2,541,068</u>	465
Total Investments	<u>10,612,459</u>	180
Total Governmental Activities	<u>21,379,372</u>	
Business-type Activities:		
Cash and deposits	35,381	
Total Business-type Activities	<u>35,381</u>	
Fiduciary Funds:		
Cash and deposits	578,465	
Total Fiduciary Funds	<u>578,465</u>	
Total	<u>\$ 21,993,218</u>	
Investment earnings	\$ 408,453	
Total Investment earnings	<u>\$ 408,453</u>	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments' fair value measurement are as follows at August 31, 2018:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
Certificates of Deposit	\$ 2,761,516	\$ 2,761,516	\$ -	\$ -
Federal Home Loan Bank	707,401	-	707,401	-
Municipal Bonds	838,017	-	838,017	-
Federal Farm Credit Bank	995,650	-	995,650	-
Total debt securities	<u>\$ 5,302,584</u>	<u>\$ 2,761,516</u>	<u>\$ 2,541,068</u>	<u>\$ -</u>

Interest Rate Risk

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

	Carrying Value	Investment Maturity in Years	
		Less than 1	1-5
Certificates of Deposit	\$ 2,761,516	\$ 2,300,000	\$ 461,516
Local Government Investment Pools:			
Lone Star	3,453,137	3,453,137	-
MBIA Texas Class	46,550	46,550	-
TexPool	66,724	66,724	-
TexSTAR	1,577,938	1,577,938	-
Money Market - TD Ameritrade	165,526	165,526	-
Investment Securities:			
Federal Home Loan Bank	707,401	-	707,401
Municipal Bonds	838,017	838,017	-
Federal Farm Credit Bank	995,650	-	995,650
	<u>\$ 10,612,459</u>	<u>\$ 8,447,892</u>	<u>\$ 2,164,567</u>

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2018, the District's investments were rated as follows:

Investment	Rating	Rating Agency
Lone Star	AAAm	Standard and Poor's
MBIA Texas Class	AAAm	Standard and Poor's
TexPool	AAAm	Standard and Poor's
TexSTAR	AAAm	Standard and Poor's
Federal Home Loan Bank	AA+	Standard and Poor's
Municipal Bonds	AAA	Standard and Poor's
Federal Farm Credit Bank	AA+	Standard and Poor's

Note 2 - Deposits and Investments (continued)

Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. Investments with concentrations of over five percent of the total portfolio at August 31, 2018, consisted of the following:

Investment Type	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Certificates of deposit	\$ 2,761,516	26.02%
Lone Star	3,453,137	32.54%
TexSTAR	1,577,938	14.87%
Federal Home Loan Bank	707,401	6.67%
Municipal Bonds	838,017	7.90%
Federal Farm Credit Bank	995,650	9.38%

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

Note 3 - Receivables

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes	\$ 483,457	\$ 119,922	\$ -	\$ -	\$ 603,379
Due from other governments	1,106,826	-	594,404	-	1,701,230
Other	60,543	-	1,093	1,830	63,466
Gross receivables	1,650,826	119,922	595,497	1,830	2,368,075
Less allowance for doubtful accounts	(81,285)	(19,624)	-	-	(100,909)
Net total receivables	<u>\$ 1,569,541</u>	<u>\$ 100,298</u>	<u>\$ 595,497</u>	<u>\$ 1,830</u>	<u>\$ 2,267,166</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues for advanced collection of fees in the amount of \$726,448.

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Additions	(Retirements) and Transfers	Balance August 31, 2018
Capital assets, not being depreciated				
Land	\$ 2,453,779	\$ 107,240	\$ -	\$ 2,561,019
Construction in progress	20,559	-	(20,559)	-
Total Capital assets, not being depreciated	2,474,338	107,240	(20,559)	2,561,019
Capital assets, being depreciated				
Buildings and improvements	142,848,246	1,003,516	(28,382)	143,823,380
Furniture and equipment	10,892,208	191,836	(80,349)	11,003,695
Total Capital assets, being depreciated	153,740,454	1,195,352	(108,731)	154,827,075
Less accumulated depreciation for:				
Buildings and improvements	(61,023,752)	(4,981,499)	28,382	(65,976,869)
Furniture and Equipment	(6,562,375)	(779,717)	80,349	(7,261,743)
Total Accumulated depreciation	(67,586,127)	(5,761,216)	108,731	(73,238,612)
Governmental Capital Assets	\$ 88,628,665	\$ (4,458,624)	\$ (20,559)	\$ 84,149,482

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

Function	Depreciation Expense
Instruction	\$ 3,239,940
Instructional resources and media services	77,872
Curriculum and staff development	55,674
Instructional leadership	85,540
School leadership	327,806
Guidance, counseling and evaluation services	153,940
Social work services	184
Health services	64,425
Student transportation	193,316
Food Services	259,554
Extracurricular activities	211,813
General administration	257,235
Plant maintenance and operations	618,442
Security and monitoring services	44,061
Data processing services	136,327
Community services	35,087
	\$ 5,761,216

The District had no open construction commitments at August 31, 2018.

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.

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

The composition of interfund balances as of August 31, 2018, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Funds			
General Fund	\$ 568,637	\$ -	\$ 568,637
Nonmajor Governmental Funds	-	568,637	(568,637)
Total Governmental Funds	<u>568,637</u>	<u>568,637</u>	<u>-</u>
Total	<u>\$ 568,637</u>	<u>\$ 568,637</u>	<u>\$ -</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the fiscal year ended August 31, 2018:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 1,100,000
Nonmajor Governmental Fund	General Fund	2,585
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	32,471
Total		<u>\$ 1,135,056</u>

Interfund transfers generally fall into two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to cover operating expenditures/deficits in accordance with District policy or legal requirements.

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

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

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

Balance, September 1, 2017	\$ 884,668
Additions: New entrants and salary increments	190,100
Deductions: Payments to participants	<u>(243,742)</u>
Balance, August 31, 2018	<u>\$ 831,026</u>

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

Note 7 - Long-Term Liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Friendswood Independent School District. The District is subject to a legal debt margin in which the net indebtedness shall not exceed 10 percent of all assessed real and personal property in the District. At August 31, 2018, the legal debt limit was \$295,532,970 and the legal debt margin was \$194,449,591.

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, 2018.

General Obligation Bonds

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

Bonds payable for the year ended August 31, 2018 were as follows:

Issue	Original issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Tax Refunding Bonds, Series 2012	\$ 4,190,000	3.00%	2/15/2022	\$ 3,590,000
Unlimited Tax Refunding Bonds, Series 2016	88,965,000	2.00% to 5.00%	2/15/2037	87,920,000
				<u>\$ 91,510,000</u>

Debt service requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Totals
2019	\$ 3,100,000	\$ 3,911,900	\$ 7,011,900
2020	3,240,000	3,770,800	7,010,800
2021	3,390,000	3,623,000	7,013,000
2022	3,545,000	3,468,125	7,013,125
2023	3,715,000	3,296,025	7,011,025
2024-2028	21,580,000	13,487,725	35,067,725
2029-2033	27,015,000	8,055,650	35,070,650
2034-2038	25,925,000	2,125,700	28,050,700
	<u>\$ 91,510,000</u>	<u>\$ 41,738,925</u>	<u>\$ 133,248,925</u>

Accreted Interest on Capital Appreciation Bonds

With capital appreciation bonds, the interest is paid upon maturity of the bonds. In order to properly reflect the amounts payable on these bonds, the annual interest is added to the long-term liabilities as accretion of interest on capital appreciation bonds. The interest on these obligations were paid upon maturity in fiscal year 2018.

Note 7 - Long-Term Liabilities (continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2018:

	<u>Balance</u> <u>August 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 94,265,000	\$ -	\$ (2,755,000)	\$ 91,510,000	\$ 3,100,000
Premiums/discounts	12,457,960	-	(682,558)	11,775,402	-
Accreted interest on premium compound interest bonds	232,917	2,083	(235,000)	-	-
Workers' compensation claims	-	111,966	(111,966)	-	-
Accrued compensated absences	884,668	190,100	(243,742)	831,026	185,337
	<u>\$ 107,840,545</u>	<u>\$ 304,149</u>	<u>\$ (4,028,266)</u>	<u>\$ 104,116,428</u>	<u>\$ 3,285,337</u>

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

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

	<u>General Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 33,607,926	\$ 7,060,707	\$ -	\$ 40,668,633
Investment Income	337,443	56,466	9,310	403,219
Co-curricular student activities	543,487	-	-	543,487
Food Sales	-	-	2,283,131	2,283,131
Other	1,370,170	-	1,371,899	2,742,069
	<u>\$ 35,859,026</u>	<u>\$ 7,117,173</u>	<u>\$ 3,664,340</u>	<u>\$ 46,640,539</u>

Note 9 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2018.

Rental expenditures during the year amounted to \$222,095.

Note 10 - Defined Benefit Retirement Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

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 cost of living adjustments (COLAs) can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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

Note 10 - Defined Benefit Retirement Plan (continued)

Benefits Provided (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2018. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

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

	Measurement Year (2017)	Fiscal Year (2018)
	Contributions Required and Made	TRS Contributions
Employer Contributions	\$ 953,596	\$ 1,064,875
Member Contributions	2,667,326	2,819,883
NECE On-behalf Contributions	1,823,913	1,869,173

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

Note 10 - Defined Benefit Retirement Plan (continued)

Benefits Provided (continued)

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10 - Defined Benefit Retirement Plan (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	<u>5%</u>	6.7%	<u>0.3%</u>
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

* *The Expected Contributions to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>7%</u>	<u>8%</u>	<u>9%</u>
District's proportional share of the net pension liability	\$ 15,683,564	\$ 9,303,323	\$ 3,990,736

Note 10 - Defined Benefit Retirement Plan (continued)

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

At August 31, 2018, the District reported a liability of \$9,303,323 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 Proportion of the Net Pension Liability	0.0291%
District Proportionate Share of Net Pension Liability	\$ 9,303,323
State's Proportionate Share that is associated with the District	<u>17,831,579</u>
	<u>\$ 27,134,902</u>

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0291% which was an increase from its proportion measured as of August 31, 2017 of 0.0264%.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$1,553,900 as well as revenue of \$1,360,122 representing pension expense incurred by the State on behalf of the District.

Changes since the Prior Actuarial Valuation

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportional share of contributions	\$ 2,715,964	\$ (539)
Changes of assumptions	423,781	(242,605)
Differences between expected and actual experience	136,112	(501,716)
Net difference between projected and current investment earnings	-	(678,006)
District contributions subsequent to the measurement date	<u>1,064,875</u>	<u>-</u>
Total	<u>\$ 4,340,732</u>	<u>\$ (1,422,866)</u>

Note 10 - Defined Benefit Retirement Plan (continued)

Changes since the Prior Actuarial Valuation (continued)

The \$1,064,875 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended	
August 31:	Amount
2019	\$ (317,467)
2020	(911,322)
2021	(271,835)
2022	(87,661)
2023	(169,530)
Thereafter	(95,176)
	<u>\$ (1,852,991)</u>

Note 11 - Defined Other Post-Employment Benefit Plans

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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

The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
 Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2017	2018
Active Employee	0.65%	0.65%
Non-employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

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

Contributions (continued)

	<u>Measurement Year (2017)</u>	<u>Fiscal Year (2018)</u>
	<u>Contributions Required and Made</u>	<u>TRS-Care Contributions</u>
Employer Contributions	\$ 200,612	\$ 295,653
Member Contributions	226,361	238,042
NECE On-behalf Contributions	334,498	525,010

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 employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

In addition, during the current fiscal year, \$212.0 million was transferred to TRS from the State to pay for TRSCare during the 85th First Legislative Special Session House Bill 21, Section 10. The District reported on-behalf revenues and expenditures of approximately \$82,000 relating to these transfers.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

Actuarial Assumptions (continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%**
Healthcare Trend Rates	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes Inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescription trend rate of 4.50% over a period of 10 years.

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

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

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2019, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016, to 3.42% as of August 31, 2017.

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

Actuarial Assumptions (continued)

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Rate of Return
As of August 31, 2017

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
	The District's proportionate share of the Net OPEB Liability	\$19,804,390	\$16,779,851

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
The District's proportionate share of the Net OPEB Liability	\$13,970,902	\$16,779,851	\$20,465,546

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

At August 31, 2018, the District reported a liability of \$16,779,851 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportion of the Net OPEB Liability	0.0386%
District's Proportionate share of the collective Net OPEB Liability	\$ 16,779,851
State's proportionate share that is associated with (employer)	<u>27,978,520</u>
Total	<u><u>\$ 44,758,371</u></u>

The Net OPEB Liability was measured as of August 31, 2017 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

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

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

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0386% which was the same proportion measured as of August 31, 2016.

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 since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

Negative Pension Expense

The significant changes to the plan benefits and assumptions noted above lowered the OPEB liability related to TRS-Care plan as a whole by \$ 33.3 billion. As a result, the District's proportional share of the net OPEB liability decreased by \$12.8 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of \$5.6 million. A portion of this negative expense represents the State's on behalf share of this activity which is offset by what the Governmental Accounting Standards Board refers to as a negative revenue in the amount of \$9.4 million.

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

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

Negative Pension Expense (continued)

The following table illustrates the magnitude of the negative on behalf adjustment for the State’s portion of the TRS-Care benefits by individual function for both operating grants and contributions revenues and expense:

Data Control Codes	Functions/Programs	Current Year Prior to Negative On-behalf Activities			Current Year After Negative On-behalf Activities as presented in Exhibit B-1	
		Expenses	Operating Grants and Contributions	Negative On-Behalf Activities	Expenses	Operating Grants and Contributions
	Governmental activities:					
11	Instruction	\$ 29,622,972	\$ 2,141,721	\$ (6,006,890)	\$ 23,616,082	\$ (3,865,169)
12	Instructional resources and media services	751,985	23,068	(143,244)	608,741	(120,176)
13	Curriculum and staff development	685,758	233,226	(80,516)	605,242	152,710
21	Instructional leadership	741,434	33,906	(131,073)	610,361	(97,167)
23	School leadership	2,950,896	110,807	(624,469)	2,326,427	(513,662)
	Guidance, counseling, and evaluation services	1,676,046	458,742	(230,314)	1,445,732	228,428
31	Social work services	3,484	-	-	3,484	-
32	Health services	573,734	155,967	(132,945)	440,789	23,022
33	Student transportation	1,765,725	190,630	(396,964)	1,368,761	(206,334)
34	Food service	2,510,588	220,386	-	2,510,588	220,386
35	Extracurricular activities	2,337,732	49,129	(267,763)	2,069,969	(218,634)
36	General administration	2,374,276	69,265	(392,283)	1,981,993	(323,018)
41	Plant, maintenance and operations	6,243,683	132,531	(660,982)	5,582,701	(528,451)
51	Security and monitoring services	483,771	17,788	(17,788)	465,983	-
52	Data processing services	1,157,270	51,973	(225,633)	931,637	(173,660)
53	Community services	348,627	15,751	(51,493)	297,134	(35,742)
61	Interest on long-term debt	3,595,480	201,481	-	3,595,480	201,481
72	Facilities repairs	4,846	5,550	-	4,846	5,550
81	Payments related to shared services arrangements	53,586	-	-	53,586	-
93	Payments to Juvenile Justice Alternative Education Programs	30,535	-	-	30,535	-
95	Other intergovernmental charges	310,992	-	-	310,992	-
99						
TG	Total governmental activities	\$ 58,223,420	\$ 4,111,921	\$ (9,362,357)	\$ 48,861,063	\$ (5,250,436)

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

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

Negative Pension Expense (continued)

At August 31, 2018, 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 economic experience	\$ -	\$ (350,292)
Changes in actuarial assumptions	-	(6,668,751)
Difference between projected and actual investment earnings	2,549	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	75	-
Contributions paid to TRS subsequent to the measurement date	295,653	-
Total	<u>\$ 298,277</u>	<u>\$ (7,019,043)</u>

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

<u>Year ended August 31</u>	<u>OPEB Expense Amount</u>
2019	\$ 925,824
2020	925,824
2021	925,824
2022	925,824
2023	926,461
Thereafter	2,386,662
	<u>\$ 7,016,419</u>

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2018, 2017, and 2016, the subsidy payments received by the TRS-Care on-behalf of the district were \$108,098, \$159,294, and \$126,000 respectively. The payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

Property/Liability

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

Health Insurance

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

Workers' Compensation

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

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

Note 13 - Shared Service Arrangements / Joint Ventures

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

The District participates in a Shared Service Arrangement (SSA) for Juvenile Justice Alternative Education Program with eight other school districts. Although 16.1 percent of the activity of the SSA is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Dickinson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Friendswood ISD. The fiscal agent manager is responsible for all financial activities of the SSA.

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

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

Revenues:	
Local revenue	<u>\$ 30,535</u>
Expenditures:	
Payroll costs	\$ 27,102
Contract services	3,148
Supplies and materials	<u>285</u>
Total expenditures	<u>\$ 30,535</u>

The District participates in a Shared Service Arrangement (SSA) for the Galveston-Brazoria Co-op for the Deaf and Hard of Hearing that provides a system of direct and support services to eligible hearing impaired students of the member districts. In addition to Friendswood ISD, the other member districts include Alvin ISD, Clear Creek ISD, Dickinson ISD, Galveston ISD, Hitchcock ISD, Pearland ISD, Santa Fe ISD and Texas City ISD. All services are provided by the fiscal agent, Clear Creek ISD. The member districts provide the funds to the fiscal agent. Although approximately 1.4% 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>\$ 28,890</u>
Expenditures:	
Payroll costs	\$ 20,560
Contract services	4,581
Supplies and materials	3,121
Other operating costs	<u>628</u>
Total expenditures	<u>\$ 28,890</u>

The District participates in the Visually Impaired Orientation and Mobility Shared Service Arrangement (SSA), which provides services for visually impaired students. Friendswood ISD participates in this SSA along with Dickinson ISD, Galveston ISD, Hitchcock ISD and Texas City ISD. Although approximately 26% of the activity of the SSA is attributable to the District's participation, the District does not account for the revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Galveston ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would rise to a future additional benefit or burden to Friendswood ISD. The fiscal agent is responsible for all financial activities of the SSA. Revenues attributable to the District's participation were \$24,696 for the 2018 fiscal year. Expenditures in the same amount were attributable to payroll costs.

Note 14 - Contingent Liabilities

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

Note 15 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it does not have an arbitrage liability as of August 31, 2018.

Note 16 - Prior Period Adjustment - New Accounting Pronouncement

In the current fiscal year, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflows of resources relating to TRS-Care contributions made after the prior measurement date of the plan as follows:

Beginning Net Position	\$ 2,071,864
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	(29,623,980)
Deferred Outflows:	
District contributions made to TRS-Care during the fiscal year	200,612
Beginning Net Position - As Restated	<u><u>\$ (27,351,504)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 34,834,069	\$ 34,834,069	\$ 35,859,026	\$ 1,024,957
5800	State program revenues	14,965,531	14,965,531	15,303,722	338,191
5900	Federal program revenues	150,400	150,400	225,836	75,436
5020	Total Revenues	<u>49,950,000</u>	<u>49,950,000</u>	<u>51,388,584</u>	<u>1,438,584</u>
Expenditures					
Current:					
0011	Instruction	29,107,378	29,024,521	28,975,918	48,603
0012	Instruction resources and media services	718,260	764,578	696,437	68,141
0013	development	531,276	501,965	497,910	4,055
0021	Instructional leadership	749,642	776,094	765,018	11,076
0023	School leadership	2,901,296	2,942,973	2,931,688	11,285
0031	Guidance, counseling and evaluation services	1,003,085	1,541,711	1,376,744	164,967
0032	Social work services	1,776	4,050	1,650	2,400
0033	Health services	567,831	589,456	576,176	13,280
0034	Student transportation	1,883,562	1,906,695	1,728,894	177,801
0036	Extracurricular activities	1,899,562	1,927,951	1,894,318	33,633
0041	General administration	2,479,032	2,341,166	2,300,543	40,623
0051	Facilities maintenance and operations	5,735,263	5,746,700	5,530,950	215,750
0052	Security and monitoring services	236,492	414,693	394,054	20,639
0053	Data processing services	1,156,198	1,275,270	1,219,221	56,049
0061	Community services	293,757	319,979	313,794	6,185
Capital outlay:					
0081	Facilities, acquisition and construction	258,000	596,413	586,172	10,241
Intergovernmental:					
0093	Payments related to shared services arrangements	60,540	59,586	53,586	6,000
0095	Payments to Juvenile Justice Alternative Education Programs	51,800	35,535	30,535	5,000
0099	Other intergovernmental charges	315,250	316,592	310,992	5,600
6030	Total Expenditures	<u>49,950,000</u>	<u>51,085,928</u>	<u>50,184,600</u>	<u>901,328</u>
1100	Excess (deficiency) of revenues over expenditures	-	(1,135,928)	1,203,984	2,339,912
Other Financing Sources (Uses)					
7915	Transfers in	-	-	2,585	2,585
8911	Transfers out	-	-	(1,100,000)	(1,100,000)
7080	Total other financing sources (uses)	-	-	<u>(1,097,415)</u>	<u>(1,097,415)</u>
1200	Net change in fund balances	-	(1,135,928)	106,569	1,242,497
0100	Fund balances - beginning	<u>12,553,964</u>	<u>12,553,964</u>	<u>12,553,964</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 12,553,964</u>	<u>\$ 11,418,036</u>	<u>\$ 12,660,533</u>	<u>\$ 1,242,497</u>

A. Budgets and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Food Service Fund and Debt Service Fund during the fiscal year ended August 31, 2018.

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, 2017. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

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

Exhibit G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	\$ 9,303,323	\$ 9,980,962	\$ 9,594,406
State's proportionate share of the net pension liability associated with the District	17,831,579	21,689,972	20,961,599
Total	<u>\$ 27,134,902</u>	<u>\$ 31,670,934</u>	<u>\$ 30,556,005</u>
District's covered payroll (for Measurement Year)	\$ 34,640,606	\$ 32,808,364	\$ 31,141,812
District's proportionate share of the net pension liability as a percentage of it's covered payroll	26.9%	30.4%	30.8%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll *	75.93%	92.75%	91.94%
	<u>2014</u>		
District's proportionate share of the net pension liability	\$ 4,150,735		
State's proportionate share of the net pension liability associated with the District	17,620,461		
Total	<u>\$ 21,771,196</u>		
District's covered payroll (for Measurement Year)	\$ 29,900,254		
District's proportionate share of the net pension liability as a percentage of it's covered payroll	13.9%		
Plan fiduciary net position as a percentage of the total pension liability *	83.25%		
Plan's net pension liability as a percentage of covered payroll *	72.89%		

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.
Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

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

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

Exhibit G-4

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

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

Notes to the Required Supplementary Information - Pensions

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

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Changes of Benefit Terms

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

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

Exhibit G-5

	<u>2017</u>
District's proportionate share of the net OPEB liability	\$ 16,779,851
State's proportionate share of the net OPEB liability associated with the District	<u>27,978,520</u>
Total	<u>\$ 44,758,371</u>
District's covered payroll (for Measurement Year)	\$ 34,640,606
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	48.4%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	132.55%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.
Net OPEB liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 75.

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

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

Exhibit G-6

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

The District implemented GASB 75 during fiscal year 2018.

Notes to Required Supplementary Information – OPEB

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 since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016, to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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OTHER SUPPLEMENTARY INFORMATION

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2018

Data Control Codes	211	224	225
	ESEA Title I, Part A	IDEA-B Formula	IDEA-B Preschool
Assets			
1110 Cash and temporary investments	\$ -	\$ -	\$ -
Receivables:			
1240 Receivables from other governments	66,657	219,443	4,530
1290 Other receivables	-	-	-
1410 Prepaid items	-	-	-
1000 Total Assets	\$ 66,657	\$ 219,443	\$ 4,530
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110 Accounts payable	\$ -	\$ -	\$ -
2160 Accrued wages payable	-	-	-
2170 Due to other funds	66,657	219,443	4,530
2300 Unearned revenues	-	-	-
2000 Total Liabilities	66,657	219,443	4,530
Fund Balances:			
Nonspendable:			
3430 Prepaid items	-	-	-
Restricted:			
3450 Grant restrictions	-	-	-
3490 Other purposes	-	-	-
Committed:			
3545 Other purposes	-	-	-
Assigned:			
3570 Capital expenditures for equipment	-	-	-
3000 Total Fund Balances	-	-	-
4000 Total Liabilities and Fund Balances	\$ 66,657	\$ 219,443	\$ 4,530

Exhibit H-1
Page 1 of 2

240	244	255	263
<u>Child Nutrition</u>	<u>Vocational Ed -Basic</u>	<u>Title II, Part A</u>	<u>Title III</u>
\$ 851,836	\$ -	\$ -	\$ -
-	-	45,434	7,069
1,093	-	-	-
-	-	-	-
<u>\$ 852,929</u>	<u>\$ -</u>	<u>\$ 45,434</u>	<u>\$ 7,069</u>
\$ 98,976	\$ -	\$ 19,295	\$ -
9,113	-	-	-
-	-	26,139	7,069
-	-	-	-
<u>108,089</u>	<u>-</u>	<u>45,434</u>	<u>7,069</u>
-	-	-	-
744,840	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>744,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 852,929</u>	<u>\$ -</u>	<u>\$ 45,434</u>	<u>\$ 7,069</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2018

Data Control Codes	289	397	410
	Miscellaneous Federal Programs	Advanced Placement Incentive	Instructional Materials Allotment
Assets			
1110	\$ -	\$ 2,625	\$ 53,704
Receivables:			
1240	251,271	-	-
1290	-	-	-
1410	-	-	-
1000	<u>\$ 251,271</u>	<u>\$ 2,625</u>	<u>\$ 53,704</u>
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	\$ 6,472	\$ -	\$ 23,229
2160	-	-	-
2170	244,799	-	-
2300	-	-	30,475
2000	<u>251,271</u>	<u>-</u>	<u>53,704</u>
Fund Balances:			
Nonspendable:			
3430	-	-	-
Restricted:			
3450	-	2,625	-
3490	-	-	-
Committed:			
3545	-	-	-
Assigned:			
3570	-	-	-
3000	<u>-</u>	<u>2,625</u>	<u>-</u>
4000	<u>\$ 251,271</u>	<u>\$ 2,625</u>	<u>\$ 53,704</u>

429	461	480	699	
<u>State Funded Special Revenue Fund</u>	<u>Campus Activity</u>	<u>Education Foundation Grants</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 1,087,650	\$ 13,753	\$ 1,895,104	\$ 3,904,672
-	-	-	-	594,404
-	-	-	-	1,093
-	12,332	503	-	12,835
<u>\$ -</u>	<u>\$ 1,099,982</u>	<u>\$ 14,256</u>	<u>\$ 1,895,104</u>	<u>\$ 4,513,004</u>
\$ -	\$ 28,829	\$ 844	\$ 346,190	\$ 523,835
-	-	-	-	9,113
-	-	-	-	568,637
-	23,565	3,107	-	57,147
<u>-</u>	<u>52,394</u>	<u>3,951</u>	<u>346,190</u>	<u>1,158,732</u>
-	12,332	503	-	12,835
-	-	-	-	747,465
-	-	9,802	-	9,802
-	1,035,256	-	-	1,035,256
-	-	-	1,548,914	1,548,914
<u>-</u>	<u>1,047,588</u>	<u>10,305</u>	<u>1,548,914</u>	<u>3,354,272</u>
<u>\$ -</u>	<u>\$ 1,099,982</u>	<u>\$ 14,256</u>	<u>\$ 1,895,104</u>	<u>\$ 4,513,004</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, 2018

Data Control Codes		211 ESEA Title I, Part A	224 IDEA-B Formula	225 IDEA-B Preschool
	Revenues			
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	267,660	894,611	19,040
5020	Total Revenues	267,660	894,611	19,040
	Expenditures			
	Current:			
0011	Instruction	135,732	620,890	19,040
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	131,928	3,272	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	270,449	-
0032	Social work services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Capital outlay:			
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	267,660	894,611	19,040
1100	Excess (deficiency) of revenues over expenditures	-	-	-
	Other Financing Sources (Uses)			
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balance - September 1 (beginning)	-	-	-
3000	Fund balance - August 31 (ending)	\$ -	\$ -	\$ -

240	244	255	263
Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III
\$ 2,292,441	\$ -	\$ -	\$ -
3,920	-	-	-
215,546	34,603	79,874	16,181
<u>2,511,907</u>	<u>34,603</u>	<u>79,874</u>	<u>16,181</u>
-	34,603	-	16,181
-	-	717	-
-	-	45,081	-
-	-	11,824	-
-	-	10,369	-
-	-	1,130	-
-	-	-	-
-	-	721	-
2,321,287	-	721	-
-	-	721	-
-	-	4,600	-
-	-	1,441	-
-	-	-	-
-	-	2,549	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,321,287</u>	<u>34,603</u>	<u>79,874</u>	<u>16,181</u>
<u>190,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,443	-	-	-
-	-	-	-
<u>5,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
196,063	-	-	-
548,777	-	-	-
<u>\$ 744,840</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, 2018

<u>Data Control Codes</u>		<u>289 Miscellaneous Federal Programs</u>	<u>397 Advanced Placement Incentive</u>	<u>410 Instructional Materials Allotment</u>
	Revenues			
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	2,625	408,015
5900	Federal program revenues	258,008	-	-
5020	Total Revenues	<u>258,008</u>	<u>2,625</u>	<u>408,015</u>
	Expenditures			
	Current:			
0011	Instruction	1,188	-	370,689
0012	Instruction resources and media services	-	-	-
	Curriculum and instructional			
0013	staff development	-	4,293	37,326
0021	Instructional leadership	998	-	-
0023	School leadership	1,543	-	-
	Guidance, counseling and			
0031	evaluation services	150,498	-	-
0032	Social work services	-	-	-
0034	Student transportation	80,901	-	-
0035	Food service	199	-	-
0036	Extracurricular activities	199	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	399	-	-
0052	Security and monitoring services	16,135	-	-
0053	Data processing services	398	-	-
0061	Community services	5,550	-	-
	Capital outlay:			
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	<u>258,008</u>	<u>4,293</u>	<u>408,015</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,668)</u>	<u>-</u>
	Other Financing Sources (Uses)			
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	(1,668)	-
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>4,293</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ 2,625</u>	<u>\$ -</u>

429 State Funded Special Revenue Fund	461 Campus Activity	480 Education Foundation Grants	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,185,139	\$ 186,760	\$ -	\$ 3,664,340
615	-	-	-	415,175
-	-	-	-	1,785,523
<u>615</u>	<u>1,185,139</u>	<u>186,760</u>	<u>-</u>	<u>5,865,038</u>
602	505,127	173,149	-	1,877,201
-	43,086	14,064	-	57,867
13	27,309	499	-	249,721
-	503	-	-	13,325
-	69,051	-	-	80,963
-	15,931	-	-	438,008
-	1,650	-	-	1,650
-	-	-	-	81,622
-	-	-	-	2,322,207
-	431,019	7,143	-	439,082
-	178	-	15,030	19,808
-	13,251	-	335,330	350,421
-	9,772	-	11,890	37,797
-	-	-	-	2,947
-	-	-	-	5,550
-	-	-	352,860	352,860
<u>615</u>	<u>1,116,877</u>	<u>194,855</u>	<u>715,110</u>	<u>6,331,029</u>
-	68,262	(8,095)	(715,110)	(465,991)
-	27,028	-	1,100,000	1,132,471
-	-	(2,585)	-	(2,585)
-	<u>27,028</u>	<u>(2,585)</u>	<u>1,100,000</u>	<u>1,129,886</u>
-	95,290	(10,680)	384,890	663,895
-	<u>952,298</u>	<u>20,985</u>	<u>1,164,024</u>	<u>2,690,377</u>
<u>\$ -</u>	<u>\$ 1,047,588</u>	<u>\$ 10,305</u>	<u>\$ 1,548,914</u>	<u>\$ 3,354,272</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
August 31, 2018

Exhibit H-3

Data Control Codes		Enterprise Funds		
		Fuel Fund	Vending Fund	Total
	Assets			
1110	Cash and cash equivalents	\$ 31,149	\$ 4,232	\$ 35,381
1290	Other receivables	1,830	-	1,830
1000	Total Assets	<u>32,979</u>	<u>4,232</u>	<u>37,211</u>
	Liabilities			
2110	Accounts payable	-	2,224	2,224
2000	Total Liabilities	<u>-</u>	<u>2,224</u>	<u>2,224</u>
	Net Position			
3900	Unrestricted net position	32,979	2,008	34,987
3000	Total Net Position	<u>\$ 32,979</u>	<u>\$ 2,008</u>	<u>\$ 34,987</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, 2018

Exhibit H-4

Data Control Codes	Fuel Fund	Vending Fund	Total
Revenues			
5700 Charges for Services	\$ 5,859	\$ 90,144	\$ 96,003
5020 Total Operating Revenues	<u>5,859</u>	<u>90,144</u>	<u>96,003</u>
Operating Expenses			
6200 Purchased and contracted services	-	51,489	51,489
6400 Claims expense and other operating expenses	-	6,184	6,184
6030 Total Operating Expenses	<u>-</u>	<u>57,673</u>	<u>57,673</u>
Income (Loss) before Transfers	5,859	32,471	38,330
Transfers			
8911 Transfers out	-	(32,471)	(32,471)
7080 Total Transfers	<u>-</u>	<u>(32,471)</u>	<u>(32,471)</u>
1200 Change in Net Position	5,859	-	5,859
Net Position			
0100 Total net position - beginning	<u>27,120</u>	<u>2,008</u>	<u>29,128</u>
3300 Total net position - ending	<u>\$ 32,979</u>	<u>\$ 2,008</u>	<u>\$ 34,987</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

Year Ended August 31, 2018

	<u>Fuel Fund</u>	<u>Vending Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from user charges	\$ 6,538	\$ 90,125	\$ 96,663
Cash payments to suppliers for goods and services	-	(57,673)	(57,673)
Net Cash Provided by (Used for) Operating Activities	<u>6,538</u>	<u>32,452</u>	<u>38,990</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to other funds	-	(32,471)	(32,471)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>(32,471)</u>	<u>(32,471)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,538	(19)	6,519
Cash and Cash Equivalents at Beginning of Year	<u>24,611</u>	<u>4,251</u>	<u>28,862</u>
Cash and Cash Equivalents at End of Year	<u>\$ 31,149</u>	<u>\$ 4,232</u>	<u>\$ 35,381</u>
Reconciliation to Balance Sheet			
Cash and Cash Equivalents Per Cash Flow	<u>\$ 31,149</u>	<u>\$ 4,232</u>	<u>\$ 35,381</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 31,149</u>	<u>\$ 4,232</u>	<u>\$ 35,381</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 5,859	\$ 32,471	\$ 38,330
Change in Assets and Liabilities			
Decrease (increase) in Receivables	679	-	679
Increase (decrease) in Accounts Payable	-	(19)	(19)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 6,538</u>	<u>\$ 32,452</u>	<u>\$ 38,990</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
August 31, 2018

Exhibit H-6

		891	892	893	
<u>Data</u>		<u>Cline</u>	<u>Winston</u>	<u>Willard</u>	<u>Total Private</u>
<u>Control</u>		<u>Scholarship</u>	<u>Scholarship</u>	<u>Scholarship</u>	<u>Purpose Trust</u>
<u>Codes</u>		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
	Assets				
1110	Cash and cash equivalents	\$ 1,732	\$ 5,796	\$ 5,193	\$ 12,721
	Total Assets	<u>1,732</u>	<u>5,796</u>	<u>5,193</u>	<u>12,721</u>
	Net Position				
3800	Restricted	<u>\$ 1,732</u>	<u>\$ 5,796</u>	<u>\$ 5,193</u>	<u>\$ 12,721</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2018

Exhibit H-7

	891	892	893	
	<u>Cline Scholarship</u>	<u>Winston Scholarship</u>	<u>Willard Scholarship</u>	<u>Total</u>
Deductions				
Non-operating expenses	\$ -	\$ 500	\$ -	\$ 500
Total deductions	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Change in net position	-	(500)	-	(500)
Net position beginning of year	<u>1,732</u>	<u>6,296</u>	<u>5,193</u>	<u>13,221</u>
Net position end of year	<u>\$ 1,732</u>	<u>\$ 5,796</u>	<u>\$ 5,193</u>	<u>\$ 12,721</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit H-8

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended August 31, 2018

	<u>Balance</u> <u>August 31, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>August 31, 2018</u>
Assets				
Cash and cash equivalents	\$ 676,457	\$ 46,283,384	\$ (46,394,097)	\$ 565,744
Other receivables	-	4,901	-	4,901
Total Assets	<u>\$ 676,457</u>	<u>\$ 46,288,285</u>	<u>\$ (46,394,097)</u>	<u>\$ 570,645</u>
Liabilities				
Accounts Payable	\$ 153,728	\$ 62,102	\$ (153,728)	\$ 62,102
Other liabilities - current	1,141	-	(7)	1,134
Due to others	26,310	33,813	(26,310)	33,813
Due to student groups	358,851	540,121	(568,908)	330,064
Unearned revenue	136,427	143,532	(136,427)	143,532
Total Liabilities	<u>\$ 676,457</u>	<u>\$ 779,568</u>	<u>\$ (885,380)</u>	<u>\$ 570,645</u>

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REQUIRED TEA SCHEDULES

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2018

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>10 Beginning Balance 8/31/17</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2009 and prior	Various	Various	Various	\$ 22,801
2010	1.040000	0.327000	2,024,853,767	8,807
2011	1.040000	0.327000	2,052,922,970	14,180
2012	1.040000	0.327000	2,096,108,705	18,596
2013	1.040000	0.327000	2,154,126,189	29,329
2014	1.040000	0.327000	2,224,978,200	41,293
2015	1.040000	0.327000	2,331,605,048	48,125
2016	1.040000	0.327000	2,516,791,368	82,720
2017	1.130000	0.257000	2,735,343,475	234,245
2018	1.130000	0.237000	2,955,329,700	-
1000 Totals				<u>\$ 500,096</u>

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/18
\$ -	\$ 997	\$ 119	\$ (3,255)	\$ 18,430
-	843	265	(1,124)	6,575
-	1,071	337	(2,424)	10,348
-	764	240	(2,436)	15,156
-	7,175	2,256	(2,423)	17,475
-	13,167	4,140	(1,826)	22,160
-	14,594	4,589	4,471	33,413
-	38,913	12,235	4,891	36,463
-	141,178	32,109	3,947	64,905
<u>40,399,357</u>	<u>33,225,820</u>	<u>6,968,601</u>	<u>(6,496)</u>	<u>198,440</u>
<u>\$ 40,399,357</u>	<u>\$ 33,444,522</u>	<u>\$ 7,024,891</u>	<u>\$ (6,675)</u>	423,365
				<u>180,014</u>
				<u>\$ 603,379</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2018

Exhibit J-2

Data Control Codes		Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 2,320,757	\$ 2,320,757	\$ 2,292,441	\$ (28,316)
5800	State Program Revenues	4,500	4,500	3,920	(580)
5900	Federal Program Revenues	199,728	199,728	215,546	15,818
5020	Total Revenues	<u>2,524,985</u>	<u>2,524,985</u>	<u>2,511,907</u>	<u>(13,078)</u>
	Expenditures				
	Current:				
0035	Food Services	2,374,131	2,452,842	2,321,287	131,555
6030	Total Expenditures	<u>2,374,131</u>	<u>2,452,842</u>	<u>2,321,287</u>	<u>131,555</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>150,854</u>	<u>72,143</u>	<u>190,620</u>	<u>118,477</u>
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	5,443	5,443
	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,443</u>	<u>5,443</u>
1200	Increase (Decrease) in Fund Balance	150,854	72,143	196,063	123,920
0100	Fund Balance - September 1 (Beginning)	<u>548,777</u>	<u>548,777</u>	<u>548,777</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 699,631</u>	<u>\$ 620,920</u>	<u>\$ 744,840</u>	<u>\$ 123,920</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2018

Data Control Codes	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 7,001,000	\$ 7,001,000	\$ 7,117,173	\$ 116,173
5800	State Program Revenues	-	201,481	201,481	-
5020	Total Revenues	<u>7,001,000</u>	<u>7,202,481</u>	<u>7,318,654</u>	<u>116,173</u>
Expenditures					
Debt Service:					
0071	Principal	2,755,000	2,755,000	2,755,000	-
0072	Interest and Fiscal Agent Fees	4,263,850	4,263,850	4,261,598	2,252
6030	Total Expenditures	<u>7,018,850</u>	<u>7,018,850</u>	<u>7,016,598</u>	<u>2,252</u>
1200	Increase (Decrease) in Fund Balance	(17,850)	183,631	302,056	118,425
0100	Fund Balance - September 1 (Beginning)	<u>1,899,967</u>	<u>1,899,967</u>	<u>1,899,967</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,882,117</u>	<u>\$ 2,083,598</u>	<u>\$ 2,202,023</u>	<u>\$ 118,425</u>

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Friendswood Independent School District (the “District”), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
December 6, 2018

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

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

Report on Compliance for the Major Federal Program

We have audited Friendswood Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended August 31, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Whitley Penn LLP

Houston, Texas
December 6, 2018

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance with major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major programs	
Name of Federal Program or Cluster:	CFDA Numbers
US Department of Education:	
Special Education Cluster:	
IDEA - Part B, Formula	84.027A
IDEA - Part B, Preschool	84.173A
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, 2018

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, 2018

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education				
Passed Through Texas Education Agency:				
18610101084911	<i>ESEA Title I Part A</i>	211	84.010A	\$ 267,660
<u>Special Education Cluster:</u>				
186600010849116600	<i>IDEA - Part B, Formula</i>	224	84.027A	894,611
186610010849116600	<i>IDEA - Part B, Preschool</i>	225	84.173A	19,040
Total Special Education Cluster				<u>913,651</u>
18420006084911	<i>Career and Technology Education - Carl D. Perkins</i>	244	84.048A	34,603
18694501084911	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	79,874
18671001084911	<i>Title III - Part A, English Language Acquisitions</i>	263	84.365A	16,181
18680101084911	<i>Title IV, Part A, Subpart 1</i>	289	84.424A	9,487
69551702	<i>Summer School LEP</i>	289	84.369A	1,187
18511701084911	<i>Restart Hurricane Recovery</i>	289	84.938A	96,836
51271901	<i>Emergency Impact Aid to LEAs</i>	289	84.938C	150,498
Total passed through Texas Education Agency				<u>1,569,977</u>
Total U.S. Department of Education				<u>1,569,977</u>
U.S. Department of Agriculture				
<u>Child Nutrition Cluster:</u>				
Passed Through the Texas Department of Agriculture:				
Non Cash Assistance (Commodities):				
00410	<i>National School Lunch Program</i>	240	10.555	49,603
Passed Through Texas Education Agency:				
Cash Assistance:				
71301801	<i>National School Lunch Program</i>	240	10.555	151,951
71401801	<i>School Breakfast Program</i>	240	10.553	13,992
Total Child Nutrition Cluster				<u>215,546</u>
Total U.S. Department of Agriculture				215,546
Total Expenditures of Federal Awards				<u>\$ 1,785,523</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2018

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, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 – Reconciliation to Basic Financial Statements

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

Total expenditures of federal awards per SEFA	\$ 1,785,523
Federal revenue accounted for in General Fund:	
Medicaid SHARS	134,452
Alternative fuel propane credit	25,008
Federal Emergency Management Agency (FEMA)	<u>66,376</u>
Total Federal Revenue - Exhibit C-3	<u>\$ 2,011,359</u>

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2018

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

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

I. Prior Audit Findings

None Noted

FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2018

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

I. Corrective Action Plan

Not Applicable

DO NOT PRINT IN REPORTS

Schedule L-1 – Required Responses to Selected School FIRST Indicators

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
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 0
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$9,303,323
SF13	Pension Expense (6147) at fiscal year-end.	