



# CITY OF FRIENDSWOOD, TEXAS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020



City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED**

**September 30, 2020**

**Officials Issuing Report:**

**Morad Kabiri  
City Manager**

**Katina Hampton  
Director of Administrative Services**

City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**  
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## **INTRODUCTORY SECTION**





# CITY OF FRIENDSWOOD

March 22, 2021

The Honorable Mayor, Members of the City Council, and the Citizens of Friendswood:

The Annual Comprehensive Financial Report (ACFR) of the City of Friendswood for the fiscal year ended September 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City Charter requires an annual audit of the financial statements of all of the various funds of the City by independent certified public accountants. The accounting firm of Whitley Penn LLP has performed such an audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY**

Established in 1895 as a Quaker colony, the City of Friendswood is rich in heritage. The City was incorporated in 1960 and chartered a home-rule city under Texas law in 1971. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six (6) Council Members. The Mayor and Council are responsible, among other things, for passing ordinances, adopting the budget, appointing board and committee members and hiring the City Manager, City Attorney, Municipal Judge, and City Secretary. The City Manager is responsible for carrying out the policies and ordinances of the City Council and overseeing the day-to-day operations of the City government, and for appointing heads of various departments. The Mayor and Council are elected on an at-large, non-partisan basis. The Mayor and Council are elected to serve no more than four consecutive three-year terms.

The City provides a full range of municipal services including public safety (police, fire and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated waste distribution system and both sanitary and storm sewer collection transmission systems, recreational activities and cultural events as well as general administrative services.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Location**

Encompassing 21 square miles, Friendswood is located in southeast Texas near the Texas Gulf Coast, between downtown Houston and Galveston, spanning across two counties – northern Galveston County and southern Harris County. The current estimated population is 41,003. Residents and visitors can access Friendswood through FM 2351, FM 518, and FM 528 (NASA Parkway). Hobby Airport and Ellington Airport are located within a 15 minute drive from Friendswood, and Bush Intercontinental Airport is just 45 minutes away. Major sectors of the area’s economic base include aerospace, specialty chemicals, health care, retail, and tourism.

### **Community**

Friendswood has been nationally recognized as one of the best places to live in the country. With low tax rates, outstanding public education, and the lowest crime rate in the region, Friendswood is the perfect place to live, work, and play. The city features beautiful parks and lush landscaping, along with a championship golf course. Children academically excel via two superior public school systems – Friendswood ISD and Clear Creek ISD. These attributes perfectly match Friendswood’s affluent resident base of well-educated, high-income families. More than 50% of residents work in executive, professional, and managerial positions and generate an average household income of over \$140,000, one of the highest in the Houston area.

### **Business**

Friendswood is the perfect choice for many types of commercial enterprises. Target markets include professional offices, retail, commercial, and light industrial developments. A key City focus is to encourage redevelopment of the downtown area and development of the City’s panhandle area. City leaders have approved special tools and incentives to revitalize downtown to promote mixed-use, multi-story developments with pedestrian streetscapes and other amenities. The City offers competitive business incentives, including a municipal grant program, tax abatement that includes “green” development, freeport

tax exemption, and downtown development fee waivers.

### **Quality Lifestyle**

As with any city, the goal is planning for continued quality growth to create a well-balanced community. Friendswood offers single-family residential housing in pleasant park-like settings, tucked-away from the busy stream of vehicular traffic. Friendswood is committed to attracting more local enterprises that will complement and enhance the unique community environment that has been carefully built over the past 100 years; one that has come to be cherished by residents and business owners alike.

## **LONG TERM PLANNING**

### **Budgeting Controls**

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Council. The charter requires the City Manager to submit a proposed budget and an accompanying message to the City Council on or before August 1. The council shall review and revise as deemed appropriate prior to general circulation for the public hearing. The Public Notice and Hearing must be posted in the city hall and published in the official newspaper. The budget must be adopted by the 15<sup>th</sup> of September or as soon thereafter as practical. The City legally adopts annual budgets for the General, Special Revenue and Debt Service Funds. Annual and project budgets are also adopted for the Proprietary and Capital Projects Funds, respectively.

The level of budgetary control; that is, the level at which expenditures cannot legally exceed the appropriated amount, is established by department within a fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances lapse at fiscal year end, but can be re-appropriated through a budget amendment the following fiscal year. The City Manager is authorized to transfer budgeted amounts within departments in any fund, but revisions that increase the total expenditures of any fund or transfers between departments must be approved by Council.

### **Multi-Year Financial Planning**

A Multi-Year financial plan (MYFP) was developed in 2006. Originally, staff was directed to develop a plan to forecast the City's financial condition through 2020, the projected build-out date. The first version of this plan was drafted and later reduced in scope to a five year projection.

The MYFP is based on the City's strategic planning efforts, including the Comprehensive Land Use Plan, Vision 2020 and the Capital Improvements Plan. Departmental operational plans funding requirements to provide programs and services are included in the MYFP as well. Funding needs and available resources, both current and alternative revenue enhancements, are identified. Expenditures are projected based on departmental needs assessments and are organized based on "one-time" and "on-going" expenditures. In collaboration with Council, the plan is updated at least annually and serves as the basis of budget development.

### **Relevant Financial Policies**

As part of the annual budget process, the City adopts Financial Management Policy Statements that establish a framework for fiscal decision making and that ensure that financial resources are available to meet the present and future needs of its citizens. These statements provide guidelines for financial planning and management, addressing every major financial function and process.

Most importantly, the Financial Management Policy requires that the City maintain the General Fund unassigned fund balance at a minimum of 90 days of prior year audited operating expenditures. Any unassigned funds after the fiscal year-end audit will be allowed to accumulate to build this 90-day reserve. After the General Fund has gathered sufficient resources, additional unassigned funds will be allowed to accumulate for future General Fund capital improvements.

The Financial Management Policy also requires the minimum working capital in the Water and Sewer Fund be 90 days of prior year audited operating expenditures. Any unrestricted funds after the fiscal year-end audit will be allowed to accumulate to build this 90-day reserve. After these funds have gathered sufficient resources, additional unrestricted funds will be allowed to accumulate in working capital for future utility /operating fund capital improvements.

### *Awards*

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Friendswood for its annual comprehensive financial report for the fiscal year ended September 30, 2019. This was the thirty-second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### *Acknowledgements*

The preparation of the annual comprehensive financial report was made possible by the dedicated service of the entire staff of the Administrative Services Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

In closing, I also express my thanks to the Mayor, members of the City Council and the City Manager for their leadership, interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in black ink that reads "Katina Hampton". The signature is written in a cursive, flowing style.

Katina Hampton  
Director of Administrative Services

**CITY OF FRIENDSWOOD, TEXAS**

**PRINCIPAL OFFICIALS**

*September 30, 2020*

| <b>Elected Officials</b> | <b>Position</b>                 | <b>Term Expires</b> |
|--------------------------|---------------------------------|---------------------|
| Mike Foreman             | Mayor                           | May 2021            |
| Steve Rockey             | Council Member - Position No. 1 | May 2021            |
| Sally Branson            | Council Member - Position No. 2 | May 2023            |
| Trish Hanks              | Council Member - Position No. 3 | May 2021            |
| Robert J. Griffon        | Council Member - Position No. 4 | May 2022            |
| John H. Scott            | Council Member - Position No. 5 | May 2023            |
| Brent Erenwert           | Council Member - Position No. 6 | May 2022            |

**Key Staff**

**Position**

|                   |   |
|-------------------|---|
| Morad Kabiri      | City Manager                                  |
| Steven Rhea       | Assistant City Manager                        |
| Katina Hampton    | Director of Administrative Services           |
| Aubrey Harbin     | Director of Community Development             |
| Jildardo Arias    | Director of Engineering                       |
| Matt Riley        | Library Director                              |
| Brian Mansfield   | Fire Marshal/Emergency Management Coordinator |
| William Bender    | Director of Human Resources                   |
| James O'Brien     | Director of Information Technology            |
| Rene Ibarra       | Director of Public Works                      |
| James Toney       | Director of Parks and Recreation              |
| Melinda Welsh     | City Secretary                                |
| Robert B. Wieners | Police Chief                                  |
| Mary K. Fischer   | City Attorney                                 |
| James W. Woltz    | Judge - Municipal Court                       |



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Friendswood  
Texas**

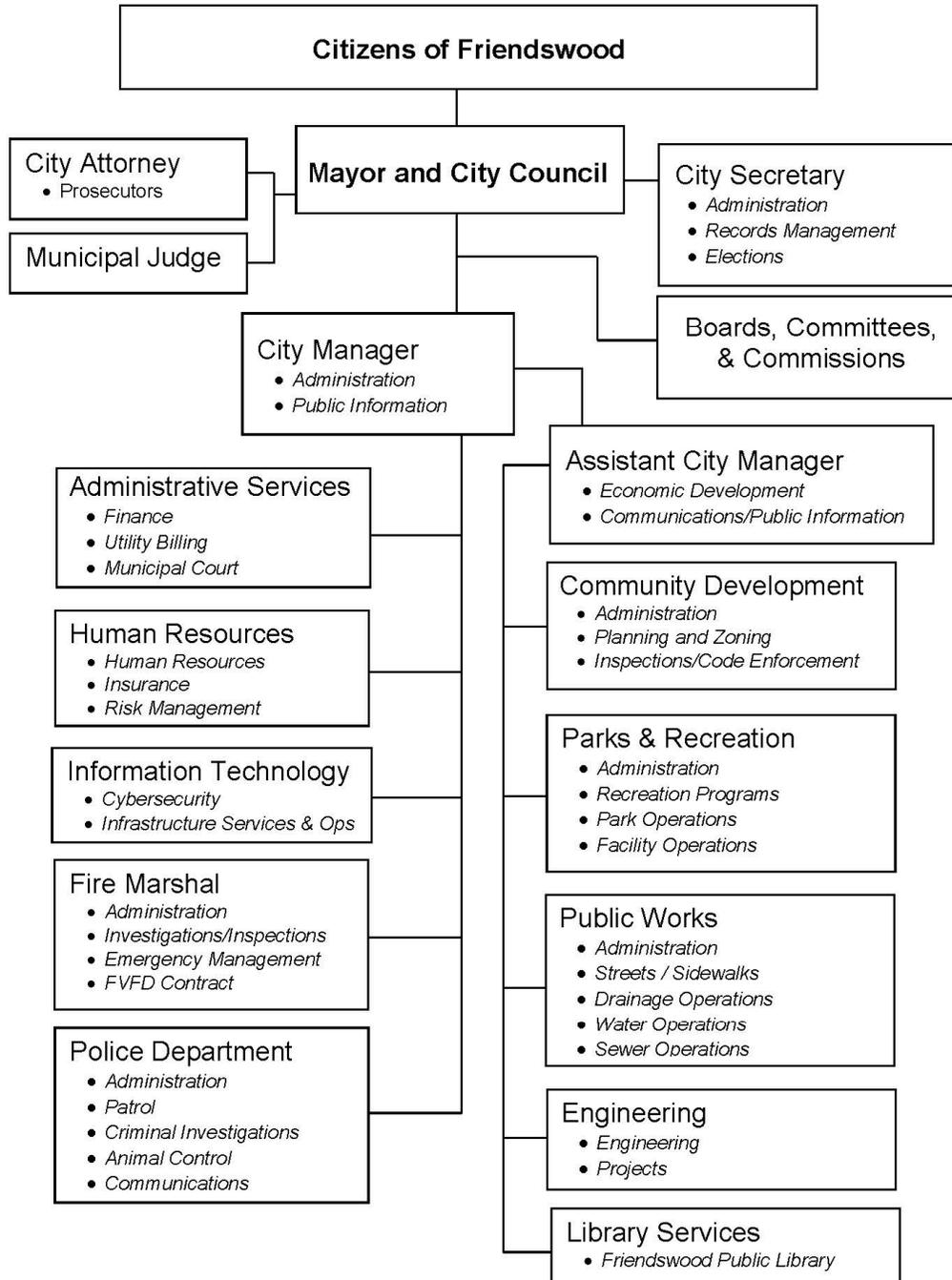
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

*Christopher P. Morill*

Executive Director/CEO

**CITY OF FRIENDSWOOD, TEXAS**  
**ORGANIZATIONAL CHART**





## **FINANCIAL SECTION**



## REPORT OF INDEPENDENT AUDITORS

The Honorable Mayor and  
Members of the City Council  
City of Friendswood, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Friendswood, Texas (the “City”), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City’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 did not audit the financial statements of West Ranch Management District, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the West Ranch Management District, is based solely on the report of the other auditors. 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. The financial statements of the West Ranch Management District were not audited in accordance with *Government Auditing Standards*.

The Honorable Mayor and  
Members of the City Council  
City of Friendswood, Texas

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 19, budgetary comparison information on pages 74 through 83, pension system supplementary information and other post-employment benefit supplementary information on pages 84 through 88, 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 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 City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor and  
Members of the City Council  
City of Friendswood, Texas

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the City'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 City's internal control over financial reporting and compliance and has been issued under separate cover.

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

Houston, Texas  
March 22, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

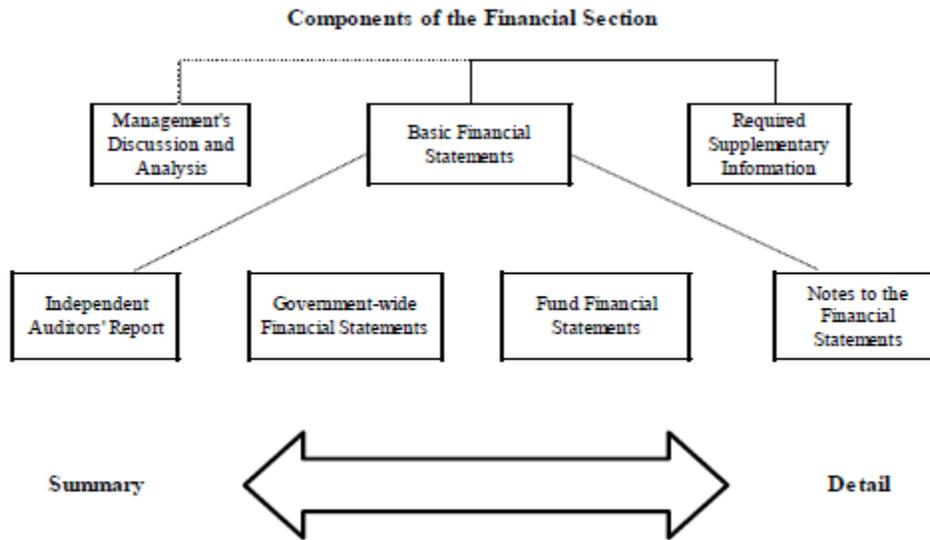
As management of the City of Friendswood, Texas (“the City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. Please read this information in conjunction with the basic financial statements that follow this section.

**Financial Highlights**

Some of the City’s financial highlights for the fiscal year ending September 30, 2020 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$119,028,711.
- The City’s total net position increased during the year by \$1,701,632. The City’s net pension and total OPEB liabilities were \$10.6 million and \$1.8 million, respectively. The net pension liability decreased by \$3.8 million and the total OPEB liability increased by \$228 thousand compared to the prior year.
- As of the close of the current fiscal year, the City reported unrestricted net position of \$11,002,456.
- Program revenues of \$23,016,032 reduced the net cost of the City’s functions to be financed from the City’s general revenues to \$29,516,915 .

**Overview of the Financial Statements**



This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The 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 includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Statements**

The government-wide financial statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City'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 – the accrual method rather than modified accrual that is used in the fund level statements.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or significant portion of their costs through user fees (business-type activities).

- Governmental activities – Most of the City's basic services are reported here including general government (mayor and council, city secretary, city manager, administrative services, human resources, and information technology); public safety (police and fire marshal); engineering (capital projects administration); public works (streets and drainage); community development (building inspection and planning and zoning); parks and recreation (parks, facility operations and community activities) and library. Interest payments on the City's debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines and permit fees finance most of the activities.
- Business-type activities – Services involving a fee for those services, which include the City's water and sewer system are reported here.

Component Units – activities include activities of the West Ranch Management District and Friendswood Downtown Economic Development Corporation.

**Fund Financial Statements**

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses two fund types – governmental and proprietary.

**CITY OF FRIENDSWOOD, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements with the exclusion of internal service fund activity. However, unlike the government-wide financial statements, governmental funds 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 the City's near-term financing requirements.

Because the focus of the 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, the reader may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Debt Service Fund, and Bond Construction Fund, which are considered to be major funds. The other ten funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in this report.

***Proprietary Funds***

The City maintains two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its operation in water distribution and wastewater collection/treatment along with its water and wastewater impact fees, and water construction projects. Management would note that trash collection services are provided by a third-party contract.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for fleet management services. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as RSI to demonstrate compliance with this budget. RSI can be found after the notes to the financial statements. The RSI also includes schedules related to the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining and individual nonmajor fund financial statements and budgetary schedules that further support the information in the financial statements are presented immediately following the required supplementary information.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$119,028,711 as of September 30, 2020 in the primary government, which is an increase in the City's overall financial position compared to the prior year.

The largest portion of the City's net position (85.1%) reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, construction in progress and water rights); less any debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City'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 resources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position.

|   | Governmental Activities |               | Business Type Activities |               | Totals         |                |
|---|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
|   | 2020                    | 2019          | 2020                     | 2019          | 2020           | 2019           |
| Current and other assets                        | \$ 26,111,095           | \$ 23,878,061 | \$ 33,820,399            | \$ 37,757,920 | \$ 59,931,494  | \$ 61,635,981  |
| Capital assets                                  | 105,843,302             | 98,039,901    | 62,204,855               | 59,766,588    | 168,048,157    | 157,806,489    |
| Total assets                                    | 131,954,397             | 121,917,962   | 96,025,254               | 97,524,508    | 227,979,651    | 219,442,470    |
| Deferred outflows of resources                  | 3,381,110               | 5,468,313     | 1,097,676                | 1,389,888     | 4,478,786      | 6,858,201      |
| Total assets and deferred outflows of resources | 135,335,507             | 127,386,275   | 97,122,930               | 98,914,396    | 232,458,437    | 226,300,671    |
| Long-term liabilities                           | 51,912,775              | 47,625,985    | 52,001,595               | 55,624,449    | 103,914,370    | 103,250,434    |
| Other Liabilities                               | 4,971,167               | 3,092,062     | 1,895,345                | 2,101,516     | 6,866,512      | 5,193,578      |
| Total Liabilities                               | 56,883,942              | 50,718,047    | 53,896,940               | 57,725,965    | 110,780,882    | 108,444,012    |
| Deferred inflows of resources                   | 2,290,897               | 439,425       | 357,947                  | 90,155        | 2,648,844      | 529,580        |
| Net position:                                   |                         |               |                          |               |                |                |
| Net investment in capital assets                | 68,990,597              | 66,823,023    | 32,242,803               | 27,038,046    | 101,233,400    | 93,861,069     |
| Restricted                                      | 4,606,124               | 4,003,468     | 2,186,731                | 1,982,666     | 6,792,855      | 5,986,134      |
| Unrestricted                                    | 2,563,947               | 5,402,312     | 8,438,509                | 12,077,564    | 11,002,456     | 17,479,876     |
| Total net position                              | \$ 76,160,668           | \$ 76,228,803 | \$ 42,868,043            | \$ 41,098,276 | \$ 119,028,711 | \$ 117,327,079 |

A portion of the primary government's net position, \$6,792,855 or 5.7%, represents resources that are subject to external restrictions on how they may be used. These restrictions include monies accounted for in special revenue funds for which the use is legally restricted and capital project funds. The remaining balance of unrestricted net position, \$11,002,456 or 9.2%, may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table provides a summary of the City's changes in net position.

|                                     | Governmental Activities |                      | Business Type Activities |                      | Totals                |                       |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                     | 2020                    | 2019                 | 2020                     | 2019                 | 2020                  | 2019                  |
| <b>Revenues</b>                     |                         |                      |                          |                      |                       |                       |
| Program Revenues:                   |                         |                      |                          |                      |                       |                       |
| Charges for services                | \$ 2,215,721            | \$ 2,147,633         | \$ 16,638,758            | \$ 13,669,552        | \$ 18,854,479         | \$ 15,817,185         |
| Operating grants and contributions  | 3,430,645               | 1,842,704            | 22,602                   | -                    | 3,453,247             | 1,842,704             |
| Capital grants and contributions    | 708,306                 | -                    | -                        | -                    | 708,306               | -                     |
| General Revenues:                   |                         |                      |                          |                      |                       |                       |
| Property taxes                      | 18,731,549              | 18,111,247           | -                        | -                    | 18,731,549            | 18,111,247            |
| Sales and alcohol taxes             | 8,846,359               | 8,407,249            | -                        | -                    | 8,846,359             | 8,407,249             |
| Franchise taxes                     | 2,142,660               | 2,054,395            | -                        | -                    | 2,142,660             | 2,054,395             |
| Investment earnings                 | 880,606                 | 526,867              | 347,518                  | 681,288              | 1,228,124             | 1,208,155             |
| Miscellaneous                       | 269,855                 | 351,165              | -                        | -                    | 269,855               | 351,165               |
| <b>Total revenues</b>               | <b>37,225,701</b>       | <b>33,441,260</b>    | <b>17,008,878</b>        | <b>14,350,840</b>    | <b>54,234,579</b>     | <b>47,792,100</b>     |
| <b>Expenses</b>                     |                         |                      |                          |                      |                       |                       |
| General government                  | 6,119,806               | 5,912,467            | -                        | -                    | 6,119,806             | 5,912,467             |
| Public safety                       | 15,501,734              | 15,134,465           | -                        | -                    | 15,501,734            | 15,134,465            |
| Public works                        | 8,840,113               | 7,897,373            | -                        | -                    | 8,840,113             | 7,897,373             |
| Engineering                         | 434,976                 | -                    | -                        | -                    | 434,976               | -                     |
| Community development               | 1,122,506               | 1,359,878            | -                        | -                    | 1,122,506             | 1,359,878             |
| Parks and recreation                | 4,439,511               | 4,839,076            | -                        | -                    | 4,439,511             | 4,839,076             |
| Library services                    | 1,214,130               | 1,257,970            | -                        | -                    | 1,214,130             | 1,257,970             |
| Water and sewer                     | -                       | -                    | 12,071,159               | 11,507,880           | 12,071,159            | 11,507,880            |
| Interest on long-term debt          | 1,055,889               | 923,350              | 1,733,123                | 1,579,182            | 2,789,012             | 2,502,532             |
| <b>Total Expenses</b>               | <b>38,728,665</b>       | <b>37,324,579</b>    | <b>13,804,282</b>        | <b>13,087,062</b>    | <b>52,532,947</b>     | <b>50,411,641</b>     |
| Increase (decrease) in net position |                         |                      |                          |                      |                       |                       |
| before transfers                    | (1,502,964)             | (3,883,319)          | 3,204,596                | 1,263,778            | 1,701,632             | (2,619,541)           |
| Transfers                           | 1,434,829               | 1,456,690            | (1,434,829)              | (1,456,690)          | -                     | -                     |
| Change in net position              | (68,135)                | (2,426,629)          | 1,769,767                | (192,912)            | 1,701,632             | (2,619,541)           |
| <b>Net position - beginning</b>     | <b>76,228,803</b>       | <b>78,655,432</b>    | <b>41,098,276</b>        | <b>41,291,188</b>    | <b>117,327,079</b>    | <b>119,946,620</b>    |
| <b>Net position - ending</b>        | <b>\$ 76,160,668</b>    | <b>\$ 76,228,803</b> | <b>\$ 42,868,043</b>     | <b>\$ 41,098,276</b> | <b>\$ 119,028,711</b> | <b>\$ 117,327,079</b> |

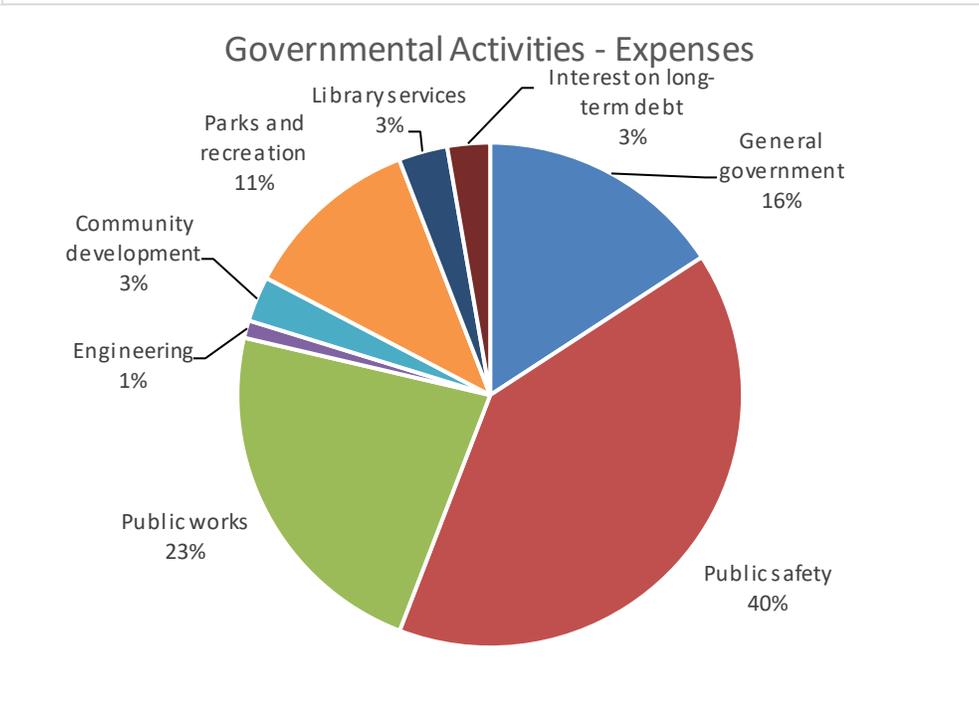
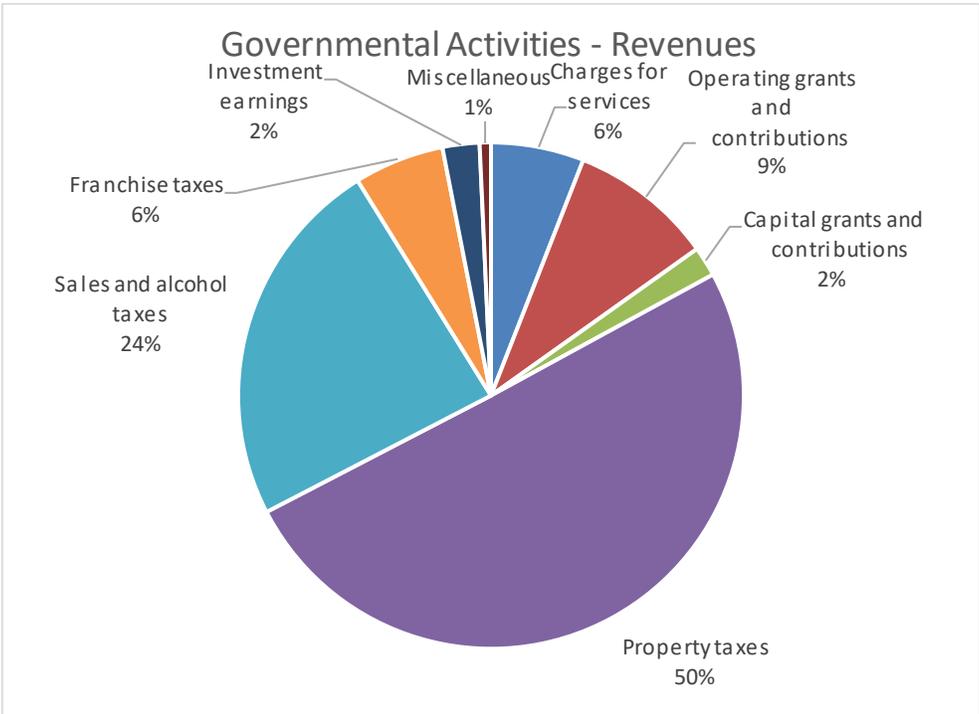
**Governmental Activities**

Governmental activities decreased the City's net position by \$68,135. Key elements of this change are as follows:

- Property taxes continue to be the City's largest revenue source. Property tax revenue increased by \$620,302 due to increase in taxable values as well as new construction with the City.
- Sales and alcohol tax revenue remained strong during fiscal year 2020, providing a 5.22% increase for the year, from \$8.4 million to \$8.8 million. This increase is primarily a result of new businesses opening during the fiscal year which includes several fast food establishments.
- Operating grants and contributions increased \$1.6 million from prior year. This increase is primarily a result of the City being awarded \$1.9 million in Coronavirus, Aid, Relief and Economic Security Act (CARES Act) funds. This increase is offset by a \$0.5 million decrease in Hurricane Harvey funds.
- Capital grants and contributions increased \$708,306 as a result of the City receiving Hazard Mitigation Grant Program funds in the current year for the acquisition and demolition of flood-prone properties.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

- Total expenses increased \$1.4 million from the prior year. The largest increase was in Public Works expenses of \$0.9 million related to capital asset improvements. Public Safety expenses increased \$0.4 million as a result of expenses incurred due to the COVID-19 pandemic. Also, in the current year, an Engineering department was established to handle the administration of capital projects which accounted for an increase of approximately \$0.4 million in expenses. These increases were offset by a decrease in Parks and Recreation expenses of \$0.4 million due to the cancellation of events and programs due to the COVID-19 pandemic.

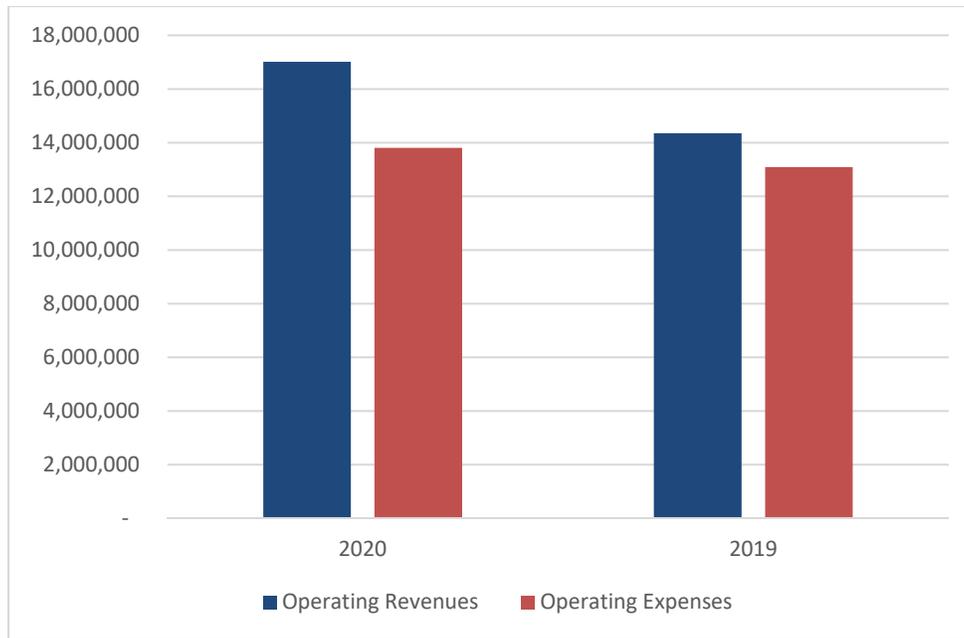


**CITY OF FRIENDSWOOD, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Business-Type Activities**

Business-type activities increased the City's net position by \$1,769,767. Key elements of this change are as follows:

- Revenues increased by \$2.7 million or 18.5% resulting from an increase in utility rates. Expenses increased \$0.7 million or 5.5% due to the additional amounts paid to the City of Houston for true up costs related to the capital improvements at the Southeast Water Purification Plant.



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$19,813,534. Approximately 58.28% of this amount or \$11,547,316 is unassigned fund balance; however, \$6.9 million is set aside for the 90-day operating reserve, as set forth in the City's financial policies.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The remaining \$8,266,218 is nonspendable, restricted, or assigned as follows:

|  |    |                  |
|--|----|------------------|
| 1.35% - Nonspendable                     |    |                  |
| Prepaid items                            | \$ | 172,721          |
| Notes receivable                         |    | 83,075           |
| Permanent fund                           |    | 11,070           |
| Total Nonspendable                       | \$ | <u>266,866</u>   |
| <br>                                     |    |                  |
| 27.29% - Restricted                      |    |                  |
| Public education and government channels | \$ | 650,424          |
| Debt service                             |    | 31,909           |
| Municipal court operations               |    | 235,123          |
| Public safety operations                 |    | 962,163          |
| Capital projects                         |    | 3,527,988        |
| Total Restricted                         | \$ | <u>5,407,607</u> |
| <br>                                     |    |                  |
| 13.08% - Assigned                        |    |                  |
| Purchases on order                       | \$ | 417,134          |
| Capital projects                         |    | 2,174,611        |
| Total Assigned                           | \$ | <u>2,591,745</u> |

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$16.9 million of which unassigned fund balance of the General Fund was \$13.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 44.6% of total General Fund expenditures, while total fund balance represents 56.2% percent of that same amount. At year end, the City's operating reserve was \$6.9 million, representing 25% of total General Fund expenditures, excluding capital expenditures.

Key differences between last year's General Fund activity and this year's include:

- \$2.4 million increase in total revenues – This increase is primarily related to \$1.9 million in CARES Act funds received in the current year. In addition, property tax revenue increased \$0.8 million due to increased property tax values and new construction in the City and a \$0.4 million increase in sales tax revenue due to new businesses opening within the City.
- \$0.5 million increase in total expenditures – Most of the fluctuations between the current year and prior year can be attributed to the COVID-19 pandemic. Public Safety expenditures increased \$0.8 million primarily due to expenditures incurred in order to respond to the public health emergency. However, Parks and Recreation expenditures decreased \$0.4 million as a result of programs and events being cancelled due to the virus.

The Debt Service Fund had a total fund balance of \$31,909 at the end of the fiscal year, all of which is restricted for the payment of debt service. The net decrease in fund balance during the year was \$25,100.

The fund balance of the Bond Construction Fund was \$2,881,036, an increase of \$602,374 compared to the prior year. The increase was a result of the issuance of debt for capital projects, offset by the costs incurred on those projects during the fiscal year.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Other non-major governmental funds fund balance decreased by \$3.2 million. This decrease is primarily a result of a decrease of \$2.2 million in the Street Improvement fund and \$1.7 million of expenditures that are pending grant approval as of September 30, 2020. These decreases are offset by an increase of \$0.8 million in the Fire/EMS Donation Fund. In 2020, the Friendswood Volunteer Fire Department returned to the City \$500,000 from previous years' donations so that the City could maintain its Capital Asset Replacement Plan going forward.

**Proprietary Funds**

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net position was \$8.4 million for the Water and Sewer Fund. The total increase in the net position of the Water and Sewer Fund was \$1,769,767. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Unrestricted net position of the Internal Service Fund was \$923,812. The net position of the Internal Service Fund increased by \$451,674 resulting from lease revenue from the City's participating funds.

**General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. Budgeted revenues increased by \$59,455 or 0.21% and expenditures were increased by \$3,259,639 or 10.82%.

Total revenues were above budget by \$1,915,889. The more significant variances are detailed below:

- \$607,963 below budget in property taxes due to the impact of tax year 2019 protest and freeze ceiling property value.
- \$443,352 above budget in sales and alcohol taxes due to the opening of new businesses during the fiscal year which included several fast food establishments.
- \$237,119 below budget in permits and fees as a result of a decrease in residential growth.
- \$2,377,534 above budget in intergovernmental revenue primarily as a result of federal funds received from the CARES Act and from FEMA for Hurricane Harvey.

Total expenditures of the General Fund were \$3,372,650 below the final expenditure budget. The more significant variances are detailed below:

- \$538,328 below budget in general government expenditures as a result of a decrease in other services and charges (legal, contract, consulting, etc.)
- \$252,124 below budget in public safety as a result of decreased personnel expenditures.
- \$239,835 below budget in public works due to personnel vacancies and a decrease in streets and drainage repairs and maintenance.
- \$668,191 below budget in parks and recreation due to the cancellation of programs and events (i.e. July 4th celebration and summer day camp program) due to the COVID-19 pandemic, and a decrease in personnel costs in park operations and a decrease in other services and charges in facility operations.
- \$1,492,341 below budget in capital improvements due to projects either not being started or completed in the current fiscal year. These projects are primarily related to streets.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets**

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2020 is \$168.0 million. The investment in capital assets include land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, water rights and construction in progress.

Major capital events during the year included the following:

- Business-type improvements include the Blackhawk Wastewater Treatment Plant 3<sup>rd</sup> Clarifier, Water Distribution Line on Beamer Road, Portable Generators, and a Load Bank. The total cost of these projects was \$6.16 million. Of this amount, \$6.2 million was costs incurred in prior years and was reclassified in the current fiscal year to water and sewer improvements.
- The City purchased six buyout properties using grant funding. The total cost of these properties was \$2.59 million.
- Heavy equipment purchases included: Spartan fire truck, sewer vacuum truck, street sweeper, two new EMS ambulances, and a skid steer track loader. The total cost of these assets was \$1.64 million.
- San Joaquin Bridge was rehabilitated and the driveway at the Animal Control building was reconstructed. The total cost for both projects was \$301,822.
- Technology additions and improvements included conference room upgrades, council chamber upgrades, weather & flood gauges, toughbooks, a plotter, and other various digital improvements throughout City facilities. The total cost for these projects was approximately \$505,917.
- The City purchased 15 new vehicles and 1 new trailer. Public Safety received 14 of the new vehicles for a total cost of \$440,425. Community Development purchased a new vehicle with a cost of \$24,786. The Public Works department purchased the trailer for a total cost of \$6,525.
- The Public Safety department also gained a new K-9 officer named Rick. The cost for the service animal was \$14,500.
- City Parks received improvements of a Boat Ramp at 1776 Park and a new Gate and Fence at Old City Park. The total for these projects was \$50,000.
- The following major projects are in Construction in Progress at the end of fiscal year 2020: Blackhawk Boulevard Phase II, Monument Sign at the Dog Park, Imperial Estates Inline Detention Pond, Friendswood Lakes Boulevard, a Fiber Optic connection project, the relocation of the Disc Golf Course, Lift Station #23 Replacement, 42" Southeast Transmission Water Line, Lift Station Mitigation Program, and a Sanitary Sewer Assessment – Phase V & VI.

|                            | Governmental Activities |                      | Business-type Activities |                      | Totals                |                       |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                            | 2020                    | 2019                 | 2020                     | 2019                 | 2020                  | 2019                  |
| Land                       | \$ 28,344,769           | \$ 25,759,306        | \$ 319,473               | \$ 319,473           | \$ 28,664,242         | \$ 26,078,779         |
| Buildings and improvements | 21,644,179              | 23,351,127           | 358,363                  | 378,120              | 22,002,542            | 23,729,247            |
| Machinery and equipment    | 6,503,500               | 4,884,383            | 2,600,356                | 2,686,808            | 9,103,856             | 7,571,191             |
| Infrastructure             | 38,014,849              | 40,295,186           | 34,251,770               | 29,883,125           | 72,266,619            | 70,178,311            |
| Water rights               | -                       | -                    | 19,716,695               | 19,716,695           | 19,716,695            | 19,716,695            |
| Construction in progress   | 11,336,005              | 3,749,899            | 4,958,198                | 6,782,367            | 16,294,203            | 10,532,266            |
|                            | <u>\$ 105,843,302</u>   | <u>\$ 98,039,901</u> | <u>\$ 62,204,855</u>     | <u>\$ 59,766,588</u> | <u>\$ 168,048,157</u> | <u>\$ 157,806,489</u> |

More detailed information on the City's capital assets is presented in Note 4 to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Debt Administration**

At the end of the current fiscal year, the City had a total bonded debt, premiums and capital lease obligation of \$90.6 million.

|                          | Governmental Activities |                      | Business-type Activities |                      | Totals               |                      |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                          | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| General obligation bonds | \$ 35,390,000           | \$ 29,730,000        | \$ 22,380,000            | \$ 24,440,000        | \$ 57,770,000        | \$ 54,170,000        |
| Revenue bonds            | -                       | -                    | 24,325,000               | 25,230,000           | 24,325,000           | 25,230,000           |
| Premium on bond issuance | 2,668,822               | 2,293,508            | 3,920,243                | 4,215,083            | 6,589,065            | 6,508,591            |
| Capital leases           | 1,861,762               | 436,620              | -                        | -                    | 1,861,762            | 436,620              |
|                          | <u>\$ 39,920,584</u>    | <u>\$ 32,460,128</u> | <u>\$ 50,625,243</u>     | <u>\$ 53,885,083</u> | <u>\$ 90,545,827</u> | <u>\$ 86,345,211</u> |

The City's General Obligation and Revenue Bonds bond ratings are listed below:

|                          |                                  |
|--------------------------|----------------------------------|
|                          | <u>Standard<br/>&amp; Poor's</u> |
| General Obligation Bonds | AA+                              |
| Revenues Bonds           | AA-                              |

More detailed information about the City's outstanding debt can be found in Note 5 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Friendswood continues to experience moderate growth. The City's current population is estimated to be 41,637. Friendswood is expected to reach build out with an estimated population of 58,012. The City is continuing to focus on economic development initiatives, including the revitalization of downtown and a large residential and commercial development called West Ranch. The West ranch residential development is currently under way, with commercial construction scheduled to follow as the area's residential population grows.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The City's 2020-2021 budget was adopted with revenues and expenditures based on a tax rate of \$0.497314 per \$100 taxable value. However, the City Council voted to approve a rate of \$0.487314 per \$100 taxable value and the budget was subsequently amended. This rate consists of a maintenance and operation (M&O) tax rate of \$0.3921 and an interest and sinking (debt service) tax rate of \$0.0952. The rate was set based on a net assessed value of \$3,918,863,732. This is an increase of \$246,671,741 from certified taxable values for tax year 2019. The City's financial management policy sets the guideline to maintain the fund balance and net position of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City second largest source of revenue in the General Fund is sales tax. The City anticipates an increase in this revenue stream from the prior year and has adjusted the budget from \$6,597,532 to \$7,261,012. The franchise fees budget decreased from \$2,155,318 to \$2,101,190 and the budget for license and permits has been increased from \$857,216 to \$874,049. If all projections are accurate, the total General Fund unassigned fund balance net of the 90-day operating requirement (\$6.9 million) is estimated to be approximately \$6.0 million at September 30, 2021. Water revenues are budgeted at \$8,227,489 which is a decrease of \$843,394 in revenues, or 9.30 percent. Sewer revenues are budgeted at \$7,499,460 which is an increase of \$962,707 or 14.73 percent. Water and Sewer Fund working capital, net of the 90-day operating requirement (\$2.5 million) is projected to be (\$0.8) million at the end of fiscal year 2021.

**CITY OF FRIENDSWOOD, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

Pursuant to the City's financial management policy, funds in excess of the 90-day operating reserve are designated for future capital improvements.

***Requests for Information***

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finance and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Administrative Services, P.O. Box 1288, Friendswood, Texas 77549-1288, or call Katina Hampton at 281-996-3221, or email [khampton@friendswood.com](mailto:khampton@friendswood.com).

Separately issued financial statements for the West Ranch Management District can be obtained by writing to: West Ranch Management District, a Component Unity of the City of Friendswood, c/o Allen Boone Humphries LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

|  | Primary Government      |                          |                       | Component Units                |                          |
|--|-------------------------|--------------------------|-----------------------|--------------------------------|--------------------------|
|  | Governmental Activities | Business-type Activities | Total                 | West Ranch Management District | Friendswood Downtown EDC |
| <b>Assets</b>  |                         |                          |                       |                                |                          |
| Cash and cash equivalents                              | \$ 2,697,965            | \$ 1,374,577             | \$ 4,072,542          | \$ 1,642,649                   | \$ 214,172               |
| Investments  | 18,180,353              | 8,351,538                | 26,531,891            | 3,052,345                      | 1,302,053                |
| Receivables, net of allowances                         |                         |                          |                       |                                |                          |
| Taxes  | 2,445,410               | -                        | 2,445,410             | 17,996                         | 102,244                  |
| Customer accounts                                      | 394,723                 | 3,561,441                | 3,956,164             | -                              | -                        |
| Other  | 336,935                 | -                        | 336,935               | -                              | -                        |
| Accrued interest                                       | 35,172                  | 17,591                   | 52,763                | 19                             | 2,320                    |
| Due from other governments                             | 1,847,816               | -                        | 1,847,816             | -                              | -                        |
| Prepaid items  | 172,721                 | 52,573                   | 225,294               | 309                            | -                        |
| Working capital deposit                                | -                       | 514,784                  | 514,784               | -                              | -                        |
| Restricted cash equivalents                            | -                       | 19,947,895               | 19,947,895            | -                              | -                        |
| <b>Capital Assets:</b>                                 |                         |                          |                       |                                |                          |
| Non-depreciable  | 39,680,775              | 24,994,366               | 64,675,141            | 7,758,982                      | -                        |
| Depreciable, net                                       | 66,162,527              | 37,210,489               | 103,373,016           | 377,675                        | -                        |
| <b>Total Capital Assets</b>                            | <b>105,843,302</b>      | <b>62,204,855</b>        | <b>168,048,157</b>    | <b>8,136,657</b>               | <b>-</b>                 |
| <b>Total Assets</b>                                    | <b>131,954,397</b>      | <b>96,025,254</b>        | <b>227,979,651</b>    | <b>12,849,975</b>              | <b>1,620,789</b>         |
| <b>Deferred Outflows of Resources</b>                  |                         |                          |                       |                                |                          |
| Deferred loss on issuance of refunding bonds           | 261,845                 | 715,296                  | 977,141               | 314,908                        | -                        |
| Deferred outflow of resources for pensions             | 2,856,333               | 350,148                  | 3,206,481             | -                              | -                        |
| Deferred outflow of resources for OPEB                 | 262,932                 | 32,232                   | 295,164               | -                              | -                        |
| <b>Total Deferred Outflows of Resources</b>            | <b>3,381,110</b>        | <b>1,097,676</b>         | <b>4,478,786</b>      | <b>314,908</b>                 | <b>-</b>                 |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>135,335,507</b>      | <b>97,122,930</b>        | <b>232,458,437</b>    | <b>13,164,883</b>              | <b>1,620,789</b>         |
| <b>Liabilities</b>                                     |                         |                          |                       |                                |                          |
| Accounts payable                                       | 3,516,915               | 780,270                  | 4,297,185             | 33,102                         | -                        |
| Accrued liabilities                                    | 911,606                 | 82,017                   | 993,623               | -                              | -                        |
| Retainage payable                                      | 290,164                 | 66,898                   | 357,062               | -                              | -                        |
| Accrued interest                                       | 99,152                  | 158,221                  | 257,373               | 221,455                        | -                        |
| Unearned revenue                                       | -                       | 264,473                  | 264,473               | -                              | -                        |
| Customer deposits                                      | -                       | 543,466                  | 543,466               | -                              | -                        |
| Due to other governments                               | 153,330                 | -                        | 153,330               | -                              | -                        |
| Noncurrent liabilities:                                |                         |                          |                       |                                |                          |
| Due within one year                                    | 2,726,220               | 3,037,153                | 5,763,373             | 850,000                        | -                        |
| Due in more than one year                              | 38,046,953              | 47,698,857               | 85,745,810            | 21,948,405                     | -                        |
| Net pension liability                                  | 9,552,759               | 1,027,757                | 10,580,516            | -                              | -                        |
| Total OPEB liability                                   | 1,586,843               | 237,828                  | 1,824,671             | -                              | -                        |
| <b>Total Liabilities</b>                               | <b>56,883,942</b>       | <b>53,896,940</b>        | <b>110,780,882</b>    | <b>23,052,962</b>              | <b>-</b>                 |
| <b>Deferred Inflows of Resources</b>                   |                         |                          |                       |                                |                          |
| Deferred gain on issuance of refunding bonds           | 64,401                  | 33,356                   | 97,757                | -                              | -                        |
| Deferred Inflows of resources for pensions             | 1,998,994               | 297,136                  | 2,296,130             | -                              | -                        |
| Deferred Inflows of resources for OPEB                 | 227,502                 | 27,455                   | 254,957               | -                              | -                        |
| <b>Total Deferred Inflows of Resources</b>             | <b>2,290,897</b>        | <b>357,947</b>           | <b>2,648,844</b>      | <b>-</b>                       | <b>-</b>                 |
| <b>Net Position</b>                                    |                         |                          |                       |                                |                          |
| Net investment in capital assets                       | 68,990,597              | 32,242,803               | 101,233,400           | 2,566,694                      | -                        |
| Restricted for:  |                         |                          |                       |                                |                          |
| Public education and government channels               | 650,424                 | -                        | 650,424               | -                              | -                        |
| Debt service   | -                       | 2,066,530                | 2,066,530             | 2,003,813                      | -                        |
| Municipal court operations                             | 235,123                 | -                        | 235,123               | -                              | -                        |
| Economic development                                   | -                       | -                        | -                     | -                              | 1,620,789                |
| Public safety  | 962,163                 | -                        | 962,163               | -                              | -                        |
| Community development - nonexpendable                  | 11,070                  | -                        | 11,070                | -                              | -                        |
| Capital projects                                       | 2,747,344               | 120,201                  | 2,867,545             | 53,969                         | -                        |
| Unrestricted   | 2,563,947               | 8,438,509                | 11,002,456            | (14,512,555)                   | -                        |
| <b>Total Net Position</b>                              | <b>\$ 76,160,668</b>    | <b>\$ 42,868,043</b>     | <b>\$ 119,028,711</b> | <b>\$ (9,888,079)</b>          | <b>\$ 1,620,789</b>      |

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2020*

| Functions/Programs                    | Expenses            | Program Revenues     |                                    |                                  |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government</b>             |                     |                      |                                    |                                  |
| <b>Governmental Activities:</b>       |                     |                      |                                    |                                  |
| General government                    | \$ 6,119,806        | \$ 930,686           | \$ 16,000                          | \$ -                             |
| Public safety                         | 15,501,734          | 871,714              | 3,398,685                          | 30,487                           |
| Public works                          | 8,840,113           | 222,337              | -                                  | 677,819                          |
| Engineering                           | 434,976             | -                    | -                                  | -                                |
| Community development                 | 1,122,506           | 9,275                | -                                  | -                                |
| Parks and recreation                  | 4,439,511           | 181,709              | 15,960                             | -                                |
| Library services                      | 1,214,130           | -                    | -                                  | -                                |
| Interest on long-term debt            | 1,055,889           | -                    | -                                  | -                                |
| <b>Total Governmental Activities</b>  | <b>38,728,665</b>   | <b>2,215,721</b>     | <b>3,430,645</b>                   | <b>708,306</b>                   |
| <b>Business-type Activities:</b>      |                     |                      |                                    |                                  |
| Water and sewer                       | 13,804,282          | 16,638,758           | 22,602                             | -                                |
| <b>Total Business-type Activities</b> | <b>13,804,282</b>   | <b>16,638,758</b>    | <b>22,602</b>                      | <b>-</b>                         |
| <b>Total Primary Government</b>       | <b>52,532,947</b>   | <b>18,854,479</b>    | <b>3,453,247</b>                   | <b>708,306</b>                   |
| <b>Component Units</b>                |                     |                      |                                    |                                  |
| West Ranch Management District        | 1,668,164           | -                    | -                                  | -                                |
| Friendswood Downtown EDC              | 19,780              | -                    | -                                  | -                                |
| <b>Total Component Units</b>          | <b>\$ 1,687,944</b> | <b>\$ -</b>          | <b>\$ -</b>                        | <b>\$ -</b>                      |

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2020

| Functions/Programs                          | Net (Expense) Revenue and Changes in Net Position |                          |                       |                                |                          |
|---|---|--------------------------|-----------------------|--------------------------------|--------------------------|
|   | Primary Government                                |                          |                       | Component Units                |                          |
|   | Governmental Activities                           | Business-type Activities | Total                 | West Ranch Management District | Friendswood Downtown EDC |
| <b>Primary government</b>                   |   |                          |                       |                                |                          |
| <b>Governmental Activities:</b>             |   |                          |                       |                                |                          |
| General government                          | \$ (5,173,120)                                    | \$ -                     | \$ (5,173,120)        | \$ -                           | \$ -                     |
| Public safety                               | (11,200,848)                                      | -                        | (11,200,848)          | -                              | -                        |
| Public works                                | (7,939,957)                                       | -                        | (7,939,957)           | -                              | -                        |
| Engineering                                 | (434,976)   | -                        | (434,976)             | -                              | -                        |
| Community development                       | (1,113,231)                                       | -                        | (1,113,231)           | -                              | -                        |
| Parks and recreation                        | (4,241,842)                                       | -                        | (4,241,842)           | -                              | -                        |
| Library services                            | (1,214,130)                                       | -                        | (1,214,130)           | -                              | -                        |
| Interest on long-term debt                  | (1,055,889)                                       | -                        | (1,055,889)           | -                              | -                        |
| <b>Total Governmental Activities</b>        | <b>(32,373,993)</b>                               | <b>-</b>                 | <b>(32,373,993)</b>   | <b>-</b>                       | <b>-</b>                 |
| <b>Business-type Activities:</b>            |   |                          |                       |                                |                          |
| Water and sewer                             | -   | 2,857,078                | 2,857,078             | -                              | -                        |
| <b>Total Business-type Activities</b>       | <b>-</b>  | <b>2,857,078</b>         | <b>2,857,078</b>      | <b>-</b>                       | <b>-</b>                 |
| <b>Total Primary Government</b>             | <b>(32,373,993)</b>                               | <b>2,857,078</b>         | <b>(29,516,915)</b>   | <b>-</b>                       | <b>-</b>                 |
| <b>Component Units</b>                      |   |                          |                       |                                |                          |
| West Ranch Management District              |   |                          |                       | (1,668,164)                    | -                        |
| Friendswood Downtown EDC                    |   |                          |                       | -                              | (19,780)                 |
| <b>Total Component Units</b>                |   |                          |                       | <b>(1,668,164)</b>             | <b>(19,780)</b>          |
| <b>General revenues:</b>                    |   |                          |                       |                                |                          |
| Taxes:                                      |   |                          |                       |                                |                          |
| Property taxes                              | 18,731,549  | -                        | 18,731,549            | 2,637,632                      | -                        |
| Franchise and other taxes                   | 2,142,660   | -                        | 2,142,660             | -                              | -                        |
| Sales taxes                                 | 8,846,359   | -                        | 8,846,359             | -                              | 583,075                  |
| Interest                                    | 880,606   | 347,518                  | 1,228,124             | 35,613                         | -                        |
| Gain on disposal of capital assets          | -   | -                        | -                     | -                              | 13,679                   |
| Miscellaneous                               | 269,855   | -                        | 269,855               | -                              | -                        |
| Transfers                                   | 1,434,829   | (1,434,829)              | -                     | -                              | -                        |
| <b>Total general revenues and transfers</b> | <b>32,305,858</b>                                 | <b>(1,087,311)</b>       | <b>31,218,547</b>     | <b>2,673,245</b>               | <b>596,754</b>           |
| Change in net position                      | (68,135)  | 1,769,767                | 1,701,632             | 1,005,081                      | 576,974                  |
| <b>Net Position - beginning</b>             | <b>76,228,803</b>                                 | <b>41,098,276</b>        | <b>117,327,079</b>    | <b>(10,893,160)</b>            | <b>1,043,815</b>         |
| <b>Net Position - ending</b>                | <b>\$ 76,160,668</b>                              | <b>\$ 42,868,043</b>     | <b>\$ 119,028,711</b> | <b>\$ (9,888,079)</b>          | <b>\$ 1,620,789</b>      |

**CITY OF FRIENDSWOOD, TEXAS**

**BALANCE SHEET**

September 30, 2020

|  | <u>General Fund</u>  | <u>Debt Service<br/>Fund</u> | <u>Bond<br/>Construction</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|------------------------------|------------------------------|--|---|
| <b>Assets</b>  |                      |                              |                              |  |   |
| Cash and cash equivalents  | \$ 1,997,862         | \$ 4,046                     | \$ 42,377                    | \$ 523,381   | \$ 2,567,666                            |
| Investments  | 10,840,098           | 24,598                       | 3,344,981                    | 3,178,522  | 17,388,199                              |
| Receivables, net of allowance:   |                      |                              |                              |  |   |
| Taxes receivables  | 2,088,159            | 50,519                       | -                            | 306,732  | 2,445,410                               |
| Customer accounts  | 392,170              | -                            | -                            | 2,553  | 394,723                                 |
| Other receivables  | 333,362              | -                            | -                            | 3,573  | 336,935                                 |
| Accrued interest   | 26,953               | 1,012                        | -                            | 5,848  | 33,813                                  |
| Due from other funds   | 2,629,589            | -                            | -                            | -  | 2,629,589                               |
| Due from other governments   | 1,629,596            | -                            | -                            | -  | 1,629,596                               |
| Prepaid items  | 172,721              | -                            | -                            | 218,220  | 390,941                                 |
| <b>Total Assets</b>  | <u>\$ 20,110,510</u> | <u>\$ 80,175</u>             | <u>\$ 3,387,358</u>          | <u>\$ 4,238,829</u>                                  | <u>\$ 27,816,872</u>                    |
| <b>Liabilities, Deferred Inflows and Fund Balances</b>                     |                      |                              |                              |  |   |
| <b>Liabilities:</b>  |                      |                              |                              |  |   |
| Accounts payable   | \$ 1,909,085         | \$ -                         | \$ 95,378                    | \$ 1,697,702   | \$ 3,702,165                            |
| Accrued liabilities  | 720,916              | -                            | -                            | -  | 720,916                                 |
| Due to other governments   | 153,330              | -                            | -                            | -  | 153,330                                 |
| Customer deposits  | 5,440                | -                            | -                            | -  | 5,440                                   |
| Retainage payable  | -                    | -                            | 110,944                      | 179,220  | 290,164                                 |
| Due to other funds   | -                    | -                            | 300,000                      | 2,329,589  | 2,629,589                               |
| <b>Total Liabilities</b>   | <u>2,788,771</u>     | <u>-</u>                     | <u>506,322</u>               | <u>4,206,511</u>                                     | <u>7,501,604</u>                        |
| <b>Deferred Inflows of Resources:</b>                                      |                      |                              |                              |  |   |
| Unavailable revenue  | 449,715              | 48,266                       | -                            | 3,753  | 501,734                                 |
| <b>Total Deferred Inflows of resources</b>                                 | <u>449,715</u>       | <u>48,266</u>                | <u>-</u>                     | <u>3,753</u>   | <u>501,734</u>                          |
| <b>Fund Balances:</b>  |                      |                              |                              |  |   |
| <b>Nonspendable:</b>   |                      |                              |                              |  |   |
| Prepaid items  | 172,721              | -                            | -                            | -  | 172,721                                 |
| Notes receivable   | 83,075               | -                            | -                            | -  | 83,075                                  |
| Permanent fund   | -                    | -                            | -                            | 11,070   | 11,070                                  |
| <b>Restricted:</b>   |                      |                              |                              |  |   |
| Public education and government channels                                   | 650,424              | -                            | -                            | -  | 650,424                                 |
| Municipal court operations   | -                    | -                            | -                            | 235,123  | 235,123                                 |
| Debt service   | -                    | 31,909                       | -                            | -  | 31,909                                  |
| Public safety  | -                    | -                            | -                            | 962,163  | 962,163                                 |
| Capital projects   | -                    | -                            | 2,881,036                    | 646,952  | 3,527,988                               |
| <b>Assigned:</b>   |                      |                              |                              |  |   |
| Purchases on order   | 417,134              | -                            | -                            | -  | 417,134                                 |
| Capital projects   | 2,174,611            | -                            | -                            | -  | 2,174,611                               |
| <b>Unassigned</b>  | 13,374,059           | -                            | -                            | (1,826,743)  | 11,547,316                              |
| <b>Total Fund Balances</b>   | <u>16,872,024</u>    | <u>31,909</u>                | <u>2,881,036</u>             | <u>28,565</u>  | <u>19,813,534</u>                       |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <u>\$ 20,110,510</u> | <u>\$ 80,175</u>             | <u>\$ 3,387,358</u>          | <u>\$ 4,238,829</u>                                  | <u>\$ 27,816,872</u>                    |

**CITY OF FRIENDSWOOD, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*September 30, 2020*

**Total fund balance, governmental funds** \$ 19,813,534

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 104,426,437

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 2,340,677

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

|  |              |
|--|--------------|
| Bonds and certificates of obligation payable | (35,390,000) |
| Capital leases payable                       | (1,861,762)  |
| Compensated absences                         | (852,589)    |
| Accrued interest payable                     | (99,152)     |
| Unamortized premium on bonds                 | (2,668,822)  |

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 501,734

|                            |          |
|----------------------------|----------|
| Deferred gain on refunding | (64,401) |
| Deferred loss on refunding | 261,845  |

Certain other long-term assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

|   |             |
|---|-------------|
| Net pension liability   | (9,552,759) |
| Total OPEB liability  | (1,586,843) |
| Deferred outflows and inflows of resources related to the net pension liability | 857,339     |
| Deferred outflows and inflows of resources related to the total OPEB liability  | 35,430      |

**Net Position of Governmental Activities in the Statement of Net Position** \$ 76,160,668

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2020**

|   | General Fund         | Debt Service Fund | Bond Construction   | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------|---------------------|-----------------------------------|--------------------------|
| <b>Revenues</b>   |                      |                   |                     |                                   |                          |
| Property taxes  | \$ 15,518,951        | \$ 3,204,801      | \$ -                | \$ -                              | \$ 18,723,752            |
| Sales taxes   | 7,097,134            | -                 | -                   | 1,749,225                         | 8,846,359                |
| Franchise fees and other                                  | 2,142,660            | -                 | -                   | -                                 | 2,142,660                |
| Fines and forfeitures                                     | 690,913              | -                 | -                   | 89,804                            | 780,717                  |
| Permits and fees  | 1,426,880            | -                 | -                   | 77,675                            | 1,504,555                |
| Intergovernmental   | 2,983,424            | -                 | -                   | 845,474                           | 3,828,898                |
| Investment earnings                                       | 197,606              | 9,293             | 23,567              | 43,939                            | 274,405                  |
| Donations   | 59,473               | -                 | -                   | 215,472                           | 274,945                  |
| Miscellaneous   | 112,876              | -                 | 8,397               | 598,448                           | 719,721                  |
| <b>Total Revenues</b>                                     | <u>30,229,917</u>    | <u>3,214,094</u>  | <u>31,964</u>       | <u>3,620,037</u>                  | <u>37,096,012</u>        |
| <b>Expenditures</b>                                       |                      |                   |                     |                                   |                          |
| <b>Current:</b>   |                      |                   |                     |                                   |                          |
| General government  | 5,649,705            | -                 | -                   | 40,723                            | 5,690,428                |
| Public safety   | 14,154,341           | -                 | -                   | 152,523                           | 14,306,864               |
| Public works  | 1,923,729            | -                 | 63,135              | 4,034,449                         | 6,021,313                |
| Engineering   | 434,976              | -                 | -                   | -                                 | 434,976                  |
| Community development                                     | 1,139,566            | -                 | -                   | -                                 | 1,139,566                |
| Parks and recreation                                      | 3,426,521            | -                 | -                   | -                                 | 3,426,521                |
| Library services  | 1,182,289            | -                 | -                   | -                                 | 1,182,289                |
| <b>Debt service:</b>                                      |                      |                   |                     |                                   |                          |
| Principal   | -                    | 2,221,257         | -                   | -                                 | 2,221,257                |
| Interest and other charges                                | -                    | 1,146,520         | 139,287             | -                                 | 1,285,807                |
| <b>Capital outlay</b>                                     | <u>2,094,024</u>     | <u>-</u>          | <u>7,313,288</u>    | <u>3,458,163</u>                  | <u>12,865,475</u>        |
| <b>Total Expenditures</b>                                 | <u>30,005,151</u>    | <u>3,367,777</u>  | <u>7,515,710</u>    | <u>7,685,858</u>                  | <u>48,574,496</u>        |
| Excess (deficiency) of revenues over (under) expenditures | <u>224,766</u>       | <u>(153,683)</u>  | <u>(7,483,746)</u>  | <u>(4,065,821)</u>                | <u>(11,478,484)</u>      |
| <b>Other Financing Sources (Uses)</b>                     |                      |                   |                     |                                   |                          |
| Issuance of refunding bonds                               | -                    | 2,065,000         | -                   | -                                 | 2,065,000                |
| Issuance of capital-related debt                          | -                    | -                 | 7,795,000           | -                                 | 7,795,000                |
| Issuance of capital leases                                | 1,019,000            | -                 | -                   | 772,015                           | 1,791,015                |
| Premium on bond issuance                                  | -                    | 343,348           | 410,492             | -                                 | 753,840                  |
| Insurance recoveries                                      | 8,548                | -                 | -                   | -                                 | 8,548                    |
| Transfers in  | 1,461,704            | 119,372           | -                   | 3,909                             | 1,584,985                |
| Transfers out   | (77,051)             | (26,875)          | (119,372)           | -                                 | (223,298)                |
| Sale of capital assets                                    | 11,568               | -                 | -                   | 61,000                            | 72,568                   |
| Payments to refunding bond escrow agent                   | -                    | (2,372,262)       | -                   | -                                 | (2,372,262)              |
| <b>Total Other Financing Sources (Uses)</b>               | <u>2,423,769</u>     | <u>128,583</u>    | <u>8,086,120</u>    | <u>836,924</u>                    | <u>11,475,396</u>        |
| Net change in fund balances                               | 2,648,535            | (25,100)          | 602,374             | (3,228,897)                       | (3,088)                  |
| <b>Fund balances - beginning</b>                          | <u>14,223,489</u>    | <u>57,009</u>     | <u>2,278,662</u>    | <u>3,257,462</u>                  | <u>19,816,622</u>        |
| <b>Fund balances - ending</b>                             | <u>\$ 16,872,024</u> | <u>\$ 31,909</u>  | <u>\$ 2,881,036</u> | <u>\$ 28,565</u>                  | <u>\$ 19,813,534</u>     |

**CITY OF FRIENDSWOOD, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

Net change in fund balances - total governmental funds: \$ (3,088)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

|                      |             |
|----------------------|-------------|
| Capital outlay       | 12,991,038  |
| Depreciation expense | (5,148,290) |

Governmental funds only report the proceeds from the disposal of capital assets and not the difference between the carrying value and the accumulated depreciation of the asset. This is the amount by which the carrying value exceeded the accumulated depreciation.

(8,904)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

|   |         |
|---|---------|
| Unavailable property tax revenue and other revenues | (2,660) |
|---|---------|

Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

|  |             |
|--|-------------|
| Debt service principal                                 | 2,221,257   |
| Payments to escrow agent for payment of refunded bonds | 2,372,262   |
| Proceeds from issuance of long-term debt               | (9,860,000) |
| Proceeds from capital leases                           | (1,791,015) |
| Premium from issuance of long-term debt                | (753,840)   |

Contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension/OBEB liability in the statement of net position. This amount is the difference between contributions and net pension/OPEB expense (revenue) for the current fiscal year.

|         |           |
|---------|-----------|
| Pension | (539,266) |
| OPEB    | (67,360)  |

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:

|   |          |
|---|----------|
| (Increase) decrease in accrued interest     | (14,436) |
| (Increase) decrease in compensated absences | (51,857) |
| Amortization of deferred loss on refunding  | (37,832) |
| Amortization of premium on bonds            | 282,570  |

Internal service fund is used by management to charge the cost of fleet management to individual funds. The change in net position of the internal service fund is included in the governmental activities in the statement of activities.

343,286

**Change in net position of governmental activities** \$ (68,135)

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
*September 30, 2020*

|  | <b>Business-Type<br/>Activities Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities</b> |
|--|---|------------------------------------|
|  | <b>Water and Sewer</b>                                  | <b>Internal Service</b>            |
| <b>Assets</b>  |   |                                    |
| <b>Current assets</b>                                      |   |                                    |
| Cash and cash equivalents                                  | \$ 1,374,577  | \$ 130,299                         |
| Investments  | 8,351,538   | 792,154                            |
| Accounts receivable, net of allowance:                     |   |                                    |
| Customer accounts  | 3,561,441   | -                                  |
| Accrued interest   | 17,591  | 1,359                              |
| Prepays and other assets                                   | 52,573  | -                                  |
| Restricted cash equivalents                                | 19,947,895  | -                                  |
| <b>Total current assets</b>                                | <b>33,305,615</b>                                       | <b>923,812</b>                     |
| <b>Non-current assets</b>                                  |   |                                    |
| Working capital deposit                                    | 514,784   | -                                  |
| <b>Capital assets:</b>                                     |   |                                    |
| Land   | 319,473   | -                                  |
| Construction in progress                                   | 4,958,198   | -                                  |
| Water rights   | 19,716,695  | -                                  |
| Buildings and improvements                                 | 683,906   | -                                  |
| Machinery and equipment                                    | 7,494,793   | 3,759,565                          |
| Water and sewer systems                                    | 69,779,545  | -                                  |
| Accumulated depreciation                                   | (40,747,755)  | (2,342,700)                        |
| <b>Total capital assets</b>                                | <b>62,204,855</b>                                       | <b>1,416,865</b>                   |
| <b>Total non-current assets</b>                            | <b>62,719,639</b>                                       | <b>1,416,865</b>                   |
| <b>Total Assets</b>  | <b>96,025,254</b>                                       | <b>2,340,677</b>                   |
| <b>Deferred Outflows of Resources</b>                      |   |                                    |
| Deferred outflows - pension related                        | 350,148   | -                                  |
| Deferred outflows - OPEB related                           | 32,232  | -                                  |
| Deferred loss on bond refunding                            | 715,296   | -                                  |
| <b>Total Deferred Outflows of Resources</b>                | <b>1,097,676</b>  | <b>-</b>                           |
| <b>Total Assets and Deferred<br/>Outflows of Resources</b> | <b>97,122,930</b>                                       | <b>2,340,677</b>                   |

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2020**

|  | <b>Business-Type<br/>Activities Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities</b> |
|--|---|------------------------------------|
|  | <b>Water and Sewer</b>                                  | <b>Internal Service</b>            |
| <b>Liabilities</b>   |   |                                    |
| <b>Current Liabilities</b>                                 |   |                                    |
| Accounts payable   | \$ 780,270  | \$ -                               |
| Accrued liabilities  | 82,017  | -                                  |
| Accrued interest   | 158,221   | -                                  |
| Unearned revenue   | 264,473   | -                                  |
| Customer deposits  | 543,466   | -                                  |
| Retainage payable  | 66,898  | -                                  |
| Compensated absences                                       | 22,153  | -                                  |
| Bonds and other long-term debt payable                     | 3,015,000   | -                                  |
| <b>Total Current Liabilities</b>                           | <b>4,932,498</b>  | <b>-</b>                           |
| <b>Non-current Liabilities</b>                             |   |                                    |
| Compensated absences                                       | 88,614  | -                                  |
| Net Pension liability                                      | 1,027,757   | -                                  |
| Total OPEB liability                                       | 237,828   | -                                  |
| Bonds and other long-term debt payable                     | 47,610,243  | -                                  |
| <b>Total Non-current Liabilities</b>                       | <b>48,964,442</b>                                       | <b>-</b>                           |
| <b>Total Liabilities</b>                                   | <b>53,896,940</b>                                       | <b>-</b>                           |
| <b>Deferred Inflows of Resources</b>                       |   |                                    |
| Deferred gain on issuance of refunding bonds               | 33,356  | -                                  |
| Deferred inflows - pension related                         | 297,136   | -                                  |
| Deferred inflows of resources for OPEB                     | 27,455  | -                                  |
| <b>Total Deferred Inflows of Resources</b>                 | <b>357,947</b>  | <b>-</b>                           |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | <b>54,254,887</b>                                       | <b>-</b>                           |
| <b>Net Position</b>  |   |                                    |
| Net investment in capital assets                           | 32,242,803  | 1,416,865                          |
| Restricted for capital projects                            | 120,201   | -                                  |
| Restricted for debt service                                | 2,066,530   | -                                  |
| Unrestricted   | 8,438,509   | 923,812                            |
| <b>Total Net Position</b>                                  | <b>\$ 42,868,043</b>                                    | <b>\$ 2,340,677</b>                |



**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2020*

|  | <b>Business-Type<br/>Activities<br/>Enterprise Fund</b> | <b>Governmental<br/>Activities</b> |
|--|---|------------------------------------|
|  | <b>Water and Sewer</b>                                  | <b>Internal Service</b>            |
| <b>Operating Revenues</b>                      |   |                                    |
| Charges for services                           | \$ 16,499,400   | \$ 691,404                         |
| Miscellaneous                                  | 139,358   | 166                                |
| <b>Total Operating Revenues</b>                | <u>16,638,758</u>                                       | <u>691,570</u>                     |
| <b>Operating Expenses</b>                      |   |                                    |
| Personnel services                             | 2,567,275   | -                                  |
| Sewer operations                               | 3,230,832   | -                                  |
| Water purchases                                | 2,649,339   | -                                  |
| Repairs and maintenance                        | 551,503   | -                                  |
| Supplies                                       | 104,804   | -                                  |
| Other services and charges                     | 947,214   | -                                  |
| Depreciation                                   | 2,016,896   | 348,284                            |
| <b>Total Operating Expenses</b>                | <u>12,067,863</u>                                       | <u>348,284</u>                     |
| Operating income                               | <u>4,570,895</u>  | <u>343,286</u>                     |
| <b>Non-Operating Revenues (Expenses)</b>       |   |                                    |
| Intergovernmental                              | 22,602  | -                                  |
| Investment income                              | 347,518   | 7,753                              |
| Gain on disposal of capital assets             | -   | 27,493                             |
| Interest expense                               | (1,736,419)   | -                                  |
| <b>Total Non-Operating Revenues (Expenses)</b> | <u>(1,366,299)</u>                                      | <u>35,246</u>                      |
| Income before transfers                        | 3,204,596   | 378,532                            |
| Transfers in                                   | 26,875  | 73,142                             |
| Transfers out                                  | (1,461,704)   | -                                  |
| Change in net position                         | 1,769,767   | 451,674                            |
| <b>Net position - beginning</b>                | <u>41,098,276</u>                                       | <u>1,889,003</u>                   |
| <b>Total Net Position - ending</b>             | <u>\$ 42,868,043</u>                                    | <u>\$ 2,340,677</u>                |

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2020*

|   | <b>Business-Type<br/>Activities<br/>Enterprise Fund<br/>Water and Sewer</b> | <b>Governmental<br/>Activities<br/>Internal Service</b> |
|---|---|---|
| <b>Cash flows from operating activities</b>                                 |   |   |
| Cash received from customers  | \$ 16,302,758   | \$ -  |
| Receipts from interfund charges for fleet management                        | -   | 691,570   |
| Cash payments to suppliers for goods and services                           | (7,537,284)   | (28,915)  |
| Cash payments to employees for services                                     | (2,928,706)   | -   |
| <b>Net cash provided (used) by operating activities</b>                     | <u>5,836,768</u>  | <u>662,655</u>  |
|   | -   | -   |
| <b>Cash flows from noncapital financing activities</b>                      |   |   |
| Transfer in from other funds  | 26,875  | 73,142  |
| Transfers out to other funds  | (1,461,704)   | -   |
| <b>Net cash provided (used) by noncapital financing activities</b>          | <u>(1,434,829)</u>  | <u>73,142</u>   |
| <b>Cash flows from capital and related financing activities</b>             |   |   |
| Acquisition and construction of property, plant and equipment               | (4,636,677)   | (426,950)   |
| Disposal of capital assets  | -   | 28,598  |
| Proceeds from issuance of bonds   | 605,000   | -   |
| Repayment of debt   | (3,570,000)   | -   |
| Interest paid on debt   | (1,743,572)   | -   |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>(9,345,249)</u>  | <u>(398,352)</u>  |
| <b>Cash flows from investing activities</b>                                 |   |   |
| Purchase of investments   | 1,089,203   | (277,161)   |
| Investment income   | 346,916   | 7,222   |
| <b>Net cash provided (used) by investing activities</b>                     | <u>1,436,119</u>  | <u>(269,939)</u>  |
| Net increase (decrease) in cash and cash equivalents                        | (3,507,191)   | 67,506  |
| <b>Cash and cash equivalents, beginning</b>                                 | <u>24,829,663</u>   | <u>62,793</u>   |
| <b>Cash and cash equivalents, ending</b>                                    | <u>\$ 21,322,472</u>  | <u>\$ 130,299</u>                                       |
| <b>Reconciliation of Total Cash and cash equivalents</b>                    |   |   |
| Current assets - cash and cash equivalents                                  | \$ 1,374,577  | \$ 130,299  |
| Restricted assets - cash and cash equivalents                               | 19,947,895  | -   |
|   | <u>\$ 21,322,472</u>  | <u>\$ 130,299</u>                                       |

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2020*

|  | <b>Business-type<br/>Activities -<br/>Enterprise Funds</b> | <b>Governmental<br/>Activities</b> |
|--|--|------------------------------------|
|  | <b><u>Water and Sewer</u></b>                              | <b><u>Internal Service</u></b>     |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |  |                                    |
| Operating income (loss)  | \$ 4,570,895   | \$ 343,286                         |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |  |                                    |
| Depreciation   | 2,016,896  | 348,284                            |
| Change in assets, deferred inflows and outflows, and liabilities:                              |  |                                    |
| Decrease (increase) in customer receivable   | (616,316)  | -                                  |
| Decrease (increase) in prepaids and other assets   | 8,081  | -                                  |
| Decrease (increase) in deferred outflow for pensions   | 216,722  | -                                  |
| Decrease (increase) in deferred outflow for OPEB   | (20,819)   | -                                  |
| Increase (decrease) in accounts payable  | (291,816)  | (28,915)                           |
| Increase (decrease) in accrued liabilities   | 34,240   | -                                  |
| Increase (decrease) in customer deposits   | 11,075   | -                                  |
| Increase (decrease) in deferred inflows for pensions   | 269,241  | -                                  |
| Increase (decrease) in deferred inflows for OPEB   | 1,583  | -                                  |
| Increase (decrease) in total OPEB liability  | 28,107   | -                                  |
| Increase (decrease) in net pension liability   | (419,869)  | -                                  |
| Increase (decrease) in compensated absences  | 28,748   | -                                  |
| <b>Total adjustments</b>   | <b><u>1,265,873</u></b>                                    | <b><u>319,369</u></b>              |
| <b>Net cash provided (used) by operating activities</b>  | <b><u>\$ 5,836,768</u></b>                                 | <b><u>\$ 662,655</u></b>           |



**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2020*

**Note 1. Summary of Significant Accounting Policies**

The City of Friendswood, Texas (“the City”) was incorporated on October 15, 1960. The City charter provides for a City County-City manager form of government. The Mayor and six Council members are elected from the City at large serving three-year terms. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for law enforcement, appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The Mayor resides at meetings of the City Council and can vote. The City provides the following services: public safety, streets, parks and recreation, library, water and sewer, sanitation, planning and zoning, building inspection, code enforcement, and general administrative services.

**A. Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected six- member Council and Mayor and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. Based on these considerations, the West Ranch Management District and Friendswood Downtown Economic Development Corporation have been included in the City’s reporting entity as discretely presented component units. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity is based on criteria prescribed by general accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financial independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The West Ranch Management District (“the District”), a discretely presented component unit, was created under Section 59, Article XVI of the Texas Constitution added by an Act of the 79<sup>th</sup> Legislature of the State of Texas, effective June 17, 2005, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 3837, Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code and Chapter 375 of the Texas Local Government Code, and is subject to the continuing supervision of the Texas Commission on Environmental Quality. The District was created to promote and encourage employment and the public welfare within the District. The affairs of the District are managed by a Board of Directors composed of persons appointed by the City Council. The City is financially accountable for the District because City Council must approve any debt issuances. Complete financial statements from the component may be obtained at the District’s administrative office.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

The Friendswood Downtown Economic Development Corporation (“FDEDC”) was incorporated August 1, 2016 as a nonprofit economic development corporation under the Development Corporation Act. The citizens of Friendswood voted to pass a one-half cent sales tax dedicated to support and enhance the welfare and prosperity of the citizens of the City and of this State by promotion of economic development and growth by encouraging the development of new business enterprises and the retention or expansion of existing business enterprises. To serve this purpose, the Corporation shall have the authority and power of a Type B corporation to undertake projects as described in Subchapter C of Chapter 501 of the Local Government Code and Chapter 505 of the Local Government Code, including undertaking projects as authorized by law, including but not limited to projects to promote new or expanded business enterprises in the downtown area as defined by the City of Friendswood Downtown District Map, including but not limited to streets, targeted infrastructure, paved sidewalks, pedestrian amenities including lighting, benches, signage, and other related public improvements, and the maintenance and operations expenses for any of the above-described projects. A separate governing board oversees FDEDC, which is appointed by Friendswood City Council, and consists of members of City Council, City’s management, and individuals from the community. The City can remove appointed board members and approves the FDEDC’s budget. The FDEDC is reported as a discretely presented component unit because the governing body is not identical to the governing body of the City, the FDEDC does not solely serve the City, and the City has the ability to impose its will on FDEDC. Complete financial statements of the FDEDC may be obtained by contacting FDEDC’s administration office.

**B. 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 activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary governmental is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants 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 operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic 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 government considered revenue to be available if 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 judgements, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, accordingly, have been recognized as revenue of the current fiscal period. All of revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City'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** is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

The **Bond Construction Fund** is used to account for the construction of public facilities, and park, street and drainage improvements that are funded by the proceeds from Permanent Improvement Bonds.

*Other governmental funds* is a summarization of all the non-major governmental funds.

The City reports the following major enterprise fund:

The **Water and Sewer Fund** is used to account for the activities of the City's water and wastewater operations.

Additionally, the City reports the following fund type:

The **Internal Service Fund** is used to account for fleet management services provided to other departments of the City on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the Water and Sewer enterprise fund and of the City's internal service fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance**

**Cash and Investments**

Cash and investments include cash on hand, deposits with financial institutions, short-term investments in a state-managed public funds investment pool account (TexPool), and a privately managed public funds investment pool (Texas Class). Other investments consist mainly of U.S. government treasury bills, treasury notes and other U.S. government obligations. Restricted cash and investments are assets restricted for specific use. Restricted includes cash deposits with financial institutions and investment pools.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as "cash and investments" in the financial statements. Negative equity balances are reclassified and are reflected as interfund accounts payable. Interest income and interest expense are allocated monthly to each respective individual fund based on their representative fund balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool and Texas Class have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

**Property Taxes**

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Management estimates an allowance for trade accounts receivable based on past experience, historical losses, and other pertinent factors.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value less exemptions. The City's property taxes are billed and collected by Galveston County. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year.

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.521439 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.432160 and \$0.089279, respectively. The resulting tax levies were approximately \$15.4 and \$3.2 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$3.6 billion for the 2019 tax year.

West Ranch Management District bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended July 31, 2020, the District levied an ad valorem tax at the rate of \$0.4500 per \$100 of assessed valuation, which resulted in tax levy of \$2.6 million on the taxable valuation of approximately \$580.2 million for the 2019 tax year.

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**Interfund Receivables/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”). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Prepaid Items**

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. The City applies the consumption method in accounting for prepaid items in the governmental funds.

**Restricted Assets**

Certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Contract with West Ranch Management District**

The District approved a contract with the City effective August 15, 2005, as amended. Under the terms of the contract, the District is to pay for construction of water distribution, sanitary sewer, drainage, transportation, education and recreation facilities to serve the District.

The District shall be the owner of the system until the system is completed, approved by the City and conveyed to it, at which time ownership will vest in the City. The District will own and operate these facilities to serve the District. Pursuant to the contract, the District shall have a security interest therein until all bonds issued by the District are retired.

Capital assets, which include property, plant, equipment, infrastructure, and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The City’s water rights have an indefinite life.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**Capital Assets (continued)**

The City's property, plant and equipment are depreciated using the straight-line method over the following useful lives:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 20-50 years  |
| Machinery and equipment    | 5 - 10 years |
| Infrastructure             | 40-50 years  |
| Water and sewer system     | 40-50 years  |

The West Ranch Management District's capital assets are depreciated using the straight-line method over estimated useful lives of 10 to 45 years.

**Compensated Absences**

The City's employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-term Debt**

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, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are expenses in the period incurred.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding debt - A deferred loss 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.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**Deferred Outflows/Inflows of Resources (continued)**

- 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 City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City 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 five year period.
- Deferred outflows of resources for other post-employment benefits (OPEB) - Reported in the government wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the total OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or balance sheet that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues 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 changes in actuarial assumptions. 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.
- Deferred inflows of resources for gain on issuance of refunding bonds - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences from 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 inflows of resources for OPEB - Reported in the government wide financial statement of net position, this deferred inflow results 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 OPEB plans.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**Pension**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits (OPEB)**

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by Gabriel Roeder Smith & Company, the City's third-party actuary, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Additionally, the City participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No.75.

**Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Non-spendable* – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items, note receivable and the fund balance of the City's permanent fund.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are imposed by providers, such as creditors or amounts restricted due to constitutional provision or enabling legislation. This classification includes retirement of long-term debt, construction programs, City ordinances, and other federal and state grants.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passes by the City Council.

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**Fund Balance (continue)**

*Assigned* – includes fund balance amounts that are self-imposed by the City to be used for particular purpose. Fund balance can be assigned by the City Council or the City Manager, pursuant to the City’s fund balance policy. At September 30, 2020, the City’s assigned fund balance included amounts assigned for encumbrances.

*Unassigned* – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the City’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

The City has established a minimum fund balance policy whereby the City’s unassigned general fund balance will be maintained at levels sufficient to protect the City’s creditworthiness, as well as its financial position, from unforeseeable emergencies. The City will strive to maintain the unassigned general fund balance at a minimum of 90 days of prior year audited operating expenditures.

**Net Position**

Government-Wide Financial Statements:

The Statement of Net Position includes the following categories of net position:

*Net investment in capital assets* – the component unit of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, that is directly attributable to the acquisition, construction or improvement of these capital assets.

*Restricted* – Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

*Unrestricted* – the difference between assets, deferred outflows and inflows, and liabilities that are not reported in any of the classifications above.

**Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ materially from those estimates.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Current and Future GASB Pronouncements**

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

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

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

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

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

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

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

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

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

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2. Cash and Investments**

Under provisions of state and local statutes, the City’s investment policies, and provisions of the City’s depository contract with an area financial institution, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U.S., it’s agencies and instrumentalities;
2. Certificates of Deposit issued by state and national banks or savings or loan associations domiciled in this state that are guaranteed or incurred by the Federal Deposit Insurance Corporation or collateralized in accordance with Section 2256.010, the Texas Government Code, in face amounts not to exceed \$100,000;
3. No-load money market mutual funds; and
4. TexPool, Lone State Investment Pool and Texas CLASS.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council’s investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year.

At September 30, 2020 the carrying amount of the City and Friendswood Downtown Economic Development Corporation’s deposits was \$4,286,714 and the bank balance of \$4,672,751.

As of September 30, 2020 the City and Friendswood Downtown Economic Development Corporation held the following investments.

|  | <b>Reported<br/>Value of<br/>Investments</b> | <b>Weighted<br/>Average<br/>Maturity (Days)</b> |
|--|--|---|
| <b>Investment pools:</b>               |  |   |
| TexPool                                | \$ 5,174,357                                 | 38  |
| Texas CLASS                            | 33,000,779                                   | 22  |
| <b>Total investment pools</b>          | <b>38,175,136</b>                            |   |
| <b>Debt Securities:</b>                |  |   |
| Federal Farm Credit Bonds              | 1,526,419                                    | 139   |
| Federal Home Loan Bank Bonds           | 3,051,608                                    | 58  |
| Federal Home Loan Mortgage Corporation | 3,009,258                                    | 83  |
| Federal National Mortgage Association  | 2,019,418                                    | 89  |
| <b>Total debt securities</b>           | <b>9,606,703</b>                             |   |
| <b>Total investments</b>               | <b>\$ 47,781,839</b>                         |   |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The valuation techniques used in the fair value measurement are based on quoted market closing prices for Level 2 inputs.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2. Cash and Investments (continued)**

The City has the following recurring fair value measurements as of September 30, 2020:

|                                    | <u>Fair Value /<br/>Amortized<br/>Cost</u> | <u>Level 1<br/>Inputs</u> | <u>Level 2<br/>Inputs</u> | <u>Level 3<br/>Inputs</u> |
|------------------------------------|--|---------------------------|---------------------------|---------------------------|
| <b>Investment Securities:</b>      |  |                           |                           |                           |
| Federal Farm Credit Bank           | \$ 1,526,419                               | \$ -                      | \$ 1,526,419              | \$ -                      |
| Federal Home Loan Bank             | 3,051,608                                  | -                         | 3,051,608                 | -                         |
| Federal Home Loan Mortgage Corp.   | 3,009,258                                  | -                         | 3,009,258                 | -                         |
| Federal National Mortgage Assoc.   | 2,019,418                                  | -                         | 2,019,418                 | -                         |
| <b>Total Investment Securities</b> | <u>\$ 9,606,703</u>                        | <u>\$ -</u>               | <u>\$ 9,606,703</u>       | <u>\$ -</u>               |

The City invests in Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791 and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (“the Trust”) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

The City invests in Texas CLASS Investment Pool which was established in 1996 pursuant to the Texas Public Funds Investment Act. The pool is governed by a 7-member board of trustees, who are elected by pool participants. The Cutwater Investor Services Corp. serves as the pools program administrator and Wells Fargo Bank Texas, NA, serves as custodian.

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2020, all of the City’s cash deposits with financial institutions were collateralized with securities held by the pledging financial institution in the City’s name.

**Credit Risk**

*Credit Risk.* It is the City’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City’s investments as of September 30, 2020, were rated as follows:

| <u>Investment Type:</u>               | <u>Credit Quality<br/>Rating</u> | <u>Rating Agency</u>     |
|---------------------------------------|----------------------------------|--------------------------|
| <b>Investment Pools:</b>              |                                  |                          |
| Texas CLASS                           | AAAm                             | Standard & Poor's        |
| TexPool                               | AAAm                             | Standard & Poor's        |
| <b>Debt Securities:</b>               |                                  |                          |
| Federal Home Loan Mortgage Corp.      | Aaa                              | Moody's Investor Service |
| Federal Home Loan Bank                | Aaa                              | Moody's Investor Service |
| Federal Farm Credit Bank              | Aaa                              | Moody's Investor Service |
| Federal National Mortgage Association | Aaa                              | Moody's Investor Service |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 3. Receivables and Deferred Inflows of Resources**

Receivables as of September 30, 2020 for the City’s individual major funds and nonmajor funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

|                                    | Governmental Funds  |                   |                   | Proprietary         | Total               |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
|                                    | General             | Debt Service Fund | Nonmajor          | Water and Sewer     |                     |
| <b>Receivables:</b>                |                     |                   |                   |                     |                     |
| Property taxes                     | \$ 264,298          | \$ 48,744         | \$ -              | \$ -                | \$ 313,042          |
| Penalties and interest             | 147,443             | 23,579            | -                 | -                   | 171,022             |
| Sales tax                          | 1,240,264           | -                 | 306,732           | -                   | 1,546,996           |
| Franchise taxes                    | 560,272             | -                 | -                 | -                   | 560,272             |
| Customer accounts                  | 283,981             | -                 | 3,289             | 3,840,600           | 4,127,870           |
| Court fines                        | 776,835             | -                 | -                 | -                   | 776,835             |
| Other                              | 333,362             | -                 | 3,573             | -                   | 336,935             |
| Gross receivables                  | 3,606,455           | 72,323            | 313,594           | 3,840,600           | 7,832,972           |
| Less: allowance for uncollectibles | (792,764)           | (21,804)          | (736)             | (279,159)           | (1,094,463)         |
| <b>Net total receivables</b>       | <b>\$ 2,813,691</b> | <b>\$ 50,519</b>  | <b>\$ 312,858</b> | <b>\$ 3,561,441</b> | <b>\$ 6,738,509</b> |

Governmental funds reported deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources for unavailable revenues reported in the governmental funds were as follows:

|                                     | <b>Deferred Inflows<br/>of Resources</b> |
|-------------------------------------|--|
| General Fund:                       |  |
| Delinquent property taxes           | \$ 175,192                               |
| Property tax penalties and interest | 100,990                                  |
| Court fines                         | 155,367                                  |
| Grants                              | 10,000                                   |
| Miscellaneous                       | 8,166                                    |
| <b>Total General Fund</b>           | <b>449,715</b>                           |
| Debt Service Fund                   |  |
| Delinquent property taxes           | 32,635                                   |
| Property tax penalties and interest | 15,631                                   |
|                                     | <b>48,266</b>                            |
| Nonmajor funds:                     |  |
| Court fines                         | 3,753                                    |
| <b>Total nonmajor funds</b>         | <b>3,753</b>                             |
| <b>Total governmental funds</b>     | <b>\$ 501,734</b>                        |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets**

Capital assets activity for the primary government for the fiscal year ended September 30, 2020, is as follows:

| <b>Governmental activities</b>                     | <b>Beginning Balance</b> | <b>Increases</b>    | <b>Reclassification /Decreases</b> | <b>Ending Balance</b> |
|--|--------------------------|---------------------|------------------------------------|-----------------------|
| <b>Capital assets, not being depreciated:</b>      |                          |                     |                                    |                       |
| Land   | \$ 25,759,306            | \$ 2,585,463        | \$ -                               | \$ 28,344,769         |
| Construction in progress                           | 3,749,899                | 7,610,615           | (24,508)                           | 11,336,006            |
| <b>Total capital assets, not being depreciated</b> | <b>29,509,205</b>        | <b>10,196,078</b>   | <b>(24,508)</b>                    | <b>39,680,775</b>     |
| <b>Capital assets, being depreciated:</b>          |                          |                     |                                    |                       |
| Buildings and improvements                         | 41,783,398               | 25,212              | 24,508                             | 41,833,118            |
| Machinery and equipment                            | 14,793,376               | 2,792,469           | (277,289)                          | 17,308,556            |
| Infrastructure                                     | 93,495,234               | 301,822             | -                                  | 93,797,056            |
| <b>Total capital assets, being depreciated</b>     | <b>150,072,008</b>       | <b>3,119,503</b>    | <b>(252,781)</b>                   | <b>152,938,730</b>    |
| <b>Less accumulated depreciation for:</b>          |                          |                     |                                    |                       |
| Buildings & improvements                           | (18,432,271)             | (1,756,668)         | -                                  | (20,188,939)          |
| Machinery and equipment                            | (9,908,993)              | (1,157,747)         | 261,683                            | (10,805,057)          |
| Infrastructure                                     | (53,200,048)             | (2,582,159)         | -                                  | (55,782,207)          |
| <b>Total accumulated depreciation</b>              | <b>(81,541,312)</b>      | <b>(5,496,574)</b>  | <b>261,683</b>                     | <b>(86,776,203)</b>   |
| Total capital assets - being depreciated           | 68,530,696               | (2,377,071)         | 8,902                              | 66,162,527            |
| <b>Governmental capital assets, net</b>            | <b>\$ 98,039,901</b>     | <b>\$ 7,819,007</b> | <b>\$ (15,606)</b>                 | <b>\$ 105,843,302</b> |

| <b>Business-type activities</b>                    | <b>Beginning Balance</b> | <b>Increases</b>    | <b>Reclassification /Decreases</b> | <b>Ending Balance</b> |
|--|--------------------------|---------------------|------------------------------------|-----------------------|
| <b>Capital assets, not being depreciated:</b>      |                          |                     |                                    |                       |
| Land   | \$ 319,473               | \$ -                | \$ -                               | \$ 319,473            |
| Water rights                                       | 19,716,695               | -                   | -                                  | 19,716,695            |
| Construction in progress                           | 6,782,367                | 4,191,355           | (6,015,524)                        | 4,958,198             |
| <b>Total capital assets, not being depreciated</b> | <b>26,818,535</b>        | <b>4,191,355</b>    | <b>(6,015,524)</b>                 | <b>24,994,366</b>     |
| <b>Capital assets, being depreciated:</b>          |                          |                     |                                    |                       |
| Buildings and improvements                         | 683,906                  | -                   | -                                  | 683,906               |
| Machinery and equipment                            | 7,353,510                | 140,189             | 1,094                              | 7,494,793             |
| Water and sewer system                             | 63,640,402               | 123,619             | 6,015,524                          | 69,779,545            |
| <b>Total capital assets, being depreciated</b>     | <b>71,677,818</b>        | <b>263,808</b>      | <b>6,016,618</b>                   | <b>77,958,244</b>     |
| <b>Less accumulated depreciation for:</b>          |                          |                     |                                    |                       |
| Buildings and improvements                         | (305,786)                | (19,757)            | -                                  | (325,543)             |
| Machinery and equipment                            | (4,666,702)              | (226,641)           | (1,094)                            | (4,894,437)           |
| Water and sewer system                             | (33,757,277)             | (1,770,498)         | -                                  | (35,527,775)          |
| <b>Total accumulated depreciation</b>              | <b>(38,729,765)</b>      | <b>(2,016,896)</b>  | <b>(1,094)</b>                     | <b>(40,747,755)</b>   |
| Total capital assets - being depreciated           | 32,948,053               | (1,753,088)         | 6,015,524                          | 37,210,489            |
| <b>Business-type capital assets, net</b>           | <b>\$ 59,766,588</b>     | <b>\$ 2,438,267</b> | <b>\$ -</b>                        | <b>\$ 62,204,855</b>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets (continued)**

Capital assets activity for the discretely presented component units is as follows:

| Component Unit                                     | Beginning<br>Balance | Increases  | Reclassification<br>/Decreases | Ending Balance |
|--|----------------------|------------|--------------------------------|----------------|
| <b>Capital assets, not being depreciated:</b>      |                      |            |                                |                |
| Land   | \$ 6,839,035         | \$ 855,212 | \$ 64,735                      | \$ 7,758,982   |
| Construction in progress                           | 64,735               | -          | (64,735)                       | -              |
| <b>Total capital assets, not being depreciated</b> | 6,903,770            | 855,212    | -                              | 7,758,982      |
| <b>Capital assets, being depreciated:</b>          |                      |            |                                |                |
| Water production and distribution facilities       | 483,467              | -          | -                              | 483,467        |
| <b>Total capital assets, being depreciated</b>     | 483,467              | -          | -                              | 483,467        |
| <b>Less accumulated depreciation for:</b>          |                      |            |                                |                |
| Water production and distribution facilities       | (95,046)             | (10,746)   | -                              | (105,792)      |
| <b>Total accumulated depreciation</b>              | (95,046)             | (10,746)   | -                              | (105,792)      |
| Total capital assets - being depreciated           | 388,421              | (10,746)   | -                              | 377,675        |
| <b>Component Unit capital assets, net</b>          | \$ 7,292,191         | \$ 844,466 | \$ -                           | \$ 8,136,657   |

**Depreciation**

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

|   | <b>Depreciation<br/>Expense</b> |
|---|---------------------------------|
| <b>Primary government</b>   |                                 |
| <b>Governmental activities:</b>   |                                 |
| General government  | \$ 290,747                      |
| Public safety   | 1,120,221                       |
| Public works  | 2,754,296                       |
| Community development   | 3,613                           |
| Parks and recreation  | 979,413                         |
| Capital assets held by the City's internal service fund are charged to the various functions based on their usage | 348,284                         |
| <b>Total Governmental activities</b>  | 5,496,574                       |
| <b>Business-type activities:</b>  |                                 |
| Water and sewer   | 2,016,896                       |
| <b>Total Business-type activities:</b>  | 2,016,896                       |
| <b>Total primary government</b>   | \$ 7,513,470                    |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets (continued)**

**Construction commitments**

The City has active construction projects as of September 30, 2020. At year end, the City’s commitments with contractors were as follows:

| <b>Projects</b>                              | <b>Construction<br/>Commitment</b> | <b>Construction<br/>in Progress</b> | <b>Remaining<br/>Commitment</b> |
|--|------------------------------------|-------------------------------------|---------------------------------|
| Governmental funds:                          |                                    |                                     |                                 |
| Blackhawk Boulevard Phase II                 | \$ 5,130,185                       | \$ 5,000,377                        | \$ 129,808                      |
| Monument Sign at Dog Park                    | 27,075                             | 12,530                              | 14,545                          |
| Imperial Estates Inline Detention Pond       | 5,500,000                          | 5,500,000                           | -                               |
| Friendswood Lakes Boulevard                  | 755,490                            | 755,490                             | -                               |
| Fiber Optic Project                          | 79,999                             | 65,009                              | 14,990                          |
| Disc Golf Course                             | 2,600                              | 2,600                               | -                               |
|  | 11,495,349                         | 11,336,006                          | 159,343                         |
| Enterprise funds:                            |                                    |                                     |                                 |
| Lift Station #23 Replacement                 | 3,874,658                          | 1,671,715                           | 2,202,943                       |
| 42" SE Transmission Water Line Phase I & II  | 2241632                            | 2,241,632                           | -                               |
| Blackhawk Boulevard Phase II (Utility Items) | 425,973                            | 407,573                             | 18,400                          |
| Friendswood Lakes Boulevard                  | 409,427                            | 409,427                             | -                               |
| Lift Station Mitigation Program              | 677,939                            | 39,188                              | 638,751                         |
| Sanitary Sewer Assessment - Phase V & VI     | 219,499                            | 188,663                             | 30,836                          |
|  | 7,849,128                          | 4,958,198                           | 2,890,930                       |
| Total Commitments                            | \$ 19,344,477                      | \$ 16,294,204                       | \$ 3,050,273                    |

The remaining commitment amounts were encumbered at year end. The encumbrances and related appropriation lapse at the end of the fiscal year, but they are re-appropriated and become a part of the subsequent year’s budget because performance under the executory contract is expected in the next year.

**Note 5. Long-term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, revenue bonds, and capital leases. These debt obligations are secured by either future tax revenue, water and sewer system revenue, or liens on property and equipment. Debt obligations that are intended to be repaid from water and sewer system revenue have been recorded as business-type activities. All other long-term obligations of the City are considered to be governmental type activities.

**Federal Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS. There was no liability for arbitrage recorded as of year-end.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**Bonds Payable and Certificates of Obligation**

The following schedule summarizes the terms of the City’s general obligation bonds, combination tax and revenue bonds, and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2020:

|   | <b>Original Issue</b> | <b>Final</b>    | <b>Interest</b> | <b>Governmental</b>  | <b>Business-Type</b> |
|---|-----------------------|-----------------|-----------------|----------------------|----------------------|
| <b>General Obligation Bonds:</b>                            | <b>Amount</b>         | <b>Maturity</b> | <b>Rates</b>    | <b>Activities</b>    | <b>Activities</b>    |
| 2012 General Obligation Refunding                           | \$ 8,890,000          | 2026            | 2.0 - 3.5%      | \$ 4,170,000         | \$ -                 |
| 2014 General Obligation Refunding                           | 8,805,000             | 2028            | 2.0% - 4.0%     | 2,065,000            | 5,795,000            |
| 2015 General Obligation Refunding                           | 9,595,000             | 2030            | 2.0% - 3.0%     | 7,415,000            | -                    |
| 2016 General Obligation Permanent Improvement and Refunding | 19,095,000            | 2031            | 2.0% - 5.0%     | 6,885,000            | 7,860,000            |
| 2016A General Obligation Refunding                          | 9,765,000             | 2034            | 2.0% - 4.0%     | -                    | 8,120,000            |
| 2017 General Obligation Bonds                               | 5,605,000             | 2031            | 2.0% - 4.0%     | 4,995,000            | -                    |
| 2020 General Obligation and Refunding Bonds                 | 10,465,000            | 2050            | 2.0% - 4.0%     | 9,860,000            | 605,000              |
| Total general obligation bonds                              |                       |                 |                 | <u>35,390,000</u>    | <u>22,380,000</u>    |
| <b>Revenue Bonds:</b>                                       |                       |                 |                 |                      |                      |
| 2016 Waterworks and Sewer System                            | 5,735,000             | 2036            | 2.0% - 4.0%     | -                    | 4,825,000            |
| 2018 Waterworks and Sewer System                            | 20,170,000            | 2038            | 4.0% - 5.0%     | -                    | 19,500,000           |
| Total revenue bonds   |                       |                 |                 | <u>-</u>             | <u>24,325,000</u>    |
| Total   |                       |                 |                 | <u>\$ 35,390,000</u> | <u>\$ 46,705,000</u> |

Annual debt service requirements for the City’s bonds and certificates of obligation are as follows:

| <b>Fiscal Year</b> | <b>Governmental Activities</b> |                      | <b>Business-type Activities</b> |                      | <b>Total</b>          |
|--------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|
|                    | <b>Principal</b>               | <b>Interest</b>      | <b>Principal</b>                | <b>Interest</b>      |                       |
| 2021               | \$ 2,070,000                   | \$ 1,232,776         | \$ 3,015,000                    | \$ 1,874,330         | \$ 8,192,106          |
| 2022               | 2,215,000                      | 1,191,881            | 2,645,000                       | 1,750,425            | 7,802,306             |
| 2023               | 2,290,000                      | 1,119,669            | 2,735,000                       | 1,657,800            | 7,802,469             |
| 2024               | 2,365,000                      | 1,042,406            | 2,835,000                       | 1,554,475            | 7,796,881             |
| 2025               | 2,450,000                      | 959,544              | 2,955,000                       | 1,439,125            | 7,803,669             |
| 2026-2030          | 13,705,000                     | 3,337,797            | 17,020,000                      | 5,094,575            | 39,157,372            |
| 2031-2035          | 5,285,000                      | 1,093,250            | 10,715,000                      | 1,992,300            | 19,085,550            |
| 2036-2040          | 2,225,000                      | 588,525              | 4,785,000                       | 275,900              | 7,874,425             |
| 2041-2045          | 1,285,000                      | 323,925              | -                               | -                    | 1,608,925             |
| 2046-2050          | 1,500,000                      | 115,500              | -                               | -                    | 1,615,500             |
|                    | <u>\$ 35,390,000</u>           | <u>\$ 11,005,273</u> | <u>\$ 46,705,000</u>            | <u>\$ 15,638,930</u> | <u>\$ 108,739,203</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**Bonds Payable and Certificates of Obligation (continued)**

Changes in the City’s long-term liability activity for the year ended September 30, 2020, are as follows:

|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|------------------------------|----------------------|-----------------------|---------------------------|--------------------------------|
| <b>Primary Government</b>        |                              |                      |                       |                           |                                |
| <b>Governmental activities:</b>  |                              |                      |                       |                           |                                |
| General obligation bonds         | \$ 29,730,000                | \$ 9,860,000         | \$ (4,200,000)        | \$ 35,390,000             | \$ 2,070,000                   |
| Premium on bond issuance         | 2,293,508                    | 753,840              | (378,526)             | 2,668,822                 | -                              |
| Capital lease                    | 436,620                      | 1,791,399            | (366,257)             | 1,861,762                 | 485,702                        |
| Compensated absences             | 800,732                      | 799,174              | (747,317)             | 852,589                   | 170,518                        |
| <b>Governmental activity</b>     |                              |                      |                       |                           |                                |
| <b>Long-term liabilities</b>     | <u>\$ 33,260,860</u>         | <u>\$ 13,204,413</u> | <u>\$ (5,692,100)</u> | <u>\$ 40,773,173</u>      | <u>\$ 2,726,220</u>            |
| <br>                             |                              |                      |                       |                           |                                |
|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
| <b>Business-type activities:</b> |                              |                      |                       |                           |                                |
| Revenue bonds                    | \$ 25,230,000                | \$ -                 | \$ (905,000)          | \$ 24,325,000             | \$ 935,000                     |
| General obligation bonds         | 24,440,000                   | 605,000              | (2,665,000)           | 22,380,000                | 2,080,000                      |
| Premium on bond issuance         | 4,215,083                    | -                    | (294,840)             | 3,920,243                 | -                              |
| Compensated absences             | 82,019                       | 125,839              | (97,091)              | 110,767                   | 22,153                         |
| <b>Business-type activity</b>    |                              |                      |                       |                           |                                |
| <b>Long-term liabilities</b>     | <u>\$ 53,967,102</u>         | <u>\$ 730,839</u>    | <u>\$ (3,961,931)</u> | <u>\$ 50,736,010</u>      | <u>\$ 3,037,153</u>            |
| <br>                             |                              |                      |                       |                           |                                |
| <b>Total Primary government</b>  | <u>\$ 87,227,962</u>         | <u>\$ 13,935,252</u> | <u>\$ (9,654,031)</u> | <u>\$ 91,509,183</u>      | <u>\$ 5,763,373</u>            |

The City issued General Obligation Improvement and Refunding Bonds, Series 2020 in June 2020 in the amount of \$10,465,000. The bonds bear interest from 3.0 percent to 5.0 percent and are due in annual installments ranging from \$210,000 to \$560,000 through September 2050. Proceeds of the bonds will be used to make certain drainage improvements, improvements public works facility, refunding certain outstanding obligations and to pay the costs of issuance of the bonds. City will deposit certain proceeds of the sale of the bonds with the paying agent, such funds will be held by the paying agent and will be irrevocably pledged to the payment of principal of the refunded obligations. to provide for future debt service on \$2,970,000 of the Permanent Improvement Bonds, Series 2010A and 2010B. As a result, the refunded bonds are considered to be defeased and the related liability for the bonds has been removed from the City’s liabilities. The net carrying amount exceeded the reacquisition price of the old debt by \$68,694, which is also known as refunding charge (gain). This amount is being netted against the new debt and amortized over the life of the new debt, which was equal or shorter than the refunded debt. This resulted in an economic gain (difference between present values of the old and new debt service payment) of \$305,294.

The compensated absences, net pension liability and total OPEB liabilities attributable to the governmental activities will be liquidated primarily by the General Fund.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**West Ranch Management District**

The following schedule summarizes the terms of the West Ranch Management District’s general obligation bonds at July 31, 2020:

| <b>General Obligation Bonds:</b> | <b>Amounts<br/>Outstanding</b> | <b>Interest<br/>Rates</b> | <b>Range of<br/>Maturities</b> | <b>Callable<br/>Date *</b> |
|----------------------------------|--------------------------------|---------------------------|--------------------------------|----------------------------|
| Series 2010                      | \$ 315,000                     | 4.00% - 4.20%             | 2020-2021                      | September 1, 2020          |
| Road Series 2010A                | 130,000                        | 4.10% - 4.35%             | 2020-2022                      | September 1, 2020          |
| Road Series 2013                 | 845,000                        | 2.00% - 3.00%             | 2020-2028                      | September 1, 2021          |
| Series 2013                      | 1,135,000                      | 3.00% - 5.00%             | 2020-2040                      | September 1, 2021          |
| Road Series 2014                 | 1,970,000                      | 2.00% - 3.75%             | 2020-2040                      | September 1, 2022          |
| Series 2015                      | 4,625,000                      | 1.30% - 4.125%            | 2020-2030                      | September 1, 2023          |
| Series 2016                      | 2,080,000                      | 3.00% - 4.00%             | 2031-2040                      | September 1, 2024          |
| Refunding Series 2016            | 910,000                        | 2.00% - 4.00%             | 2020-2026                      | September 1, 2024          |
| Series 2020                      | 9,040,000                      | 2.00% - 4.00%             | 2021-2040                      | September 1, 2025          |
| Refunding Series 2016            | 1,550,000                      | 2.00% - 4.00%             | 2021-2040                      | September 1, 2025          |
| Total general obligation bonds   | <u>\$ 22,600,000</u>           |                           |                                |                            |

\* Or any date thereafter, callable at par plus accrued interest to the date of redemption.

Annual debt service requirements for the District’s bonds are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|--------------------|----------------------|---------------------|----------------------|
| 2021               | \$ 850,000           | \$ 617,217          | \$ 1,467,217         |
| 2022               | 965,000              | 657,354             | 1,622,354            |
| 2023               | 995,000              | 625,525             | 1,620,525            |
| 2024               | 1,025,000            | 592,441             | 1,617,441            |
| 2025               | 1,065,000            | 555,713             | 1,620,713            |
| 2026-2030          | 5,895,000            | 2,191,730           | 8,086,730            |
| 2031-2035          | 5,105,000            | 1,346,044           | 6,451,044            |
| 2036-2040          | 5,505,000            | 609,966             | 6,114,966            |
| 2041               | 1,195,000            | 18,509              | 1,213,509            |
|                    | <u>\$ 22,600,000</u> | <u>\$ 7,214,499</u> | <u>\$ 29,814,499</u> |

The District’s bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**West Ranch Management District (continued)**

Changes in the discretely presented component units' long-term liabilities for the year end July 31, 2020, are as follows:

| West Ranch Management District | Beginning<br>Balance | Increase      | Decrease        | Ending<br>Balance | Due Within<br>One Year |
|--------------------------------|----------------------|---------------|-----------------|-------------------|------------------------|
| <b>Component Unit</b>          |                      |               |                 |                   |                        |
| General obligation bonds       | \$ 22,835,000        | \$ 10,590,000 | \$ (10,825,000) | \$ 22,600,000     | \$ 850,000             |
| Discount on bonds              | (402,592)            | (99,494)      | 205,293         | (296,793)         | -                      |
| Premium on bonds               | 94,358               | -             | (8,760)         | 85,598            | -                      |
| Developer advances             | 40,000               | -             | -               | 40,000            | -                      |
| Due to developer               | 369,600              | -             | -               | 369,600           | -                      |
| <br>                           |                      |               |                 |                   |                        |
| Total                          | \$ 22,936,366        | \$ 10,490,506 | \$ (10,628,467) | \$ 22,798,405     | \$ 850,000             |

On June 9, 2020, the District issued \$9,040,000 in unlimited tax refunding bonds, Series 2020 to refund \$5,460,000 of outstanding Series 2010 bonds and \$3,110,000 of outstanding Series 2012A bonds. The District refunded the bonds to reduce total debt service payments over future years by \$2,042,767 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,523,761. On June 9, 2020, the District also issued \$1,550,000 in unlimited tax road refunding bonds, Series 2020 to refund \$1,425,000 of outstanding Road Series 2010A bonds. The District refunded the bonds to reduce total debt service payments over future years by \$324,700 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$238,022.

At July 31, 2020, the District had \$3,775,000 of unlimited tax bonds and recreational facilities' bonds authorized, but unissued, for the purposes of acquiring, constructing and improving recreational facilities, transportation, education, and the water, sanitary sewer and drainage systems within the District.

A developer of the District has advanced \$40,000 to the District for operating expenses. The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities. The District is currently unable to estimate when bonds will be issued to pay this liability.

The developer of the District has constructed underground utilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are \$369,600. The District has agreed to reimburse the developers for these amounts, plus interest, to the extent approved by the Texas Commission on Environmental Quality from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

**Defeasance of Bonds**

The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2020, the City has no bonds considered defeased that were outstanding.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**Capital Leases**

During the current fiscal year, the City entered into a five-year lease agreement as lessee for the acquisition and use of various vehicles. An initial lease liability was recorded in the amount of \$1,019,000 during the current fiscal year. The City is required to make annual principal and interest payments of \$215,355. The lease has an interest rate of 2.08%.

During the current fiscal year, the City entered into a seven-year lease agreement as lessee for the acquisition and use of an ambulance. An initial lease liability was recorded in the amount of \$580,000 during the current fiscal year. The City is required to make annual principal and interest payments of \$89,789. The lease has an interest rate of 2.05%.

During the current fiscal year, the City entered into a five-year lease agreement as lessee for the acquisition and use of an ambulance. An initial lease liability was recorded in the amount of \$192,015 during the current fiscal year. The City is required to make annual principal and interest payments of \$43,043. The lease has an interest rate of 1.98%.

The City has entered into capital lease agreements in order to purchase machinery and equipment for public works, police and fire departments. The assets acquired through these lease agreements are as follows:

| <u>Asset</u>                   | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Machinery and equipment        | \$ 2,740,590                       |
| Less: accumulated depreciation | (471,187)                          |
| Total                          | <u>\$ 2,269,403</u>                |

The following is a summary of future lease payments due on this machinery and equipment:

| <u>Fiscal Year</u>                | <u>Amount</u>       |
|-----------------------------------|---------------------|
| 2021                              | \$ 527,240          |
| 2022                              | 452,368             |
| 2023                              | 348,187             |
| 2024                              | 348,187             |
| 2025                              | 120,739             |
| 2026-2027                         | 179,578             |
| Minimum lease payments            | <u>1,976,299</u>    |
| Less amount representing interest | (114,537)           |
| Total                             | <u>\$ 1,861,762</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Debt (continued)**

**Pledged Revenues**

On February 1, 2016, the City issued \$5,735,000 in Waterworks and Sewer System Revenue Bonds, Series 2016 and on December 3, 2018 issued \$20,170,000 in Waterworks and Sewer System Revenue Bonds, Series 2018. These bonds represent special obligations of the City and are payable solely from a first lien on and pledge of the net revenues of the City’s waterworks and sanitary sewer system. The proceeds of the bonds were and are to be used to finance sanitary sewer and waterworks system extensions and improvements. The outstanding revenue bonds have a final maturity of March 1, 2036 for the 2016 bonds and March 1, 2038 for the 2018 bonds. The City will commit revenues each year the bonds are outstanding. At September 30, 2020, the remaining principal on the series 2016 and 2018 bonds was \$4,825,000 and \$19,500,000, respectively. Principal and interest payments for the fiscal year were \$905,000 and \$1,055,900, respectively. Net pledged revenue in 2020 produced 355 percent of the current debt service requirement.

**Note 6. Interfund Balances and Transfers**

**Due to/from Other Funds**

The City had interfund receivable or payable balances at September 30, 2020 is as follows:

| <u>Due from other funds</u> | <u>Due to other funds</u>   | <u>Amount</u>       | <u>Purpose</u>   |
|-----------------------------|-----------------------------|---------------------|--|
| General Fund                | Bond Construction Fund      | \$ 300,000          | Expenditures funded by General Fund until authorized bonds are issued. |
| General Fund                | Nonmajor governmental funds | 2,329,589           | Expenditures funded by General Fund pending grant reimbursement.       |
|                             | Total                       | <u>\$ 2,629,589</u> |  |

**Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2020, is as follows:

| <u>Transfer In</u>          | <u>Transfer Out</u>    | <u>Amount</u>       | <u>Purpose</u>  |
|-----------------------------|------------------------|---------------------|---|
| General Fund                | Water and Sewer        | \$ 1,461,704        | Budgeted annual transfer for indirect water and sewer costs by the General Fund |
| Debt Service Fund           | Bond Construction Fund | 119,372             | 2020 Bond funds and close out of 2015 Bond Construction Fund                    |
| Nonmajor governmental funds | General Fund           | 3,909               | Funds for HMGP Acquisition & Demolition Project                                 |
| Utility Fund                | Debt Service Fund      | 26,875              | Debt service funds  |
| Internal service Fund       | General Fund           | 73,142              | To fund new vehicle for Police Department                                       |
|                             |                        | <u>\$ 1,685,002</u> |   |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7. Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS a report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The City has approved an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

|  |   |
|--|---|
| Employee deposit rate:                                   | 7%                                      |
| Matching ratio (City to employee):                       | 2 to 1                                  |
| Years required for vesting:                              | 5                                       |
| Service retirement eligibility:                          | Vested at age 60 or 20 years at any age |
| Updated Service Credit:                                  | 100% Repeating                          |
| Annuity increase to retirees                             | 50% of CPI; Repeating                   |
| Supplement death benefit – active Employees and retirees | Yes                                     |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7. Employee Retirement System (continued)**

**Employees covered by benefit terms**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 134        |
| Inactive employees entitled to but not yet receiving benefits    | 117        |
| Active employees   | <u>211</u> |
| Total  | <u>462</u> |

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.69% and 15.84% in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020, were \$2,485,117 and were equal to the required contributions.

**Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

|                                |  |
|--------------------------------|--|
| Actuarial cost method:         | Entry age normal                           |
| Amortization method:           | Level percentage of payroll, closed        |
| Remaining amortization period: | 26 years                                   |
| Asset valuation method:        | 10 year smoothed market; 12% soft corridor |
| Inflation:                     | 2.50%                                      |
| Salary increases:              | 3.50% to 11.50% including inflation        |
| Investment rate of return:     | 6.75%                                      |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7. Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the table below:

|                       | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return<br/>(Arithmetic)</b> |
|-----------------------|------------------------------|--|
| Domestic Equity       | 17.5%                        | 4.30%  |
| International Equity  | 17.5%                        | 6.10%  |
| Core Fixed Income     | 10.0%                        | 1.00%  |
| Non-Core Fixed Income | 20.0%                        | 3.39%  |
| Real Return           | 10.0%                        | 3.78%  |
| Real Estate           | 10.0%                        | 4.44%  |
| Absolute Return       | 10.0%                        | 3.56%  |
| Private Equity        | 5.0%                         | 7.75%  |
| Total                 | <u>100.0%</u>                |  |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7. Employee Retirement System (continued)**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**Changes in the Net Pension Liability**

|   | <b>Increase (Decrease)</b>     |                                    |                              |
|---|--------------------------------|------------------------------------|------------------------------|
|   | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Net Pension Liability</b> |
| Balance at 12/31/2018   | \$ 79,422,879                  | \$ 64,996,779                      | \$ 14,426,100                |
| Changes for the year:   |                                |                                    |                              |
| Service Cost  | 2,738,906                      | -                                  | 2,738,906                    |
| Interest (on the Total Pension Liability)                     | 5,345,140                      | -                                  | 5,345,140                    |
| Difference between expected and actual experience             | 1,150,459                      | -                                  | 1,150,459                    |
| Changes of assumptions  | 378,973                        | -                                  | 378,973                      |
| Benefit payments, including refunds of employee contributions | (3,210,157)                    | (3,210,157)                        | -                            |
| Contributions – employer                                      | -                              | 2,395,398                          | (2,395,398)                  |
| Contributions – employee                                      | -                              | 1,068,692                          | (1,068,692)                  |
| Net investment income   | -                              | 10,053,454                         | (10,053,454)                 |
| Administrative Expense  | -                              | (56,778)                           | 56,778                       |
| Other   | -                              | (1,704)                            | 1,704                        |
| Balance at 12/31/2019   | <u>\$ 85,826,200</u>           | <u>\$ 75,245,684</u>               | <u>\$ 10,580,516</u>         |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

|                              | <b>1% Decrease in Discount Rate (5.75%)</b> | <b>Current Single Rate Discount Rate (6.75%)</b> | <b>1% Increase in Discount Rate (7.75%)</b> |
|------------------------------|---|--|---|
| City's net pension liability | \$ 22,822,967                               | \$ 10,580,516                                    | \$ 544,151                                  |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7. Employee Retirement System (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tMrs.com](http://www.tMrs.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the City recognized a pension expense of \$3,090,477.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
|   | <u>                    </u>                   | <u>                    </u>                  |
| Difference in expected and actual economic experience       | \$ 1,004,693                                  | \$ (27,373)                                  |
| Changes in actuarial assumptions                            | 299,421                                       | -  |
| Difference between projected and actual investment earnings | -   | (2,268,757)                                  |
| Contributions subsequent to the measurement date            | <u>1,902,367</u>                              | <u>-</u>                                     |
| <br>Total   | <br><u><u>\$ 3,206,481</u></u>                | <br><u><u>\$ (2,296,130)</u></u>             |

The \$1,902,367 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

|       | <b>Net Deferred<br/>Outflows (Inflows) of<br/>Resources</b> |
|-------|---|
|       | <u>                    </u>                                 |
| 2021  | \$ (250,678)  |
| 2022  | (319,071)   |
| 2023  | 520,209   |
| 2024  | <u>(942,476)</u>  |
| Total | <u><u>\$ (992,016)</u></u>                                  |

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 8. Post Employee Benefits Other Than Pensions**

***TMRS Supplemental Death Benefits Fund***

**Benefit Plan Description**

The City’s single-employer defined benefit group-term life insurance plan is operated by the Texas Municipal Retirement System (TMRS) via the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

|   |            |
|---|------------|
| Inactive employees currently receiving benefits               | 93         |
| Inactive employees entitled to but not yet receiving benefits | 33         |
| Active employees  | <u>211</u> |
| Total   | <u>337</u> |

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.19% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.75% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

*TMRS Supplemental Death Benefits Fund (continued)*

**Actuarial Assumptions**

The City’s total OPEB liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

*Valuation Date:* December 31, 2019

*Methods and Assumptions:*

|   |  |
|---|--|
| Inflation:                                | 2.50%  |
| Salary Increases:                         | 3.50% to 11.50%, including inflation   |
| Discount rate *:                          | 2.75%  |
| Retirees’ share of benefit related costs: | \$0  |
| Administrative expenses:                  | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.   |
| Mortality rates – service retirees:       | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.   |
| Mortality rates – disabled retirees:      | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

\*The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

**Changes in the Total OPEB Liability**

|   |    |                       |
|---|----|-----------------------|
| Service cost                                      | \$ | 27,481                |
| Interest  |    | 23,199                |
| Changes of benefit terms                          |    | -                     |
| Difference between expected and actual experience |    | (60,356)              |
| Changes of assumptions                            |    | 118,183               |
| Benefit payments                                  |    | <u>(6,107)</u>        |
| Net change in total OPEB liability                |    | 102,400               |
| Total OPEB liability - beginning                  |    | <u>614,614</u>        |
| Total OPEB liability - ending                     | \$ | <u><u>717,014</u></u> |

Ending total OPEB liability is \$717,014 as of December 31, 2019. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

| <b>1% Decrease to<br/>1.75%</b> | <b>Current Discount<br/>Rate Assumption<br/>2.75%</b> | <b>1% Increase<br/>to 3.75%</b> |
|---------------------------------|---|---------------------------------|
| \$ 877,038                      | \$ 717,014  | \$ 594,412                      |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity**

For the year ended September 30, 2020, the City recognized OPEB expense of \$59,663 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$77,414 related to the City’s retiree healthcare plan for total OPEB expense of \$137,077. As of September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience    | \$ -                                      | \$ (55,816)                              |
| Changes in assumptions and other inputs               | 125,474                                   | (29,901)                                 |
| Contributions made subsequent to the measurement date | 3,603                                     | -  |
| Total   | <u>\$ 129,077</u>                         | <u>\$ (85,717)</u>                       |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)**

The \$3,603 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expenses as follows:

|            | <b>Net Deferred<br/>Outflows<br/>(Inflows) of<br/>Resources</b> |
|------------|---|
| 2021       | \$ 8,983  |
| 2022       | 8,983   |
| 2023       | 8,983   |
| 2024       | 3,537   |
| 2025       | 6,692   |
| Thereafter | 2,579   |
| Total      | <u>\$ 39,757</u>  |

**Retiree Health Care Plan (RHCP)**

**Plan Description**

The City’s defined benefit OPEB plan, City of Friendswood Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

**Benefits provided**

RHCP provides access to post retirement employees by offering a “blended premium” structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single “blended premium”. The difference between the underlying retiree claims and the blended overall health care premium is referred to as an “implicit” subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

|                              |            |
|------------------------------|------------|
| Retirees and beneficiaries   | 6          |
| Inactive, nonretired members | 0          |
| Active members               | <u>192</u> |
| Total                        | <u>198</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

*Retiree Health Care Plan (RHCP) (continued)*

**Total OPEB Liability**

The City's total OPEB liability of \$1,107,657 was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2018.

**Actuarial assumptions and methods**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

*Valuation Date:* December 31, 2018

*Methods and Assumptions:*

|                          |  |
|--------------------------|--|
| Actuarial Cost Method:   | Individual Entry-Age Normal  |
| Discount Rate:           | 2.75% as of December 31, 2019  |
| Inflation:               | 2.50%  |
| Salary Increases:        | 3.50% to 11.50%, including inflation   |
| Demographic Assumptions: | Based on the experience study covering the four year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)   |
| Mortality:               | For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rate are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. |
| Health Care Trend Rates: | Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.   |
| Participation Rates:     | It was assumed 20% of employees retiring at the age of 50 or over would choose to receive retiree health care coverage through the City. Employees retiring before the age of 50 were assumed to decline coverage.   |

*Other Information:*

Notes: The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. Additionally, the demographic and salary increase assumptions were updated to reflect the 2019 TMRS Experience Study.

**Discount Rate**

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.71% as of the prior measurement date.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**Plan Assets**

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Changes in the Total OPEB Liability**

|   |    |                         |
|---|----|-------------------------|
| Service cost                                      | \$ | 46,995                  |
| Interest  |    | 36,314                  |
| Changes of benefit terms                          |    | -                       |
| Difference between expected and actual experience |    | 8,768                   |
| Changes of assumptions                            |    | 86,718                  |
| Benefit payments                                  |    | <u>(52,896)</u>         |
| Net change in total OPEB liability                |    | 125,899                 |
| Total OPEB liability - beginning                  |    | <u>981,758</u>          |
| Total OPEB liability - ending                     | \$ | <u><u>1,107,657</u></u> |

The ending Total OPEB Liability was \$1,107,657 as of December 31, 2019.

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019, and minor updates to the health care trend assumption.

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the plan’s total OPEB liability, calculated using a discount rate of 2.75%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

| <b>1% Decrease to<br/>1.75%</b> | <b>Current Discount<br/>Rate Assumption<br/>2.75%</b> | <b>1% Increase<br/>to 2.75%</b> |
|---------------------------------|---|---------------------------------|
| \$ 1,215,878                    | \$ 1,107,657  | \$ 1,009,060                    |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| <b>1% Decrease</b> | <b>Current<br/>Healthcare Cost<br/>Trend Rate<br/>Assumption</b> | <b>1% Increase</b> |
|--------------------|--|--------------------|
| \$ 968,821         | \$ 1,107,657   | \$ 1,273,696       |

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 8. Post Employee Benefits Other Than Pensions (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the City recognized OPEB expense of \$77,414 related to the City’s retiree healthcare plan and OPEB expense of \$59,663 related to the TMRS Supplemental Death Benefit Fund for a total OPEB expense of \$137,077.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience | \$ 11,009                                 | \$ (169,240)                             |
| Changes assumptions                                | 119,002                                   | -  |
| Contributions subsequent to the measurement date   | 36,076                                    | -  |
| <b>Total</b>                                       | <b>\$ 166,087</b>                         | <b>\$ (169,240)</b>                      |

The \$36,076 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expenses as follows:

| <b>Fiscal Year</b> | <b>Net Deferred<br/>Outflows (Inflows)<br/>of Resources</b> |
|--------------------|---|
| 2021               | \$ (5,895)  |
| 2022               | (5,895)   |
| 2023               | (5,895)   |
| 2024               | (5,895)   |
| 2025               | (5,895)   |
| Thereafter         | (9,754)   |
| <b>Total</b>       | <b>\$ (39,229)</b>  |

**CITY OF FRIENDSWOOD, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 9. Commitments and Contingencies**

**Southeast Water Purification Plant**

The City has entered into a contract with the City of Houston for construction, operating and maintaining a water purification plant known as Southeast Water Purification Plant. The City's pro rata share of the actual pumping construction costs is 1.33 percent.

The City began receiving water from the plant on October 15, 1990. The City is billed on a monthly basis for the actual gallons of water received times the City's pro rata share of actual costs. At the end of each quarter, the City of Houston computes the total operation and maintenance expenses for the quarter just ended, recalculates the cost per one thousand gallons, and adjusts previous billings on the next invoice.

The relationship of the parties is of a fiduciary character, no partnership or joint venture is created by this contract.

**Blackhawk Regional Wastewater Treatment Facility**

On December 12, 1974, the City entered into an agreement with Gulf Coast Waste Disposal Authority to construct the Blackhawk Regional Wastewater Treatment Facility. The Blackhawk Wastewater Treatment Facility was constructed in the early 1980s and is a regional wastewater treatment plant serving MUD 55, Baybrook MUD 1, City of Houston and the City of Friendswood. The plant has a capacity of 9.25 million gallons per day (MGD) and is operated and maintained by Gulf Coast Waste Disposal Authority. Friendswood is the majority owner having 52.465% or 4.853 MGD of its capacity.

As a part of the contract with Gulf Coast Waste Disposal Authority, the City and all participants pay their share of operational costs and expenses (direct and indirect) incurred monthly at the Blackhawk Wastewater Treatment Facility based upon actual flows. This includes the maintenance of the plant and the creation and maintenance of reasonable reserves for repairs and other contingencies. Capital expenditures on the other hand shall be the responsibility of all participants based upon their purchased capacity in the plant. For Friendswood, that equates to 52.465% for capital projects identified and approved at the plant.

**Federal and State Programs**

The City recognizes grant monies received as reimbursement for costs incurred in certain federal and state programs it administers as revenue. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2020, the City paid premiums to TML for provision of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9. Commitments and Contingencies (continued)**

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2020, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2020, employees of the City were covered by a health and dental insurance plan. The City pays 90% of the monthly premium of employees choosing individual coverage only. The City pays 70% of the monthly premium for employees choosing to cover themselves and their dependents.

**Note 10. Subsequent Events**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 22, 2021, the date on which the financial statements were available to be issued.

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

The full extent of the ongoing impact of COVID-19 on the City's fiscal year 2021 and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

On February 4, 2021, the City issued \$13,690,000 of waterworks and sewer system revenue bonds to make certain extensions and improvements to the system, to fund a deposit to the reserve fund, and to pay the costs of issuance of the bonds. The interest rates on the bonds are 3.0% - 4.0% and the maturity date is March 1, 2041.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|                                      | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
|                                      | Original          | Final             |                   |   |
| <b>Revenues</b>                      |                   |                   |                   |   |
| Property taxes                       | \$ 16,126,914     | \$ 16,126,914     | \$ 15,518,951     | \$ (607,963)  |
| Sales and alcohol taxes              | 6,653,782         | 6,653,782         | 7,097,134         | 443,352   |
| Franchise taxes                      | 2,155,318         | 2,155,318         | 2,142,660         | (12,658)  |
| Fines and forfeitures                | 788,580           | 788,580           | 690,913           | (97,667)  |
| Permits and fees                     | 1,663,999         | 1,663,999         | 1,426,880         | (237,119)   |
| Intergovernmental                    | 599,200           | 605,890           | 2,983,424         | 2,377,534   |
| Investment earnings                  | 237,790           | 237,790           | 197,606           | (40,184)  |
| Donations                            | 17,750            | 68,018            | 59,473            | (8,545)   |
| Miscellaneous                        | 11,240            | 13,737            | 112,876           | 99,139  |
| <b>Total Revenues</b>                | <b>28,254,573</b> | <b>28,314,028</b> | <b>30,229,917</b> | <b>1,915,889</b>  |
| <b>Expenditures</b>                  |                   |                   |                   |   |
| <b>General government:</b>           |                   |                   |                   |   |
| Mayor and council - governing body:  |                   |                   |                   |   |
| Supplies and maintenance             | 8,750             | 8,250             | 3,471             | 4,779   |
| Other services and charges           | 81,850            | 86,453            | 47,097            | 39,356  |
| Total governing body                 | 90,600            | 94,703            | 50,568            | 44,135  |
| Mayor and council - city attorney:   |                   |                   |                   |   |
| Personnel services                   | 257,278           | 257,278           | 231,376           | 25,902  |
| Supplies                             | 450               | 450               | 176               | 274   |
| Other services and charges           | 20,730            | 20,730            | 4,236             | 16,494  |
| Total city attorney                  | 278,458           | 278,458           | 235,788           | 42,670  |
| City manager - administration:       |                   |                   |                   |   |
| Personnel services                   | 693,801           | 783,300           | 782,876           | 424   |
| Supplies                             | 21,780            | 27,406            | 21,102            | 6,304   |
| Other services and charges           | 76,100            | 61,577            | 21,339            | 40,238  |
| Total administration                 | 791,681           | 872,283           | 825,317           | 46,966  |
| City manager - economic development: |                   |                   |                   |   |
| Personnel services                   | 174,767           | 269,841           | 269,769           | 72  |
| Supplies                             | 7,000             | 1,960             | 938               | 1,022   |
| Other services and charges           | 73,320            | 95,340            | 91,506            | 3,834   |
| Total economic development           | 255,087           | 367,141           | 362,213           | 4,928   |
| City secretary - municipal clerk:    |                   |                   |                   |   |
| Personnel services                   | 336,816           | 340,556           | 339,904           | 652   |
| Supplies                             | 5,740             | 4,532             | 3,978             | 554   |
| Other services and charges           | 17,970            | 18,840            | 14,037            | 4,803   |
| Total municipal clerk                | 360,526           | 363,928           | 357,919           | 6,009   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|  | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|--|------------------|-----------|-------------------|---|
|  | Original         | Final     |                   |   |
| <b>General government (continued):</b>     |                  |           |                   |   |
| City secretary - election services:        |                  |           |                   |   |
| Supplies                                   | \$ 1,210         | \$ 1,210  | \$ 168            | \$ 1,042  |
| Other services and charges                 | 34,330           | 34,330    | 26,699            | 7,631   |
| Total election services                    | 35,540           | 35,540    | 26,867            | 8,673   |
| City secretary - records management:       |                  |           |                   |   |
| Personnel services                         | 138,448          | 135,316   | 125,045           | 10,271  |
| Supplies                                   | 970              | 1,958     | 1,668             | 290   |
| Other services and charges                 | 23,220           | 22,212    | 16,851            | 5,361   |
| Total records management                   | 162,638          | 159,486   | 143,564           | 15,922  |
| Administrative services - finance:         |                  |           |                   |   |
| Personnel services                         | 990,393          | 995,939   | 993,302           | 2,637   |
| Supplies                                   | 9,050            | 14,097    | 5,224             | 8,873   |
| Other services and charges                 | 124,210          | 113,874   | 90,901            | 22,973  |
| Total finance                              | 1,123,653        | 1,123,910 | 1,089,427         | 34,483  |
| Administrative services - other admin:     |                  |           |                   |   |
| Other services and charges                 | 217,900          | 217,900   | 157,309           | 60,591  |
| Total other admin                          | 217,900          | 217,900   | 157,309           | 60,591  |
| Administrative services - municipal court: |                  |           |                   |   |
| Personnel services                         | 380,873          | 385,279   | 385,128           | 151   |
| Supplies                                   | 5,780            | 5,964     | 5,357             | 607   |
| Other services and charges                 | 32,530           | 28,124    | 18,577            | 9,547   |
| Total municipal court                      | 419,183          | 419,367   | 409,062           | 10,305  |
| Human resources - administration:          |                  |           |                   |   |
| Personnel services                         | 390,869          | 390,869   | 392,253           | (1,384)   |
| Supplies                                   | 11,700           | 14,831    | 10,966            | 3,865   |
| Other services and charges                 | 78,860           | 72,608    | 20,535            | 52,073  |
| Total administration                       | 481,429          | 478,308   | 423,754           | 54,554  |
| Human resources - insurance:               |                  |           |                   |   |
| Other services and charges                 | 207,241          | 207,241   | 218,137           | (10,896)  |
| Total insurance                            | 207,241          | 207,241   | 218,137           | (10,896)  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**

For the Year Ended September 30, 2020

|   | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|---|------------------|------------------|-------------------|---|
|   | Original         | Final            |                   |   |
| <b>General government (continued):</b>    |                  |                  |                   |   |
| Human resources - risk management:        |                  |                  |                   |   |
| Personnel services                        | \$ 140,089       | \$ 140,089       | \$ 140,554        | \$ (465)  |
| Supplies                                  | 10,960           | 11,002           | 7,191             | 3,811   |
| Other services and charges                | 28,880           | 28,880           | 14,156            | 14,724  |
| Total risk management                     | 179,929          | 179,971          | 161,901           | 18,070  |
| Information technology - administration:  |                  |                  |                   |   |
| Personnel services                        | 567,473          | 567,473          | 583,202           | (15,729)  |
| Supplies                                  | 92,750           | 114,927          | 58,101            | 56,826  |
| Repairs and maintenance                   | 71,280           | 64,625           | 27,832            | 36,793  |
| Other services and charges                | 550,690          | 642,772          | 518,744           | 124,028   |
| Total administration                      | 1,282,193        | 1,389,797        | 1,187,879         | 201,918   |
| <b>Total general government</b>           | <b>5,886,058</b> | <b>6,188,033</b> | <b>5,649,705</b>  | <b>538,328</b>  |
| <b>Public Safety:</b>                     |                  |                  |                   |   |
| Police department - administration:       |                  |                  |                   |   |
| Personnel services                        | 816,166          | 816,166          | 655,762           | 160,404   |
| Supplies                                  | 32,240           | 33,476           | 19,997            | 13,479  |
| Repairs and maintenance                   | 33,500           | 20,356           | 1,181             | 19,175  |
| Other services and charges                | 94,730           | 94,730           | 74,081            | 20,649  |
| Total administration                      | 976,636          | 964,728          | 751,021           | 213,707   |
| Police department - communications:       |                  |                  |                   |   |
| Personnel services                        | 1,157,762        | 1,177,547        | 1,176,708         | 839   |
| Supplies                                  | 9,700            | 11,263           | 6,800             | 4,463   |
| Repairs and maintenance                   | 36,250           | 36,250           | 24,240            | 12,010  |
| Other services and charges                | 18,390           | 20,906           | 7,416             | 13,490  |
| Total communications                      | 1,222,102        | 1,245,966        | 1,215,164         | 30,802  |
| Police department - patrol:               |                  |                  |                   |   |
| Personnel services                        | 6,040,149        | 5,986,775        | 5,832,930         | 153,845   |
| Supplies                                  | 307,840          | 383,755          | 319,403           | 64,352  |
| Repairs and maintenance                   | 202,460          | 203,841          | 146,813           | 57,028  |
| Other services and charges                | 499,460          | 508,885          | 474,539           | 34,346  |
| Total patrol                              | 7,049,909        | 7,083,256        | 6,773,685         | 309,571   |
| Police department - patrol - DOT program: |                  |                  |                   |   |
| Personnel services                        | 102,135          | 102,135          | 32,020            | 70,115  |
| Supplies                                  | 4,730            | 4,730            | 2,831             | 1,899   |
| Repairs and maintenance                   | 1,000            | 1,000            | -                 | 1,000   |
| Other services and charges                | 16,940           | 13,940           | 9,804             | 4,136   |
| Total patrol - DOT program                | 124,805          | 121,805          | 44,655            | 77,150  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|   | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final budget -<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-------------------|---------------------------|---|
|   | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Public Safety (continued):</b>           |                         |                   |                           |   |
| Police department - criminal investigation: |                         |                   |                           |   |
| Personnel services                          | \$ 1,796,464            | \$ 1,796,509      | \$ 1,671,543              | \$ 124,966  |
| Supplies                                    | 61,610                  | 74,623            | 56,725                    | 17,898  |
| Repairs and maintenance                     | 50,600                  | 50,095            | 23,318                    | 26,777  |
| Other services and charges                  | 115,330                 | 110,830           | 93,421                    | 17,409  |
| <b>Total criminal investigation</b>         | <b>2,024,004</b>        | <b>2,032,057</b>  | <b>1,845,007</b>          | <b>187,050</b>  |
| Police department - animal control:         |                         |                   |                           |   |
| Personnel services                          | 315,135                 | 331,279           | 329,617                   | 1,662   |
| Supplies                                    | 31,250                  | 31,850            | 19,654                    | 12,196  |
| Repairs and maintenance                     | 12,000                  | 12,000            | 3,745                     | 8,255   |
| Other services and charges                  | 70,460                  | 77,726            | 52,033                    | 25,693  |
| <b>Total animal services</b>                | <b>428,845</b>          | <b>452,855</b>    | <b>405,049</b>            | <b>47,806</b>   |
| Fire marshal - administration:              |                         |                   |                           |   |
| Personnel services                          | 790,473                 | 790,473           | 783,701                   | 6,772   |
| Supplies                                    | 29,750                  | 34,725            | 33,092                    | 1,633   |
| Repairs and maintenance                     | 7,050                   | 4,951             | 4,802                     | 149   |
| Other services and charges                  | 59,430                  | 56,923            | 51,899                    | 5,024   |
| <b>Total administration</b>                 | <b>886,703</b>          | <b>887,072</b>    | <b>873,494</b>            | <b>13,578</b>   |
| Fire marshal - emergency management:        |                         |                   |                           |   |
| Personnel services                          | 73,772                  | 75,979            | 75,952                    | 27  |
| Supplies                                    | 26,550                  | 17,217            | 11,004                    | 6,213   |
| Repairs and maintenance                     | 3,000                   | 11,278            | 9,599                     | 1,679   |
| Other services and charges                  | 44,230                  | 35,952            | 25,581                    | 10,371  |
| <b>Total emergency management</b>           | <b>147,552</b>          | <b>140,426</b>    | <b>122,136</b>            | <b>18,290</b>   |
| Fire marshal - fire/ems administration:     |                         |                   |                           |   |
| Other services and charges                  | 1,478,300               | 1,478,300         | 1,709,237                 | (230,937)   |
| <b>Total fire/ems administration</b>        | <b>1,478,300</b>        | <b>1,478,300</b>  | <b>1,709,237</b>          | <b>(230,937)</b>  |
| Fire marshal - storm:                       |                         |                   |                           |   |
| Personnel services                          | -                       | -                 | 19,970                    | (19,970)  |
| Supplies                                    | -                       | -                 | 46,683                    | (46,683)  |
| <b>Total storm</b>                          | <b>-</b>                | <b>-</b>          | <b>66,653</b>             | <b>(66,653)</b>   |
| Fire marshal - public safety health:        |                         |                   |                           |   |
| Personnel services                          | -                       | -                 | 4,442                     | (4,442)   |
| Supplies                                    | -                       | -                 | 237,116                   | (237,116)   |
| Other services and charges                  | -                       | -                 | 106,682                   | (106,682)   |
| <b>Total public safety health</b>           | <b>-</b>                | <b>-</b>          | <b>348,240</b>            | <b>(348,240)</b>  |
| <b>Total public safety</b>                  | <b>14,338,856</b>       | <b>14,406,465</b> | <b>14,154,341</b>         | <b>252,124</b>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|                                       | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|---------------------------------------|------------------|------------------|-------------------|---|
|                                       | Original         | Final            |                   |   |
| <b>Public Works:</b>                  |                  |                  |                   |   |
| Administration:                       |                  |                  |                   |   |
| Personnel services                    | \$ 236,142       | \$ 238,910       | \$ 237,971        | \$ 939  |
| Supplies                              | 3,650            | 7,889            | 6,968             | 921   |
| Other services and charges            | 13,970           | 11,227           | 2,087             | 9,140   |
| Total administration                  | 253,762          | 258,026          | 247,026           | 11,000  |
| Streets:                              |                  |                  |                   |   |
| Personnel services                    | 803,312          | 803,312          | 641,146           | 162,166   |
| Supplies                              | 94,530           | 99,205           | 86,828            | 12,377  |
| Repairs and maintenance               | 135,000          | 112,512          | 69,432            | 43,080  |
| Other services and charges            | 425,050          | 498,532          | 534,171           | (35,639)  |
| Total streets                         | 1,457,892        | 1,513,561        | 1,331,577         | 181,984   |
| Drainage:                             |                  |                  |                   |   |
| Personnel services                    | 300,967          | 300,967          | 293,417           | 7,550   |
| Supplies                              | 11,890           | 12,640           | 9,661             | 2,979   |
| Repairs and maintenance               | 51,800           | 55,290           | 24,135            | 31,155  |
| Other services and charges            | 22,470           | 23,080           | 17,913            | 5,167   |
| Total drainage                        | 387,127          | 391,977          | 345,126           | 46,851  |
| <b>Total public works</b>             | <b>2,098,781</b> | <b>2,163,564</b> | <b>1,923,729</b>  | <b>239,835</b>  |
| <b>Engineering:</b>                   |                  |                  |                   |   |
| Capital projects administration:      |                  |                  |                   |   |
| Personnel services                    | 339,802          | 339,802          | 378,401           | (38,599)  |
| Supplies                              | 12,480           | 27,669           | 22,629            | 5,040   |
| Repairs and maintenance               | 4,500            | 4,500            | 622               | 3,878   |
| Other services and charges            | 30,270           | 49,326           | 33,324            | 16,002  |
| Total capital projects administration | 387,052          | 421,297          | 434,976           | (13,679)  |
| <b>Total engineering</b>              | <b>387,052</b>   | <b>421,297</b>   | <b>434,976</b>    | <b>(13,679)</b>   |
| <b>Community development:</b>         |                  |                  |                   |   |
| Administration:                       |                  |                  |                   |   |
| Personnel services                    | 329,888          | 341,083          | 340,949           | 134   |
| Supplies                              | 7,980            | 8,580            | 7,000             | 1,580   |
| Other services and charges            | 21,760           | 21,760           | 8,122             | 13,638  |
| Total administration                  | 359,628          | 371,423          | 356,071           | 15,352  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|   | Budgeted Amounts        |                         | Actual<br>Amounts       | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|---|-------------------------|-------------------------|-------------------------|---|
|   | Original                | Final                   |                         |   |
| <b>Community development (continued):</b> |                         |                         |                         |   |
| Planning and zoning:                      |                         |                         |                         |   |
| Personnel services                        | \$ 306,330              | \$ 295,135              | \$ 270,474              | \$ 24,661   |
| Supplies                                  | 2,600                   | 7,600                   | 5,290                   | 2,310   |
| Other services and charges                | 79,350                  | 73,750                  | 60,929                  | 12,821  |
| Total planning and zoning                 | <u>388,280</u>          | <u>376,485</u>          | <u>336,693</u>          | <u>39,792</u>   |
| Inspection and code enforcement:          |                         |                         |                         |   |
| Personnel services                        | 409,202                 | 412,032                 | 410,090                 | 1,942   |
| Supplies                                  | 11,060                  | 11,060                  | 7,061                   | 3,999   |
| Repairs and maintenance                   | 3,800                   | 3,000                   | 1,727                   | 1,273   |
| Other services and charges                | 55,260                  | 53,230                  | 27,924                  | 25,306  |
| Total inspection and code enforcement     | <u>479,322</u>          | <u>479,322</u>          | <u>446,802</u>          | <u>32,520</u>   |
| <b>Total community development</b>        | <b><u>1,227,230</u></b> | <b><u>1,227,230</u></b> | <b><u>1,139,566</u></b> | <b><u>87,664</u></b>                                      |
| <b>Parks and recreation:</b>              |                         |                         |                         |   |
| Administration:                           |                         |                         |                         |   |
| Personnel services                        | 258,485                 | 271,992                 | 271,887                 | 105   |
| Supplies                                  | 4,350                   | 9,816                   | 9,680                   | 136   |
| Repairs and maintenance                   | 33,130                  | 30,409                  | 22,928                  | 7,481   |
| Total drainage                            | <u>295,965</u>          | <u>312,217</u>          | <u>304,495</u>          | <u>7,722</u>  |
| Recreation programs:                      |                         |                         |                         |   |
| Personnel services                        | 306,661                 | 306,661                 | 305,625                 | 1,036   |
| Supplies                                  | 20,650                  | 21,189                  | 21,053                  | 136   |
| Other services and charges                | 109,340                 | 119,940                 | 104,076                 | 15,864  |
| Total recreation programs                 | <u>436,651</u>          | <u>447,790</u>          | <u>430,754</u>          | <u>17,036</u>   |
| July 4th program:                         |                         |                         |                         |   |
| Personnel services                        | 29,543                  | 29,543                  | 512                     | 29,031  |
| Supplies                                  | 4,150                   | 5,341                   | 5,180                   | 161   |
| Other services and charges                | 80,580                  | 76,029                  | 17,365                  | 58,664  |
| Total July 4th program                    | <u>114,273</u>          | <u>110,913</u>          | <u>23,057</u>           | <u>87,856</u>   |
| Summer day camp program:                  |                         |                         |                         |   |
| Personnel services                        | 111,332                 | 111,332                 | 0                       | 111,332   |
| Supplies                                  | 15,450                  | 15,450                  | 3,710                   | 11,740  |
| Other services and charges                | 43,950                  | 43,950                  | 139                     | 43,811  |
| Total summer day camp program             | <u>170,732</u>          | <u>170,732</u>          | <u>3,849</u>            | <u>166,883</u>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

|  | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>Parks and recreation (continued):</b>   |                  |                  |                   |   |
| Keep Friendswood Beautiful committee:      |                  |                  |                   |   |
| Supplies                                   | \$ 14,680        | \$ 19,023        | \$ 18,913         | \$ 110  |
| Repairs and maintenance                    | 5,000            | 4,312            | 2,672             | 1,640   |
| Other services and charges                 | 23,130           | 36,462           | 31,819            | 4,643   |
| Total Keep Friendswood Beautiful committee | 42,810           | 59,797           | 53,404            | 6,393   |
| Stevenson Park pool:                       |                  |                  |                   |   |
| Personnel services                         | 67,021           | 67,021           | 33,324            | 33,697  |
| Supplies                                   | 25,450           | 26,870           | 26,584            | 286   |
| Repairs and maintenance                    | 4,500            | 6,580            | 6,229             | 351   |
| Other services and charges                 | 27,840           | 29,840           | 26,828            | 3,012   |
| Total Stevenson park pool                  | 124,811          | 130,311          | 92,965            | 37,346  |
| Senior activity center:                    |                  |                  |                   |   |
| Personnel services                         | 174,925          | 174,925          | 173,154           | 1,771   |
| Supplies                                   | 10,890           | 14,896           | 12,658            | 2,238   |
| Repairs and maintenance                    | 2,000            | 2,000            | 1,311             | 689   |
| Other services and charges                 | 17,680           | 17,030           | 8,600             | 8,430   |
| Total senior activity center               | 205,495          | 208,851          | 195,723           | 13,128  |
| Park operations:                           |                  |                  |                   |   |
| Personnel services                         | 753,406          | 742,086          | 631,365           | 110,721   |
| Supplies                                   | 91,780           | 67,842           | 62,525            | 5,317   |
| Repairs and maintenance                    | 169,100          | 162,417          | 150,158           | 12,259  |
| Other services and charges                 | 524,250          | 553,864          | 476,915           | 76,949  |
| Total parks operations                     | 1,538,536        | 1,526,209        | 1,320,963         | 205,246   |
| Facility operations:                       |                  |                  |                   |   |
| Supplies                                   | 32,000           | 44,539           | 40,631            | 3,908   |
| Repairs and maintenance                    | 171,000          | 189,473          | 187,026           | 2,447   |
| Other services and charges                 | 847,280          | 893,880          | 773,654           | 120,226   |
| Total facility operations                  | 1,050,280        | 1,127,892        | 1,001,311         | 126,581   |
| <b>Total parks and recreation</b>          | <b>3,979,553</b> | <b>4,094,712</b> | <b>3,426,521</b>  | <b>668,191</b>  |
| <b>Library:</b>                            |                  |                  |                   |   |
| Administration:                            |                  |                  |                   |   |
| Personnel services                         | 1,074,142        | 1,074,142        | 1,022,131         | 52,011  |
| Supplies                                   | 154,470          | 168,592          | 132,496           | 36,096  |
| Repairs and maintenance                    | 440              | 545              | 545               | -   |
| Other services and charges                 | 23,080           | 46,856           | 27,117            | 19,739  |
| Total administration                       | 1,252,132        | 1,290,135        | 1,182,289         | 107,846   |
| <b>Total library</b>                       | <b>1,252,132</b> | <b>1,290,135</b> | <b>1,182,289</b>  | <b>107,846</b>  |

**CITY OF FRIENDSWOOD, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND**

*For the Year Ended September 30, 2020*

|  | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final budget -<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
|  | Original             | Final                |                      |   |
| <b>Capital improvements:</b>                         |                      |                      |                      |   |
| Capital outlay                                       | \$ 948,500           | \$ 3,586,365         | \$ 2,094,024         | \$ 1,492,341  |
| <b>Total capital improvements</b>                    | <b>948,500</b>       | <b>3,586,365</b>     | <b>2,094,024</b>     | <b>1,492,341</b>  |
| <b>Total Expenditures</b>                            | <b>30,118,162</b>    | <b>33,377,801</b>    | <b>30,005,151</b>    | <b>3,372,650</b>  |
| Excess (deficiency) of revenues over<br>expenditures | (1,863,589)          | (5,063,773)          | 224,766              | 5,288,539   |
| <b>Other Financing Sources (Uses)</b>                |                      |                      |                      |   |
| Insurance recoveries                                 | -                    | 6,380                | 8,548                | 2,168   |
| Sale of capital assets                               | -                    | 7,000                | 11,568               | 4,568   |
| Issuance of capital lease                            | -                    | 1,012,873            | 1,019,000            | 6,127   |
| Transfers in   | 1,379,267            | 1,461,704            | 1,461,704            | -   |
| Transfers out  | -                    | (74,325)             | (77,051)             | (2,726)   |
| <b>Total Other Financing Sources (Uses)</b>          | <b>1,379,267</b>     | <b>2,413,632</b>     | <b>2,423,769</b>     | <b>10,137</b>   |
| Net change in fund balances                          | (484,322)            | (2,650,141)          | 2,648,535            | 5,298,676   |
| <b>Fund balances - beginning</b>                     | <b>14,223,489</b>    | <b>14,223,489</b>    | <b>14,223,489</b>    | <b>-</b>  |
| <b>Fund balances - ending</b>                        | <b>\$ 13,739,167</b> | <b>\$ 11,573,348</b> | <b>\$ 16,872,024</b> | <b>\$ 5,298,676</b>                                       |

### **Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

### **Budgetary Information**

The City's Code of Ordinances establishes the following framework for the preparation and format of the City's annual budget:

#### **Content**

The budget shall provide a complete financial plan of all City funds and activities and, except as required by law or this Charter, shall be in such form as the City Manager deems desirable or the Council may require. The budget shall begin with a clear general summary of its contents; shall show in detail all estimated income, the proposed property tax levy, and all proposed expenditures for the ensuing fiscal years, including debt service and an itemized estimate of the expense of conducting each Department of the City. The proposed budget expenditures shall not exceed the total of estimated income. It shall also include, in separate sections:

- 1) Tax levies, rates and collections for the preceding five years.
- 2) The amount required for interest on the City's debts, for sinking fund and for maturing serial bonds.
- 3) The total amount of outstanding City debts, with a schedule of maturities on bond issues.
- 4) Anticipated net surplus of deficit for the ensuing fiscal year of each utility owned or operated by the City and the proposed method of its disposition, subsidiary budgets for each such utility giving detailed income and expenditure information shall be attached as appendices to the budget.
- 5) A capital program, which may be revised and extended each year to indicate capital improvements pending or in process of construction or acquisition, and shall include the following items which shall be attached as appendices to the budget:
  - a) A summary of proposed programs;
  - b) A list of all capital improvements which are proposed to be undertaken during the five fiscal years next ensuing, with appropriate supporting information as to the necessity for such improvements;
  - c) Cost estimates, method of financing and recommended time schedules from each such improvement; and
  - d) The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.
- 6) Such other information as may be required by the Council.

#### **Submission**

On or before the first day of August of each year, the City Manager shall submit to the Council a proposed budget and an accompanying message. The Council shall review the proposed budget and revise as deemed appropriate prior to general circulation for public hearing.

**Public Notice and Hearing**

The Council shall post in the City Hall and publish in the official newspaper a general summary of their proposed budget and a notice stating:

- 1) The times and places where copies of the message and budget are available for inspection by the public; and
- 2) The time and place, not less than ten nor more than 30 days after such publication, for a public hearing on the budget.

**Amendment Before Adoption**

After the public hearing, the Council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law or for debt service or for estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years.

If the Council fails to adopt an annual budget before the start of the fiscal year to which it applies, appropriations of the last budget adopted shall be considered as adopted for the current fiscal year on a month to month, pro rata basis, until the annual budget is adopted. Adoption of the budget shall require an affirmative vote of at least a majority of all members of the Council. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated.

**Amendments After Adoption**

At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, division, or office, and, upon written request by the City Manager, the Council may be by ordinance transfer part or all of any unencumbered appropriation balance from one department, office, or agency to another.

No appropriation for debt service may be reduced or transferred and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof. The City Council made supplemental budgetary appropriation changes during the fiscal year. The reported budgetary data has been revised for these amendments legally authorized during the year.

**Excess of Expenditures over Appropriations**

For the year ended September 30, 2020, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

|              |           |
|--------------|-----------|
| Fire marshal | \$613,962 |
| Engineering  | \$13,679  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**Last Six Measurement Years**

|  | <u>2019</u>          | <u>2018</u>          | <u>2017</u>         | <u>2016</u>          | <u>2015</u>          | <u>2014</u>         |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| <b>A. Total pension liability</b>  |                      |                      |                     |                      |                      |                     |
| 1. Service Cost  | \$ 2,738,906         | \$ 2,626,099         | \$ 2,505,392        | \$ 2,334,817         | \$ 2,204,299         | \$ 2,018,353        |
| 2. Interest (on the Total Pension Liability)   | 5,345,140            | 5,044,613            | 4,755,782           | 4,435,987            | 4,317,394            | 4,084,392           |
| 3. Difference between expected and actual experience                                 | 1,150,459            | 59,617               | (60,180)            | 366,687              | (1,032,789)          | (736,093)           |
| 4. Changes of assumptions  | 378,973              | -                    | -                   | -                    | 847,469              | -                   |
| 5. Benefit payments, including refunds of employee                                   | <u>(3,210,157)</u>   | <u>(3,458,824)</u>   | <u>(2,505,921)</u>  | <u>(2,464,107)</u>   | <u>(2,256,734)</u>   | <u>(2,005,311)</u>  |
| 6. Net change in total pension liability   | 6,403,321            | 4,271,505            | 4,695,073           | 4,673,384            | 4,079,639            | 3,361,341           |
| 7. Total pension liability – beginning   | <u>79,422,879</u>    | <u>75,151,374</u>    | <u>70,456,304</u>   | <u>65,782,920</u>    | <u>61,703,281</u>    | <u>58,341,940</u>   |
| 8. Total pension liability – ending  | <u>85,826,200</u>    | <u>79,422,879</u>    | <u>75,151,377</u>   | <u>70,456,304</u>    | <u>65,782,920</u>    | <u>61,703,281</u>   |
| <b>B. Plan fiduciary net position</b>  |                      |                      |                     |                      |                      |                     |
| 1. Contributions – employer  | 2,395,398            | 2,305,344            | 2,182,093           | 2,037,849            | 1,998,038            | 1,867,782           |
| 2. Contributions – employee  | 1,068,692            | 1,025,248            | 987,399             | 923,896              | 886,669              | 829,598             |
| 3. Net investment income   | 10,053,454           | (2,013,270)          | 8,104,390           | 3,672,583            | 79,202               | 2,868,842           |
| 4. Benefit payments, including refunds of employee contributions                     | <u>(3,210,157)</u>   | <u>(3,458,824)</u>   | <u>(2,505,921)</u>  | <u>(2,464,107)</u>   | <u>(2,256,734)</u>   | <u>(2,005,311)</u>  |
| 5. Administrative Expense  | (56,778)             | (38,892)             | (41,987)            | (41,467)             | (48,239)             | (29,949)            |
| 6. Other   | <u>(1,704)</u>       | <u>(2,032)</u>       | <u>(2,127)</u>      | <u>(2,234)</u>       | <u>(2,383)</u>       | <u>(2,462)</u>      |
| 7. Net change in plan fiduciary net position   | 10,248,905           | (2,182,426)          | 8,723,847           | 4,126,520            | 656,553              | 3,528,500           |
| 8. Plan fiduciary net position – beginning   | <u>64,996,779</u>    | <u>67,179,205</u>    | <u>58,455,358</u>   | <u>54,328,838</u>    | <u>53,672,285</u>    | <u>50,143,785</u>   |
| 9. Plan fiduciary net position – ending  | <u>75,245,684</u>    | <u>64,996,779</u>    | <u>67,179,205</u>   | <u>58,455,358</u>    | <u>54,328,838</u>    | <u>53,672,285</u>   |
| <b>C. Net pension liability (A.9 – B.9)</b>  | <u>\$ 10,580,516</u> | <u>\$ 14,426,100</u> | <u>\$ 7,972,172</u> | <u>\$ 12,000,946</u> | <u>\$ 11,454,082</u> | <u>\$ 8,030,996</u> |
| <b>D. Plan fiduciary net position as a percentage of the total pension liability</b> | 87.67%               | 81.84%               | 89.39%              | 82.97%               | 82.59%               | 86.98%              |
| <b>E. Covered payroll</b>  | \$ 15,267,034        | \$ 14,646,398        | \$ 14,098,997       | \$ 13,198,512        | \$ 12,653,842        | \$ 11,851,396       |
| <b>F. Net position liability as a percentage of covered payroll</b>                  | 69.30%               | 98.50%               | 56.54%              | 90.93%               | 90.52%               | 67.76%              |

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

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
*Last Seven Fiscal Years*

|   | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| Actuarially required contributions                                  | \$ 2,485,117     | \$ 2,376,185     | \$ 2,255,270     | \$ 2,161,617     | \$ 2,100,698     |
| Contributions in relation to the actuarially required contributions | <u>2,485,117</u> | <u>2,376,185</u> | <u>2,255,270</u> | <u>2,161,617</u> | <u>2,100,698</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>      |
| City's covered payroll  | \$ 15,724,041    | \$ 15,133,171    | \$ 14,385,208    | \$ 13,986,135    | \$ 13,525,613    |
| Contributions as a percentage of covered payroll                    | 15.80%           | 15.70%           | 15.68%           | 15.46%           | 15.53%           |
|   | <u>2015</u>      | <u>2014</u>      |                  |                  |                  |
| Actuarially required contributions                                  | \$ 1,960,652     | \$ 1,847,375     |                  |                  |                  |
| Contributions in relation to the actuarially required contributions | <u>1,960,652</u> | <u>1,847,375</u> |                  |                  |                  |
| Contribution deficiency (excess)                                    | <u>\$ -</u>      | <u>\$ -</u>      |                  |                  |                  |
| City's covered payroll  | \$ 12,423,310    | \$ 11,781,281    |                  |                  |                  |
| Contributions as a percentage of covered payroll                    | 15.78%           | 15.68%           |                  |                  |                  |

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

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
*For the Year Ended September 30, 2020*

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 26 years  |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor  |
| Inflation                     | 2.50%   |
| Salary Increases              | 3.50% to 11.50% including inflation   |
| Investment Rate of Return     | 6.75%   |
| Retirement Age                | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018   |
| Mortality                     | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

**Other Information:** There were no benefit changes during the year.

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS FUND**  
*Last Three Measurement Years*

|   | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|-------------------|
| Service cost  | \$ 27,481         | \$ 30,757         | \$ 26,788         |
| Interest  | 23,199            | 20,933            | 20,384            |
| Difference between expected and actual experience       | (60,356)          | (7,425)           | -                 |
| Changes of assumptions                                  | 118,183           | (43,775)          | 49,777            |
| Benefit payments **                                     | <u>(6,107)</u>    | <u>(5,859)</u>    | <u>(5,640)</u>    |
| Net change in total OPEB liability                      | 102,400           | (5,369)           | 91,309            |
| Total OPEB liability - beginning                        | <u>614,614</u>    | <u>619,983</u>    | <u>528,674</u>    |
| Total OPEB liability - ending                           | <u>\$ 717,014</u> | <u>\$ 614,614</u> | <u>\$ 619,983</u> |
| <br>  |                   |                   |                   |
| Covered payroll   | \$ 15,267,034     | \$ 14,646,398     | \$ 14,098,997     |
| <br>  |                   |                   |                   |
| Total OPEB liability as a percentage of covered payroll | 4.70%             | 4.20%             | 4.40%             |

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.  
Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.  
Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

**Notes to Required Supplementary Information:**

*Changes of assumptions:*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

|      |       |
|------|-------|
| 2019 | 2.75% |
| 2018 | 3.71% |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**CITY OF FRIENDSWOOD RETIREE HEALTH CARE PLAN**  
*Last Three Measurement Years*

|   | <u>2019</u>         | <u>2018</u>       | <u>2017</u>         |
|---|---------------------|-------------------|---------------------|
| Service cost  | \$ 46,995           | \$ 53,919         | \$ 44,637           |
| Interest  | 36,314              | 37,843            | 39,497              |
| Difference between expected and actual experience       | 8,768               | (214,124)         | 4,573               |
| Changes of assumptions                                  | 86,718              | 7,071             | 51,765              |
| Benefit payments  | (52,896)            | (38,566)          | (38,414)            |
| Net change in total OPEB liability                      | 125,899             | (153,857)         | 102,058             |
| Total OPEB liability - beginning                        | 981,758             | 1,135,615         | 1,033,557           |
| Total OPEB liability - ending                           | <u>\$ 1,107,657</u> | <u>\$ 981,758</u> | <u>\$ 1,135,615</u> |
| <br>  |                     |                   |                     |
| Covered payroll   | \$ 15,267,037       | \$ 14,646,402     | \$ 12,035,859       |
| <br>  |                     |                   |                     |
| Total OPEB liability as a percentage of covered payroll | 7.26%               | 6.70%             | 9.44%               |

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

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

**Notes to Required Supplementary Information:**

**Methods and Assumptions Used to Determine Contribution Rates:**

The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the City participates (TMRS). The assumptions are based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).

Assumption changes:

1. The discount rate decreased from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. This change increased the total OPEB liability.
2. The health care trend rates were updated to better reflect the plan's anticipated experience.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

***Police Investigation Fund*** – This fund is used to account for revenues that are restricted to police investigation expenditures.

***Fire/EMS Donation Fund*** – This fund accounts for revenues that are restricted for Fire/EMS capital outlays and debt repayments.

***Municipal Court Fund*** – This fund accounts for revenues that are restricted for court technology and building security. In 1999, the state legislature authorized a court technology and court security fee for municipal court fines. In 2019, the state legislature authorized additional fees for truancy and jury services.

***2017 Community Development Block Grant – Disaster Recovery*** – This fund is used to account for revenues that are restricted to the Community Block Grant – Disaster Recovery expenditures.

***Texas Water Development Board Flood Mitigation Acquisition Grant*** – This fund is used to account for revenues that are restricted for the FEMA Flood Mitigation Assistance Grant Program. The funds will be used for the acquisition and demolition of properties in flood-prone areas.

***Hazard Mitigation Grant Program*** – This fund is used to account for federal grants that are restricted to the acquisition and demolition of flood-prone residential structures located within the City.

The ***Permanent Fund*** is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City’s programs.

***1776 Park Fund*** – This fund is used to account for assets held by the City in a trustee capacity and the earnings benefit this City Park.

***Capital Projects Funds*** are used to account for the acquisition and construction of major capital facilities.

***Sidewalk Installation Fund*** – This fund is used to account for receipts from developers to install sidewalks in neighborhood developments.

***Park Land Dedication Fund*** – This fund is used to account for receipts from developers to build or enhance neighborhood and community parks.

***Street Improvement Fund*** – This fund is used to record sales tax revenue collected for City’s streets maintenance and improvements.

## **MAJOR GOVERNMENTAL FUNDS**

*Debt Service Funds* are used to account for the accumulation of resources that are restricted, committed, or assigned for the repayment of principal and interest on long-term obligations of the governmental funds.

*Debt Service Fund* – is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

*Capital Projects Funds* are used to account for the acquisition and construction of major capital facilities.

*Bond Construction Fund* – is used to account for the construction of public facilities, and park, street and drainage improvements that are funded by the proceeds from Permanent Improvement Bonds.

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2020**

|  | <b>Special Revenue Funds</b>    |                               |                            |                             |  |
|--|---------------------------------|-------------------------------|----------------------------|-----------------------------|--|
|  | <b>Police<br/>Investigation</b> | <b>Fires/EMS<br/>Donation</b> | <b>Municipal<br/>Court</b> | <b>2017 CDBG<br/>Harvey</b> | <b>TWDB<br/>Flood<br/>Mitigation<br/>Acquisition<br/>Grant</b> |
| <b>Assets</b>  |                                 |                               |                            |                             |  |
| Cash and cash equivalents  | \$ 31,690                       | \$ 113,825                    | \$ 32,799                  | \$ 28,974                   | \$ 93,103  |
| Investments  | 186,565                         | 691,993                       | 202,138                    | 176,148                     | 566,017  |
| Receivables, net of allowance:   |                                 |                               |                            |                             |  |
| Taxes receivable   | -                               | -                             | -                          | -                           | -  |
| Customer accounts  | -                               | 2,553                         | -                          | -                           | -  |
| Other receivables  | -                               | -                             | 3,573                      | -                           | -  |
| Accrued interest   | 373                             | 1,372                         | 366                        | -                           | -  |
| Due from other governments   | -                               | -                             | -                          | -                           | -  |
| <b>Total Assets</b>  | <b>\$ 218,628</b>               | <b>\$ 809,743</b>             | <b>\$ 238,876</b>          | <b>\$ 205,122</b>           | <b>\$ 659,120</b>  |
| <b>Liabilities and Fund Balances</b>   |                                 |                               |                            |                             |  |
| <b>Liabilities:</b>  |                                 |                               |                            |                             |  |
| Accounts payable   | \$ 17,272                       | \$ 48,936                     | \$ -                       | \$ -                        | \$ 581,120   |
| Retainage payable  | -                               | -                             | -                          | -                           | -  |
| Due to other funds   | -                               | -                             | -                          | 208,716                     | 1,775,663  |
| <b>Total Liabilities</b>   | <b>17,272</b>                   | <b>48,936</b>                 | <b>-</b>                   | <b>208,716</b>              | <b>2,356,783</b>   |
| <b>Deferred Inflows of Resources:</b>  |                                 |                               |                            |                             |  |
| Unavailable revenue  | -                               | -                             | 3,753                      | -                           | -  |
| <b>Total Deferred Inflows</b>  | <b>-</b>                        | <b>-</b>                      | <b>3,753</b>               | <b>-</b>                    | <b>-</b>   |
| <b>Fund Balances:</b>  |                                 |                               |                            |                             |  |
| <b>Nonspendable:</b>   |                                 |                               |                            |                             |  |
| Permanent fund   | -                               | -                             | -                          | -                           | -  |
| <b>Restricted:</b>   |                                 |                               |                            |                             |  |
| Municipal court operations   | -                               | -                             | 235,123                    | -                           | -  |
| Public safety  | 201,356                         | 760,807                       | -                          | -                           | -  |
| Capital projects   | -                               | -                             | -                          | -                           | -  |
| <b>Unassigned</b>  | <b>-</b>                        | <b>-</b>                      | <b>-</b>                   | <b>(3,594)</b>              | <b>(1,697,663)</b>   |
| <b>Total Fund Balances</b>   | <b>201,356</b>                  | <b>760,807</b>                | <b>235,123</b>             | <b>(3,594)</b>              | <b>(1,697,663)</b>   |
| <b>Total Liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b>\$ 218,628</b>               | <b>\$ 809,743</b>             | <b>\$ 238,876</b>          | <b>\$ 205,122</b>           | <b>\$ 659,120</b>  |

| HMGP<br>Acquisition &<br>Demolition<br>Project | Permanent        | Capital Projects Funds   |                         |                       | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|------------------|--------------------------|-------------------------|-----------------------|--|
|  | 1776 Park        | Sidewalk<br>Installation | Park Land<br>Dedication | Street<br>Improvement |  |
| \$ 25,783                                      | \$ 1,561         | \$ 6,150                 | \$ 18,154               | \$ 171,342            | \$ 523,381                                 |
| 156,745  | 9,491            | 37,385                   | 110,368                 | 1,041,672             | 3,178,522                                  |
| -  | -                | -                        | -                       | 306,732               | 306,732                                    |
| -  | -                | -                        | -                       | -                     | 2,553                                      |
| -  | -                | -                        | -                       | -                     | 3,573                                      |
| -  | 18               | 70                       | 195                     | 3,454                 | 5,848                                      |
| 218,220  | -                | -                        | -                       | -                     | 218,220                                    |
| <u>\$ 400,748</u>                              | <u>\$ 11,070</u> | <u>\$ 43,605</u>         | <u>\$ 128,717</u>       | <u>\$ 1,523,200</u>   | <u>\$ 4,238,829</u>                        |
| <br>   |                  |                          |                         |                       |  |
| \$ 181,024                                     | \$ -             | \$ -                     | \$ 2,600                | \$ 866,750            | \$ 1,697,702                               |
| -  | -                | -                        | -                       | 179,220               | 179,220                                    |
| 345,210  | -                | -                        | -                       | -                     | 2,329,589                                  |
| <u>526,234</u>                                 | <u>-</u>         | <u>-</u>                 | <u>2,600</u>            | <u>1,045,970</u>      | <u>4,206,511</u>                           |
| <br>   |                  |                          |                         |                       |  |
| -  | -                | -                        | -                       | -                     | 3,753                                      |
| -  | -                | -                        | -                       | -                     | 3,753                                      |
| <br>   |                  |                          |                         |                       |  |
| -  | 11,070           | -                        | -                       | -                     | 11,070                                     |
| -  | -                | -                        | -                       | -                     | 235,123                                    |
| -  | -                | -                        | -                       | -                     | 962,163                                    |
| -  | -                | 43,605                   | 126,117                 | 477,230               | 646,952                                    |
| (125,486)                                      | -                | -                        | -                       | -                     | (1,826,743)                                |
| <u>(125,486)</u>                               | <u>11,070</u>    | <u>43,605</u>            | <u>126,117</u>          | <u>477,230</u>        | <u>28,565</u>                              |
| <br>   |                  |                          |                         |                       |  |
| <u>\$ 400,748</u>                              | <u>\$ 11,070</u> | <u>\$ 43,605</u>         | <u>\$ 128,717</u>       | <u>\$ 1,523,200</u>   | <u>\$ 4,238,829</u>                        |

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2020**

|  | <b>Special Revenue Funds</b>    |                               |                            |                             |  |
|--|---------------------------------|-------------------------------|----------------------------|-----------------------------|--|
|  | <b>Police<br/>Investigation</b> | <b>Fires/EMS<br/>Donation</b> | <b>Municipal<br/>Court</b> | <b>2017 CDBG<br/>Harvey</b> | <b>TWDB Flood<br/>Mitigation<br/>Acquisition<br/>Grant</b> |
| <b>Revenues</b>  |                                 |                               |                            |                             |  |
| Sales taxes  | \$ -                            | \$ -                          | \$ -                       | \$ -                        | \$ -   |
| Fines and forfeitures  | 48,134                          | -                             | 41,670                     | -                           | -  |
| Permits and fees   | -                               | -                             | -                          | -                           | -  |
| Intergovernmental  | -                               | -                             | -                          | -                           | -  |
| Miscellaneous  | -                               | 598,448                       | -                          | -                           | -  |
| Donations  | -                               | 215,472                       | -                          | -                           | -  |
| Investment earnings  | 2,653                           | 7,035                         | 2,443                      | -                           | -  |
| <b>Total Revenues</b>  | <b>50,787</b>                   | <b>820,955</b>                | <b>44,113</b>              | <b>-</b>                    | <b>-</b>   |
| <b>Expenditures</b>  |                                 |                               |                            |                             |  |
| <b>Current:</b>  |                                 |                               |                            |                             |  |
| General government   | -                               | -                             | 40,723                     | -                           | -  |
| Public safety  | 31,589                          | 120,934                       | -                          | -                           | -  |
| Public works   | -                               | -                             | -                          | 3,594                       | 22,050   |
| <b>Debt service:</b>   |                                 |                               |                            |                             |  |
| Principal  | -                               | -                             | -                          | -                           | -  |
| Interest and other charges                                   | -                               | -                             | -                          | -                           | -  |
| <b>Capital outlay</b>  | <b>-</b>                        | <b>843,718</b>                | <b>-</b>                   | <b>-</b>                    | <b>1,675,613</b>   |
| <b>Total Expenditures</b>                                    | <b>31,589</b>                   | <b>964,652</b>                | <b>40,723</b>              | <b>3,594</b>                | <b>1,697,663</b>   |
| Excess (deficiency) of revenues over<br>(under) expenditures | 19,198                          | (143,697)                     | 3,390                      | (3,594)                     | (1,697,663)  |
| <b>Other Financing Sources (Uses)</b>                        |                                 |                               |                            |                             |  |
| Transfers in   | -                               | -                             | -                          | -                           | -  |
| Sale of capital assets                                       | -                               | 61,000                        | -                          | -                           | -  |
| Proceeds from capital lease                                  | -                               | 772,015                       | -                          | -                           | -  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>                        | <b>833,015</b>                | <b>-</b>                   | <b>-</b>                    | <b>-</b>   |
| Net change in fund balances                                  | 19,198                          | 689,318                       | 3,390                      | (3,594)                     | (1,697,663)  |
| <b>Fund balances - beginning</b>                             | <b>182,158</b>                  | <b>71,489</b>                 | <b>231,733</b>             | <b>-</b>                    | <b>-</b>   |
| <b>Fund balances - ending</b>                                | <b>\$ 201,356</b>               | <b>\$ 760,807</b>             | <b>\$ 235,123</b>          | <b>\$ (3,594)</b>           | <b>\$ (1,697,663)</b>                                      |

| HMGP<br>Acquisition &<br>Demolition<br>Project | Permanent | Capital Projects Funds   |                         |                       | Total Nonmajor<br>Governmental<br>Funds |
|--|-----------|--------------------------|-------------------------|-----------------------|---|
|  | 1776 Park | Sidewalk<br>Installation | Park Land<br>Dedication | Street<br>Improvement |   |
| -  | \$ -      | \$ -                     | \$ -                    | \$ 1,749,225          | \$ 1,749,225                            |
| -  | -         | -                        | -                       | -                     | 89,804                                  |
| -  | -         | 9,275                    | 68,400                  | -                     | 77,675                                  |
| 845,474  | -         | -                        | -                       | -                     | 845,474                                 |
| -  | -         | -                        | -                       | -                     | 598,448                                 |
| -  | -         | -                        | -                       | -                     | 215,472                                 |
| -  | 184       | 446                      | 959                     | 30,219                | 43,939                                  |
| 845,474  | 184       | 9,721                    | 69,359                  | 1,779,444             | 3,620,037                               |
| -  | -         | -                        | -                       | -                     | 40,723                                  |
| -  | -         | -                        | -                       | -                     | 152,523                                 |
| 65,019   | -         | -                        | -                       | 3,943,786             | 4,034,449                               |
| -  | -         | -                        | -                       | -                     | -                                       |
| -  | -         | -                        | -                       | -                     | -                                       |
| 909,850  | 13,852    | -                        | 15,130                  | -                     | 3,458,163                               |
| 974,869  | 13,852    | -                        | 15,130                  | 3,943,786             | 7,685,858                               |
| (129,395)                                      | (13,668)  | 9,721                    | 54,229                  | (2,164,342)           | (4,065,821)                             |
| 3,909  | -         | -                        | -                       | -                     | 3,909                                   |
| -  | -         | -                        | -                       | -                     | 61,000                                  |
| -  | -         | -                        | -                       | -                     | 772,015                                 |
| 3,909  | -         | -                        | -                       | -                     | 836,924                                 |
| (125,486)                                      | (13,668)  | 9,721                    | 54,229                  | (2,164,342)           | (3,228,897)                             |
| -  | 24,738    | 33,884                   | 71,888                  | 2,641,572             | 3,257,462                               |
| \$ (125,486)                                   | \$ 11,070 | \$ 43,605                | \$ 126,117              | \$ 477,230            | \$ 28,565                               |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**POLICE INVESTIGATION**  
*For the Year Ended September 30, 2020*

|                                  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Fines and forfeitures            | \$ -                       | \$ -                | \$ 48,134                 | \$ 48,134   |
| Investment earnings              | 4,720                      | 4,720               | 2,653                     | (2,067)   |
| <b>Total Revenues</b>            | <u>4,720</u>               | <u>4,720</u>        | <u>50,787</u>             | <u>46,067</u>   |
| <b>Expenditures</b>              |                            |                     |                           |   |
| <b>Current:</b>                  |                            |                     |                           |   |
| Public safety                    | -                          | 31,589              | 31,589                    | -   |
| <b>Total Expenditures</b>        | <u>-</u>                   | <u>31,589</u>       | <u>31,589</u>             | <u>-</u>  |
| Net change in fund balances      | 4,720                      | (26,869)            | 19,198                    | 46,067  |
| <b>Fund balances - beginning</b> | <u>182,158</u>             | <u>182,158</u>      | <u>182,158</u>            | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 186,878</u>          | <u>\$ 155,289</u>   | <u>\$ 201,356</u>         | <u>\$ 46,067</u>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FIRE/EMS DONATION**  
*For the Year Ended September 30, 2020*

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                                   |                            |                     |                           |   |
| Donations   | \$ 200,000                 | \$ 200,000          | \$ 215,472                | \$ 15,472   |
| Investment earnings                               | 900                        | 900                 | 7,035                     | 6,135   |
| Miscellaneous                                     | -                          | 103,000             | 598,448                   | 495,448   |
| <b>Total Revenues</b>                             | <u>200,900</u>             | <u>303,900</u>      | <u>820,955</u>            | <u>517,055</u>  |
| <b>Expenditures</b>                               |                            |                     |                           |   |
| <b>Current:</b>                                   |                            |                     |                           |   |
| Public safety                                     | 72,000                     | 125,000             | 120,934                   | 4,066   |
| <b>Debt service:</b>                              |                            |                     |                           |   |
| Principal   | 70,518                     | 70,518              | -                         | 70,518  |
| Interest and other charges                        | 14,482                     | 14,482              | -                         | 14,482  |
| <b>Capital outlay</b>                             | <u>43,900</u>              | <u>887,618</u>      | <u>843,718</u>            | <u>43,900</u>   |
| <b>Total Expenditures</b>                         | <u>200,900</u>             | <u>1,097,618</u>    | <u>964,652</u>            | <u>132,966</u>  |
| Excess (deficiency) of revenues over expenditures | <u>-</u>                   | <u>(793,718)</u>    | <u>(143,697)</u>          | <u>650,021</u>  |
| <b>Other Financing Sources (Uses)</b>             |                            |                     |                           |   |
| Sale of capital assets                            | -                          | 16,000              | 61,000                    | 45,000  |
| Proceeds from capital lease                       | <u>-</u>                   | <u>772,015</u>      | <u>772,015</u>            | <u>-</u>  |
| <b>Total Other Financing Sources (Uses)</b>       | <u>-</u>                   | <u>788,015</u>      | <u>833,015</u>            | <u>45,000</u>   |
| Net change in fund balances                       | -                          | (5,703)             | 689,318                   | 695,021   |
| <b>Fund balances - beginning</b>                  | <u>71,489</u>              | <u>71,489</u>       | <u>71,489</u>             | <u>-</u>  |
| <b>Fund balances - ending</b>                     | <u>\$ 71,489</u>           | <u>\$ 65,786</u>    | <u>\$ 760,807</u>         | <u>\$ 695,021</u>   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**MUNICIPAL COURT**  
*For the Year Ended September 30, 2020*

|                                  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Fines and forfeitures            | \$ 49,000                  | \$ 49,000           | \$ 41,670                 | \$ (7,330)  |
| Investment earnings              | 3,280                      | 3,280               | 2,443                     | (837)   |
| <b>Total Revenues</b>            | <u>52,280</u>              | <u>52,280</u>       | <u>44,113</u>             | <u>(8,167)</u>  |
| <b>Expenditures</b>              |                            |                     |                           |   |
| <b>Current:</b>                  |                            |                     |                           |   |
| General government               | 53,087                     | 53,087              | 40,723                    | 12,364  |
| <b>Total Expenditures</b>        | <u>53,087</u>              | <u>53,087</u>       | <u>40,723</u>             | <u>12,364</u>   |
| Net change in fund balances      | (807)                      | (807)               | 3,390                     | 4,197   |
| <b>Fund balances - beginning</b> | <u>231,733</u>             | <u>231,733</u>      | <u>231,733</u>            | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 230,926</u>          | <u>\$ 230,926</u>   | <u>\$ 235,123</u>         | <u>\$ 4,197</u>   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**1776 PARK**  
**For the Year Ended September 30, 2020**

|                                  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with Final<br/>Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Investment earnings              | \$ 370                     | \$ 370              | \$ 184                    | \$ (186)  |
| <b>Total Revenues</b>            | <u>370</u>                 | <u>370</u>          | <u>184</u>                | <u>(186)</u>  |
| <b>Expenditures</b>              |                            |                     |                           |   |
| Capital outlay                   | -                          | 13,852              | 13,852                    | -   |
| <b>Total Expenditures</b>        | <u>-</u>                   | <u>13,852</u>       | <u>13,852</u>             | <u>-</u>  |
| Net change in fund balances      | 370                        | (13,482)            | (13,668)                  | (186)   |
| <b>Fund balances - beginning</b> | <u>24,738</u>              | <u>24,738</u>       | <u>24,738</u>             | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 25,108</u>           | <u>\$ 11,256</u>    | <u>\$ 11,070</u>          | <u>\$ (186)</u>   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**SIDEWALK INSTALLATION**  
*For the Year Ended September 30, 2020*

|                                  | <b>Original<br/>Budget</b> | <b>Final Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Permits and fees                 | \$ -                       | \$ -                | \$ 9,275                  | \$ 9,275  |
| Investment earnings              | 420                        | 420                 | 446                       | 26  |
| <b>Total Revenues</b>            | <u>420</u>                 | <u>420</u>          | <u>9,721</u>              | <u>9,301</u>  |
| <b>Expenditures</b>              |                            |                     |                           |   |
| <b>Current:</b>                  | -                          | -                   | -                         | -   |
| <b>Total Expenditures</b>        | <u>-</u>                   | <u>-</u>            | <u>-</u>                  | <u>-</u>  |
| Net change in fund balances      | 420                        | 420                 | 9,721                     | 9,301   |
| <b>Fund balances - beginning</b> | <u>33,884</u>              | <u>33,884</u>       | <u>33,884</u>             | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 34,304</u>           | <u>\$ 34,304</u>    | <u>\$ 43,605</u>          | <u>\$ 9,301</u>   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PARK LAND DEDICATION**  
*For the Year Ended September 30, 2020*

|                                  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with Final<br/>Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Permit and fees                  | \$ 32,000                  | \$ 32,000           | \$ 68,400                 | \$ 36,400   |
| Investment earnings              | 430                        | 430                 | 959                       | 529   |
| <b>Total Revenues</b>            | <u>32,430</u>              | <u>32,430</u>       | <u>69,359</u>             | <u>36,929</u>   |
| <b>Expenditures</b>              |                            |                     |                           |   |
| <b>Current:</b>                  |                            |                     |                           |   |
| Capital outlay                   | -                          | 31,060              | 15,130                    | 15,930  |
| <b>Total Expenditures</b>        | <u>-</u>                   | <u>31,060</u>       | <u>15,130</u>             | <u>15,930</u>   |
| Net change in fund balances      | 32,430                     | 1,370               | 54,229                    | 52,859  |
| <b>Fund balances - beginning</b> | <u>71,888</u>              | <u>71,888</u>       | <u>71,888</u>             | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 104,318</u>          | <u>\$ 73,258</u>    | <u>\$ 126,117</u>         | <u>\$ 52,859</u>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**STREET IMPROVEMENT**  
*For the Year Ended September 30, 2020*

|                                  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|----------------------------------|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                  |                            |                     |                           |   |
| Sales taxes                      | \$ 1,622,100               | \$ 1,622,100        | \$ 1,749,225              | \$ 127,125  |
| Investment earnings              | 36,400                     | 36,400              | 30,219                    | (6,181)   |
| <b>Total Revenues</b>            | <u>1,658,500</u>           | <u>1,658,500</u>    | <u>1,779,444</u>          | <u>120,944</u>  |
| <b>Expenditures</b>              |                            |                     |                           |   |
| Public works                     | -                          | 262,781             | 3,943,786                 | (3,681,005)   |
| Capital outlay                   | -                          | 2,793,634           | -                         | 2,793,634   |
| <b>Total Expenditures</b>        | <u>-</u>                   | <u>3,056,415</u>    | <u>3,943,786</u>          | <u>(887,371)</u>  |
| Net change in fund balances      | 1,658,500                  | (1,397,915)         | (2,164,342)               | (766,427)   |
| <b>Fund balances - beginning</b> | <u>2,641,572</u>           | <u>2,641,572</u>    | <u>2,641,572</u>          | <u>-</u>  |
| <b>Fund balances - ending</b>    | <u>\$ 4,300,072</u>        | <u>\$ 1,243,657</u> | <u>\$ 477,230</u>         | <u>\$ (766,427)</u>   |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE**  
*For the Year Ended September 30, 2020*

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                                   |                            |                     |                           |   |
| Property taxes                                    | \$ 3,319,901               | \$ 3,319,901        | \$ 3,204,801              | \$ (115,100)  |
| Investment earnings                               | 12,630                     | 12,630              | 9,293                     | (3,337)   |
| <b>Total Revenues</b>                             | <u>3,332,531</u>           | <u>3,332,531</u>    | <u>3,214,094</u>          | <u>(118,437)</u>  |
| <b>Expenditures</b>                               |                            |                     |                           |   |
| <b>Debt service:</b>                              |                            |                     |                           |   |
| Principal   | 2,211,498                  | 2,221,257           | 2,221,257                 | -   |
| Interest and other charges                        | 1,083,403                  | 1,149,063           | 1,146,520                 | 2,543   |
| <b>Total Expenditures</b>                         | <u>3,294,901</u>           | <u>3,370,320</u>    | <u>3,367,777</u>          | <u>2,543</u>  |
| Excess (deficiency) of revenues over expenditures | <u>37,630</u>              | <u>(37,789)</u>     | <u>(153,683)</u>          | <u>(115,894)</u>  |
| <b>Other Financing Sources (Uses)</b>             |                            |                     |                           |   |
| Issuance of refunding bonds                       | -                          | 2,670,000           | 2,065,000                 | (605,000)   |
| Premium on bond issuance                          | -                          | 343,348             | 343,348                   | -   |
| Transfers in                                      | -                          | 66,205              | 119,372                   | 53,167  |
| Transfers out                                     | -                          | (631,875)           | (26,875)                  | 605,000   |
| Payments to refunding bond escrow agent           | -                          | (2,372,259)         | (2,372,262)               | (3)   |
| <b>Total Other Financing Sources</b>              | <u>-</u>                   | <u>75,419</u>       | <u>128,583</u>            | <u>53,164</u>   |
| Net change in fund balances                       | 37,630                     | 37,630              | (25,100)                  | (62,730)  |
| <b>Fund balances - beginning</b>                  | <u>57,009</u>              | <u>57,009</u>       | <u>57,009</u>             | <u>-</u>  |
| <b>Fund balances - ending</b>                     | <u>\$ 94,639</u>           | <u>\$ 94,639</u>    | <u>\$ 31,909</u>          | <u>\$ (62,730)</u>  |

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**BOND CONSTRUCTION**  
*For the Year Ended September 30, 2020*

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts</u> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|---------------------|---------------------------|---|
| <b>Revenues</b>                                   |                            |                     |                           |   |
| Investment earnings                               | \$ 117,810                 | \$ 117,810          | \$ 23,567                 | \$ (94,243)   |
| Miscellaneous                                     | -                          | -                   | 8,397                     | 8,397   |
| <b>Total Revenues</b>                             | <u>117,810</u>             | <u>117,810</u>      | <u>31,964</u>             | <u>(85,846)</u>   |
| <b>Expenditures</b>                               |                            |                     |                           |   |
| <b>Current:</b>                                   |                            |                     |                           |   |
| Public works                                      | -                          | -                   | 63,135                    | (63,135)  |
| <b>Debt service:</b>                              |                            |                     |                           |   |
| Bond issuance costs                               | -                          | 139,287             | 139,287                   | -   |
| <b>Capital outlay</b>                             | -                          | 9,949,003           | 7,313,288                 | 2,635,715   |
| <b>Total Expenditures</b>                         | <u>-</u>                   | <u>10,088,290</u>   | <u>7,515,710</u>          | <u>2,572,580</u>  |
| Excess (deficiency) of revenues over expenditures | <u>117,810</u>             | <u>(9,970,480)</u>  | <u>(7,483,746)</u>        | <u>2,486,734</u>  |
| <b>Other Financing Sources (Uses)</b>             |                            |                     |                           |   |
| Issuance of capital-related debt                  | -                          | 7,795,000           | 7,795,000                 | -   |
| Premium on issuance of bonds                      | -                          | 410,492             | 410,492                   | -   |
| Transfers out                                     | -                          | (66,205)            | (119,372)                 | (53,167)  |
| <b>Total Other Financing Sources (Uses)</b>       | <u>-</u>                   | <u>8,139,287</u>    | <u>8,086,120</u>          | <u>(53,167)</u>   |
| Net change in fund balances                       | 117,810                    | (1,831,193)         | 602,374                   | 2,433,567   |
| <b>Fund balances - beginning</b>                  | <u>2,278,662</u>           | <u>2,278,662</u>    | <u>2,278,662</u>          | <u>-</u>  |
| <b>Fund balances - ending</b>                     | <u>\$ 2,396,472</u>        | <u>\$ 447,469</u>   | <u>\$ 2,881,036</u>       | <u>\$ 2,433,567</u>   |

**STATISTICAL SECTION  
(Unaudited)**



**STATISTICAL SECTION  
(Unaudited)**

This part of the City of Friendswood’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

**Contents Pages**

|  |            |
|--|------------|
| <b><i>Financial Trends</i></b>   | <b>108</b> |
| These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.  |            |
| <b><i>Revenue Capacity</i></b>   | <b>118</b> |
| These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.  |            |
| <b><i>Debt Capacity</i></b>  | <b>123</b> |
| These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.                |            |
| <b><i>Demographic and Economic Information</i></b>   | <b>128</b> |
| This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.  |            |
| <b><i>Operating Information</i></b>  | <b>132</b> |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and activities it performs. |            |

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

**CITY OF FRIENDSWOOD, TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*

|  | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental Activities</b>                     |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 68,990,597         | \$ 66,823,023         | \$ 68,320,682         | \$ 72,631,192         |
| Restricted   | 4,606,124             | 4,003,468             | 4,085,999             | 2,534,312             |
| Unrestricted                                       | <u>2,563,947</u>      | <u>5,402,312</u>      | <u>6,248,751</u>      | <u>5,532,198</u>      |
| <b>Total governmental activities net position</b>  | <u>\$ 76,160,668</u>  | <u>\$ 76,228,803</u>  | <u>\$ 78,655,432</u>  | <u>\$ 80,697,702</u>  |
| <b>Business-type activities</b>                    |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 32,242,803         | \$ 27,038,046         | \$ 27,088,280         | \$ 29,305,429         |
| Restricted   | 2,186,731             | 1,982,666             | 582,697               | 260,703               |
| Unrestricted                                       | <u>8,438,509</u>      | <u>12,077,564</u>     | <u>13,620,211</u>     | <u>10,584,764</u>     |
| <b>Total business-type activities net position</b> | <u>\$ 42,868,043</u>  | <u>\$ 41,098,276</u>  | <u>\$ 41,291,188</u>  | <u>\$ 40,150,896</u>  |
| <b>Primary government</b>                          |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 101,233,400        | \$ 93,861,069         | \$ 95,408,962         | \$ 101,936,621        |
| Restricted   | 6,792,855             | 5,986,134             | 4,668,696             | 2,795,015             |
| Unrestricted                                       | <u>11,002,456</u>     | <u>17,479,876</u>     | <u>19,868,962</u>     | <u>16,116,962</u>     |
| <b>Total Primary government net positions</b>      | <u>\$ 119,028,711</u> | <u>\$ 117,327,079</u> | <u>\$ 119,946,620</u> | <u>\$ 120,848,598</u> |

**Table 1**

| <b>2016</b>           | <b>2015</b>           | <b>2014</b>           | <b>2013</b>           | <b>2012</b>           | <b>2011</b>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 73,588,484         | \$ 73,611,490         | \$ 65,404,791         | \$ 65,056,180         | \$ 65,582,783         | \$ 66,580,049         |
| 1,405,907             | 1,179,764             | 653,496               | 718,275               | 872,869               | 922,874               |
| 5,579,677             | 5,901,505             | 10,798,907            | 9,565,406             | 8,828,132             | 8,227,254             |
| <u>\$ 80,574,068</u>  | <u>\$ 80,692,759</u>  | <u>\$ 76,857,194</u>  | <u>\$ 75,339,861</u>  | <u>\$ 75,283,784</u>  | <u>\$ 75,730,177</u>  |
| \$ 28,322,718         | \$ 26,628,714         | \$ 24,495,816         | \$ 22,961,547         | \$ 25,618,823         | \$ 26,251,346         |
| 99,006                | 27,468                | 90,395                | 176,882               | 786,600               | 731,410               |
| 10,238,993            | 12,040,181            | 14,818,104            | 16,790,183            | 13,032,798            | 11,373,311            |
| <u>\$ 38,660,717</u>  | <u>\$ 38,696,363</u>  | <u>\$ 39,404,315</u>  | <u>\$ 39,928,612</u>  | <u>\$ 39,438,221</u>  | <u>\$ 38,356,067</u>  |
| \$ 101,911,202        | \$ 100,240,204        | \$ 89,900,607         | \$ 88,017,727         | \$ 91,201,606         | \$ 92,831,395         |
| 1,504,913             | 1,207,232             | 743,891               | 895,157               | 1,659,469             | 1,654,284             |
| 15,818,670            | 17,941,686            | 25,617,011            | 26,355,589            | 21,860,930            | 19,600,565            |
| <u>\$ 119,234,785</u> | <u>\$ 119,389,122</u> | <u>\$ 116,261,509</u> | <u>\$ 115,268,473</u> | <u>\$ 114,722,005</u> | <u>\$ 114,086,244</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*

|  | <u>2020</u>            | <u>2019</u>            | <u>2018</u>            | <u>2017</u>            |
|--|------------------------|------------------------|------------------------|------------------------|
| <b>Expenses</b>  |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |
| General government                                     | \$ 6,119,806           | \$ 5,912,467           | \$ 5,734,611           | \$ 5,128,399           |
| Public safety  | 15,501,734             | 15,134,465             | 17,538,040             | 15,861,719             |
| Public works   | 8,840,113              | 7,897,373              | 6,267,824              | 4,429,664              |
| Engineering  | 434,976                | -                      | -                      | -                      |
| Community development                                  | 1,122,506              | 1,359,878              | 945,701                | 1,495,001              |
| Parks and recreation                                   | 4,439,511              | 4,839,076              | 4,554,114              | 3,459,053              |
| Library services                                       | 1,214,130              | 1,257,970              | 1,210,207              | 1,215,683              |
| Interest and fiscal charges                            | 1,055,889              | 923,350                | 953,509                | 953,146                |
| <b>Total governmental activities expenses</b>          | <u>38,728,665</u>      | <u>37,324,579</u>      | <u>37,204,006</u>      | <u>32,542,665</u>      |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |
| Water and wastewater                                   | 12,071,159             | 11,507,880             | 9,019,197              | 8,502,218              |
| Interest and other                                     | 1,733,123              | 1,579,182              | 1,029,715              | 1,086,278              |
| <b>Total business-type activities</b>                  | <u>13,804,282</u>      | <u>13,087,062</u>      | <u>10,048,912</u>      | <u>9,588,496</u>       |
| <b>Total primary government expenses</b>               | <u>\$ 52,532,947</u>   | <u>\$ 50,411,641</u>   | <u>\$ 47,252,918</u>   | <u>\$ 42,131,161</u>   |
| <b>Program Revenues</b>                                |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |
| General government                                     | \$ 930,686             | \$ 751,112             | \$ 861,271             | \$ 1,004,968           |
| Public safety  | 871,714                | 811,768                | 868,761                | 35,007                 |
| Public works   | 222,337                | 236,352                | 213,042                | 242,184                |
| Community development                                  | 9,275                  | 6,841                  | -                      | 1,036,741              |
| Parks and recreation                                   | 181,709                | 341,560                | 344,064                | 387,915                |
| Library services                                       | -                      | -                      | -                      | 30,600                 |
| Operating grants and contributions                     | 3,430,645              | 1,842,704              | 4,924,228              | 2,591,025              |
| Capital grants and contributions                       | 708,306                | -                      | -                      | 219,808                |
| <b>Total Governmental activities program revenues:</b> | <u>6,354,672</u>       | <u>3,990,337</u>       | <u>7,211,366</u>       | <u>5,548,248</u>       |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |
| Water and wastewater                                   | 16,638,758             | 13,669,552             | 12,183,711             | 12,295,441             |
| Operating grants and contributions                     | 22,602                 | -                      | -                      | -                      |
| <b>Total business-type activities program revenues</b> | <u>16,661,360</u>      | <u>13,669,552</u>      | <u>12,183,711</u>      | <u>12,295,441</u>      |
| <b>Total primary government program revenues</b>       | <u>\$ 23,016,032</u>   | <u>\$ 17,659,889</u>   | <u>\$ 19,395,077</u>   | <u>\$ 17,843,689</u>   |
| <b>Net (Expense) Revenues</b>                          |                        |                        |                        |                        |
| Governmental activities                                | \$ (32,373,993)        | \$ (33,334,242)        | \$ (29,992,640)        | \$ (26,994,417)        |
| Business-type activities                               | 2,857,078              | 582,490                | 2,134,799              | 2,706,945              |
| <b>Total primary government net expense</b>            | <u>\$ (29,516,915)</u> | <u>\$ (32,751,752)</u> | <u>\$ (27,857,841)</u> | <u>\$ (24,287,472)</u> |

| <u>2016</u>            | <u>2015</u>            | <u>2014</u>            | <u>2013</u>            | <u>2012</u>            | <u>2011</u>            |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 4,736,867           | \$ 5,410,643           | \$ 4,589,795           | \$ 4,679,339           | \$ 4,737,702           | \$ 4,876,064           |
| 13,101,691             | 11,763,659             | 11,236,402             | 10,800,130             | 10,736,805             | 10,548,568             |
| 4,429,482              | 3,933,288              | 3,921,658              | 4,385,090              | 3,738,111              | 3,517,707              |
| -                      | -                      | -                      | -                      | -                      | -                      |
| 1,577,813              | 1,406,288              | 1,097,075              | 1,207,264              | 1,520,401              | 1,284,188              |
| 3,080,453              | 2,869,345              | 3,356,587              | 3,260,931              | 3,227,731              | 3,058,313              |
| 1,134,859              | 1,026,967              | 1,093,043              | 1,002,801              | 1,004,303              | 979,978                |
| 862,654                | 730,614                | 630,542                | 703,275                | 757,011                | 871,790                |
| <u>28,923,819</u>      | <u>27,140,804</u>      | <u>25,925,102</u>      | <u>26,038,830</u>      | <u>25,722,064</u>      | <u>25,136,608</u>      |
| 7,975,920              | 7,629,711              | 7,995,106              | 7,681,366              | 6,902,279              | 6,955,505              |
| 1,642,723              | 1,524,276              | 1,514,804              | 1,590,395              | 1,638,495              | 1,644,074              |
| <u>9,618,643</u>       | <u>9,153,987</u>       | <u>9,509,910</u>       | <u>9,271,761</u>       | <u>8,540,774</u>       | <u>8,599,579</u>       |
| <u>\$ 38,542,462</u>   | <u>\$ 36,294,791</u>   | <u>\$ 35,435,012</u>   | <u>\$ 35,310,591</u>   | <u>\$ 34,262,838</u>   | <u>\$ 33,736,187</u>   |
| <br>                   |                        |                        |                        |                        |                        |
| \$ 1,002,022           | \$ 807,245             | \$ 912,910             | \$ 989,190             | \$ 1,167,619           | \$ 1,158,392           |
| 28,760                 | 30,275                 | 31,620                 | 34,944                 | 39,661                 | 39,914                 |
| 174,568                | 190,099                | 193,064                | 186,504                | 171,890                | 158,858                |
| 949,011                | 843,648                | 877,132                | 825,366                | 730,211                | 643,150                |
| 286,727                | 280,046                | 315,702                | 316,047                | 271,912                | 267,837                |
| 27,532                 | 33,699                 | 36,081                 | 36,686                 | 39,543                 | 43,147                 |
| 800,151                | 660,633                | 843,995                | 644,458                | 648,058                | 3,150,808              |
| 318,657                | 3,225,672              | 1,202,376              | 543,763                | 527,288                | -                      |
| <u>3,587,428</u>       | <u>6,071,317</u>       | <u>4,412,880</u>       | <u>3,576,958</u>       | <u>3,596,182</u>       | <u>5,462,106</u>       |
| <br>                   |                        |                        |                        |                        |                        |
| 11,319,801             | 11,020,029             | 11,117,391             | 11,462,779             | 11,258,216             | 12,726,936             |
| -                      | -                      | -                      | -                      | -                      | -                      |
| <u>11,319,801</u>      | <u>11,020,029</u>      | <u>11,117,391</u>      | <u>11,462,779</u>      | <u>11,258,216</u>      | <u>12,726,936</u>      |
| <br>                   |                        |                        |                        |                        |                        |
| <u>\$ 14,907,229</u>   | <u>\$ 17,091,346</u>   | <u>\$ 15,530,271</u>   | <u>\$ 15,039,737</u>   | <u>\$ 14,854,398</u>   | <u>\$ 18,189,042</u>   |
| <br>                   |                        |                        |                        |                        |                        |
| \$ (25,336,391)        | \$ (21,069,487)        | \$ (21,502,222)        | \$ (22,461,872)        | \$ (22,126,882)        | \$ (19,674,502)        |
| 1,701,158              | 1,866,042              | 1,607,481              | 2,191,018              | 2,717,442              | 4,127,357              |
| <u>\$ (23,635,233)</u> | <u>\$ (19,203,445)</u> | <u>\$ (19,894,741)</u> | <u>\$ (20,270,854)</u> | <u>\$ (19,409,440)</u> | <u>\$ (15,547,145)</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*

|   | <u>2020</u>         | <u>2019</u>           | <u>2018</u>        | <u>2017</u>         |
|---|---------------------|-----------------------|--------------------|---------------------|
| <b>General Revenues and Other Changes in Net Position</b> |                     |                       |                    |                     |
| <b>Governmental activities:</b>                           |                     |                       |                    |                     |
| Taxes:  |                     |                       |                    |                     |
| Property taxes  | \$ 18,731,549       | \$ 18,111,247         | \$ 17,608,094      | \$ 17,270,647       |
| Sales taxes   | 8,846,359           | 8,407,249             | 7,965,662          | 6,482,367           |
| Franchise and other taxes                                 | 2,142,660           | 2,054,395             | 1,617,121          | 1,661,654           |
| Other   | -                   | -                     | -                  | -                   |
| Investment earnings                                       | 880,606             | 526,867               | 321,468            | 187,001             |
| Gain (loss) on disposal of capital assets                 | -                   | -                     | -                  | 25,999              |
| Miscellaneous   | 269,855             | 351,165               | 263,245            | 131,639             |
| Transfers   | 1,434,829           | 1,456,690             | 1,554,849          | 1,358,744           |
| <b>Total governmental activities</b>                      | <u>32,305,858</u>   | <u>30,907,613</u>     | <u>29,330,439</u>  | <u>27,118,051</u>   |
| <b>Business-type activities:</b>                          |                     |                       |                    |                     |
| Investment earnings                                       | 347,518             | 681,288               | 200,449            | 141,978             |
| Gain (loss) on disposal of capital assets                 | -                   | -                     | -                  | -                   |
| Miscellaneous   | -                   | -                     | -                  | -                   |
| Transfers   | (1,434,829)         | (1,456,690)           | (1,554,849)        | (1,358,744)         |
| <b>Total business-type activities</b>                     | <u>(1,087,311)</u>  | <u>(775,402)</u>      | <u>(1,354,400)</u> | <u>(1,216,766)</u>  |
| <b>Total primary government</b>                           | <u>31,218,547</u>   | <u>30,132,211</u>     | <u>27,976,039</u>  | <u>25,901,285</u>   |
| <b>Change in Net Position</b>                             |                     |                       |                    |                     |
| Governmental activities                                   | (68,135)            | (2,426,629)           | (662,201)          | 123,634             |
| Business-type activities                                  | 1,769,767           | (192,912)             | 780,399            | 1,490,179           |
| <b>Total primary government</b>                           | <u>\$ 1,701,632</u> | <u>\$ (2,619,541)</u> | <u>\$ 118,198</u>  | <u>\$ 1,613,813</u> |

| <u>2016</u>        | <u>2015</u>         | <u>2014</u>         | <u>2013</u>        | <u>2012</u>        | <u>2011</u>         |
|--------------------|---------------------|---------------------|--------------------|--------------------|---------------------|
| \$ 16,350,101      | \$ 15,574,684       | \$ 14,864,284       | \$ 14,630,961      | \$ 14,165,599      | \$ 13,944,725       |
| 5,393,920          | 5,291,186           | 4,693,484           | 4,293,794          | 3,907,577          | 4,002,740           |
| 1,779,234          | 1,726,557           | 1,673,615           | 1,583,258          | 1,556,556          | 1,598,407           |
| -                  | -                   | 32,799              | 24,974             | 23,356             | 28,883              |
| 149,003            | 79,071              | 109,849             | 88,510             | 137,202            | 110,863             |
| 19,564             | -                   | 34,359              | 43,788             | 17,601             | 23,831              |
| 128,813            | 108,306             | 84,275              | 78,682             | 147,457            | 126,228             |
| 1,397,065          | 1,226,205           | 1,799,344           | 1,773,982          | 1,725,141          | (5,336,312)         |
| <u>25,217,700</u>  | <u>24,006,009</u>   | <u>23,292,009</u>   | <u>22,517,949</u>  | <u>21,680,489</u>  | <u>14,499,365</u>   |
| 95,825             | 49,138              | 40,713              | 37,565             | 82,853             | 55,163              |
| 7,569              | -                   | -                   | -                  | 7,000              | -                   |
| -                  | 7,839               | -                   | 35,790             | -                  | -                   |
| <u>(1,397,065)</u> | <u>(1,226,205)</u>  | <u>(1,799,344)</u>  | <u>(1,773,982)</u> | <u>(1,725,141)</u> | <u>5,336,312</u>    |
| <u>(1,293,671)</u> | <u>(1,169,228)</u>  | <u>(1,758,631)</u>  | <u>(1,700,627)</u> | <u>(1,635,288)</u> | <u>5,391,475</u>    |
| <u>23,924,029</u>  | <u>22,836,781</u>   | <u>21,533,378</u>   | <u>20,817,322</u>  | <u>20,045,201</u>  | <u>19,890,840</u>   |
| (118,691)          | 2,936,522           | 1,789,787           | 56,077             | (446,393)          | (5,175,137)         |
| 407,487            | 696,814             | (151,150)           | 490,391            | 1,082,154          | 9,518,832           |
| <u>\$ 288,796</u>  | <u>\$ 3,633,336</u> | <u>\$ 1,638,637</u> | <u>\$ 546,468</u>  | <u>\$ 635,761</u>  | <u>\$ 4,343,695</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>General fund</b>                              |                      |                      |                      |                      |
| Reserved   | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved                                       | -                    | -                    | -                    | -                    |
| Nonspendable                                     | 255,796              | 378,736              | 371,610              | 434,750              |
| Restricted                                       | 650,424              | 727,704              | 631,971              | 667,271              |
| Committed  | -                    | -                    | -                    | -                    |
| Assigned   | 2,591,745            | 2,508,234            | 4,229,725            | 2,893,697            |
| Unassigned                                       | 13,374,059           | 10,608,815           | 9,052,000            | 9,547,039            |
| <b>Total General Fund</b>                        | <u>16,872,024</u>    | <u>14,223,489</u>    | <u>14,285,306</u>    | <u>13,542,757</u>    |
| <b>All Other Governmental Funds</b>              |                      |                      |                      |                      |
| Reserved   | -                    | -                    | -                    | -                    |
| Unreserved, reported in:                         |                      |                      |                      |                      |
| Special revenue funds                            | -                    | -                    | -                    | -                    |
| Permanent fund                                   | -                    | -                    | -                    | -                    |
| Nonspendable                                     | 11,070               | 24,738               | 24,307               | 31,869               |
| Restricted                                       | 4,757,183            | 5,568,395            | 9,304,724            | 8,464,859            |
| Unassigned                                       | (1,826,743)          | -                    | -                    | -                    |
| <b>Total Other Governmental Funds</b>            | <u>2,941,510</u>     | <u>5,593,133</u>     | <u>9,329,031</u>     | <u>8,496,728</u>     |
| <b>Total Fund Balances of Governmental Funds</b> | <u>\$ 19,813,534</u> | <u>\$ 19,816,622</u> | <u>\$ 23,614,337</u> | <u>\$ 22,039,485</u> |

Note: In 2011, the City implemented GASB 54 which replaced the categories that previously had been used to classify fund balance. The City did not retroactively apply the provisions of this statement to previous years fund balance date.

**Table 3**

| <b>2016</b>          | <b>2015</b>          | <b>2014</b>          | <b>2013</b>          | <b>2012</b>          | <b>2011</b>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 646,778              | 822,226              | 143,201              | 122,927              | 99,874               | 220,151              |
| 626,229              | 518,119              | 400,411              | 281,826              | 173,015              | 97,728               |
| 3,612                | 685,486              | -                    | -                    | -                    | -                    |
| 2,706,897            | 2,773,419            | 1,421,875            | 487,201              | 434,931              | 1,085,527            |
| 9,776,031            | 8,760,424            | 10,554,183           | 9,714,206            | 9,379,399            | 7,511,998            |
| <u>13,759,547</u>    | <u>13,559,674</u>    | <u>12,519,670</u>    | <u>10,606,160</u>    | <u>10,087,219</u>    | <u>8,915,404</u>     |
| -                    | -                    | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 31,721               | 31,378               | 31,241               | 31,137               | 31,027               | 30,869               |
| 8,165,349            | 6,539,985            | 666,317              | 995,269              | 2,184,855            | 4,162,423            |
| (193,750)            | -                    | (239,078)            | -                    | -                    | -                    |
| <u>8,003,320</u>     | <u>6,571,363</u>     | <u>458,480</u>       | <u>1,026,406</u>     | <u>2,215,882</u>     | <u>4,193,292</u>     |
| <u>\$ 21,762,867</u> | <u>\$ 20,131,037</u> | <u>\$ 12,978,150</u> | <u>\$ 11,632,566</u> | <u>\$ 12,303,101</u> | <u>\$ 13,108,696</u> |

**CITY OF FRIENDSWOOD, TEXAS**  
**CHANGES INFUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

|   | <u>2020</u>       | <u>2019</u>           | <u>2018</u>         | <u>2017</u>       |
|---|-------------------|-----------------------|---------------------|-------------------|
| <b>Revenues</b>   |                   |                       |                     |                   |
| Taxes   | \$ 29,712,771     | \$ 28,389,651         | \$ 27,247,421       | \$ 25,509,760     |
| Fines and forfeitures                                   | 780,717           | 866,812               | 957,671             | 1,023,556         |
| Permits and fees  | 1,504,555         | 1,483,554             | 1,566,656           | 1,708,357         |
| Intergovernmental                                       | 3,828,898         | 1,576,838             | 4,398,836           | 1,763,974         |
| Investment earnings                                     | 274,405           | 518,221               | 313,793             | 184,127           |
| Donations   | 274,945           | 290,069               | 396,010             | 434,164           |
| Miscellaneous   | 719,721           | 18,777                | 181,017             | 165,619           |
| <b>Total revenues</b>                                   | <u>37,096,012</u> | <u>33,143,922</u>     | <u>35,061,404</u>   | <u>30,789,557</u> |
| <b>Expenditures</b>                                     |                   |                       |                     |                   |
| General government                                      | 5,690,428         | 5,336,269             | 5,440,888           | 4,975,926         |
| Public safety   | 14,306,864        | 13,545,539            | 16,868,931          | 14,751,381        |
| Public works  | 6,021,313         | 4,127,539             | 2,157,277           | 2,160,152         |
| Engineering   | 434,976           | -                     | -                   | -                 |
| Community development                                   | 1,139,566         | 1,099,154             | 985,309             | 893,663           |
| Parks and recreation                                    | 3,426,521         | 3,796,589             | 3,511,146           | 3,339,864         |
| Library services  | 1,182,289         | 1,204,415             | 1,200,512           | 1,172,245         |
| Capital outlay  | 12,865,475        | 6,219,243             | 2,615,538           | 8,429,200         |
| Debt principal payment                                  | 2,221,257         | 2,168,876             | 2,137,284           | 1,813,130         |
| Interest and other charges                              | 1,285,807         | 1,112,127             | 1,145,400           | 1,170,958         |
| <b>Total expenditures</b>                               | <u>48,574,496</u> | <u>38,609,751</u>     | <u>36,062,285</u>   | <u>38,706,519</u> |
| Excess of revenues over (under) expenditures            | (11,478,484)      | (5,465,829)           | (1,000,881)         | (7,916,962)       |
| <b>Other Financing Sources (Uses)</b>                   |                   |                       |                     |                   |
| Sale of capital assets                                  | 72,568            | 6,614                 | 9,135               | 12,757            |
| Insurance recoveries                                    | 8,548             | 235,443               | 725,304             | 25,999            |
| Issuance of capital related debt                        | 7,795,000         | -                     | 485,305             | 5,605,000         |
| Issuance of capital lease                               | 1,791,015         | -                     | -                   | 756,006           |
| Refunding bonds issued                                  | 2,065,000         | -                     | -                   | -                 |
| Payment to refunding escrow agent                       | (2,372,262)       | -                     | -                   | -                 |
| Premium on issuance of debt                             | 753,840           | -                     | -                   | 435,074           |
| Transfers in  | 1,584,985         | 1,473,591             | 1,402,989           | 1,364,399         |
| Transfers out   | (223,298)         | (47,534)              | (47,000)            | (5,655)           |
| <b>Total other financing sources (uses)</b>             | <u>11,475,396</u> | <u>1,668,114</u>      | <u>2,575,733</u>    | <u>8,193,580</u>  |
| <b>Net change in fund balances</b>                      | <u>\$ (3,088)</u> | <u>\$ (3,797,715)</u> | <u>\$ 1,574,852</u> | <u>\$ 276,618</u> |
| Debt service as a percentage of noncapital expenditures | 9.9%              | 10.1%                 | 9.8%                | 9.9%              |

Table 4

| 2016                | 2015                | 2014                | 2013              | 2012                  | 2011                |
|---------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|
| \$ 23,533,294       | \$ 22,513,317       | \$ 21,335,527       | \$ 20,563,848     | \$ 19,630,172         | \$ 19,592,092       |
| 873,872             | 907,557             | 860,257             | 939,380           | 1,037,880             | 1,012,592           |
| 1,450,939           | 1,349,264           | 1,385,898           | 1,327,918         | 1,174,013             | 1,069,845           |
| 664,427             | 3,536,980           | 1,791,451           | 918,641           | 1,077,890             | 3,109,645           |
| 147,403             | 77,947              | 109,117             | 87,330            | 135,483               | 109,272             |
| 257,724             | 349,325             | 349,166             | 363,413           | 306,119               | 276,209             |
| 79,435              | 72,837              | 54,989              | 84,673            | 41,410                | 78,243              |
| <u>27,007,094</u>   | <u>28,807,227</u>   | <u>25,886,405</u>   | <u>24,285,203</u> | <u>23,402,967</u>     | <u>25,247,898</u>   |
| 4,385,321           | 5,343,160           | 4,306,143           | 4,250,320         | 4,322,631             | 4,397,858           |
| 12,135,956          | 11,348,346          | 10,599,575          | 10,234,811        | 10,201,010            | 10,093,964          |
| 2,118,572           | 2,066,349           | 1,689,987           | 2,204,176         | 1,702,119             | 1,637,237           |
| -                   | -                   | -                   | -                 | -                     | -                   |
| 954,103             | 925,947             | 1,092,982           | 1,207,264         | 1,520,401             | 1,284,188           |
| 3,032,979           | 2,917,857           | 2,772,072           | 2,675,813         | 2,622,970             | 2,472,015           |
| 1,096,614           | 1,036,843           | 1,083,043           | 1,002,801         | 1,004,303             | 979,978             |
| 9,332,400           | 7,255,229           | 2,500,254           | 1,942,746         | 3,705,622             | 4,254,582           |
| 1,570,176           | 1,272,823           | 1,668,692           | 1,721,983         | 1,562,088             | 1,065,865           |
| 921,982             | 776,340             | 662,718             | 712,822           | 899,709               | 1,064,973           |
| <u>35,548,103</u>   | <u>32,942,894</u>   | <u>26,375,466</u>   | <u>25,952,736</u> | <u>27,540,853</u>     | <u>27,250,660</u>   |
| (8,541,009)         | (4,135,667)         | (489,061)           | (1,667,533)       | (4,137,886)           | (2,002,762)         |
| 2,743               | 99                  | 6,325               | 27,566            | 9,250                 | 8,992               |
| 19,564              | 39,257              | 28,886              | 48,132            | 105,502               | 45,334              |
| 7,345,000           | 9,595,000           | -                   | -                 | 8,890,000             | 3,460,000           |
| -                   | -                   | -                   | 147,318           | 464,270               | -                   |
| -                   | 2,840,000           | -                   | -                 | -                     | 5,460,000           |
| -                   | (3,058,663)         | -                   | -                 | (9,425,538)           | -                   |
| 1,484,593           | 646,746             | -                   | -                 | 563,666               | 317,452             |
| 1,503,442           | 1,544,662           | 1,799,344           | 1,973,106         | 1,970,819             | 1,235,892           |
| (182,503)           | (318,457)           | -                   | (199,124)         | (245,678)             | (6,573,032)         |
| <u>10,172,839</u>   | <u>11,288,644</u>   | <u>1,834,555</u>    | <u>1,996,998</u>  | <u>2,332,291</u>      | <u>3,954,638</u>    |
| <u>\$ 1,631,830</u> | <u>\$ 7,152,977</u> | <u>\$ 1,345,494</u> | <u>\$ 329,465</u> | <u>\$ (1,805,595)</u> | <u>\$ 1,951,876</u> |
| 9.2%                | 7.5%                | 9.8%                | 10.0%             | 9.8%                  | 8.4%                |

**CITY OF FRIENDSWOOD, TEXAS**  
**ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

| <b>Fiscal Year</b> | <b>Tax Year</b> | <b>Residential Property</b> | <b>Commercial and Industrial Property</b> | <b>Other Property</b> |
|--------------------|-----------------|-----------------------------|---|-----------------------|
| 2011               | 2010            | \$ 2,547,883,315            | \$ 276,080,104                            | \$ 235,256,040        |
| 2012               | 2011            | 2,584,070,993               | 280,043,373                               | 230,531,859           |
| 2013               | 2012            | 2,622,105,658               | 286,288,277                               | 235,960,049           |
| 2014               | 2013            | 2,695,532,057               | 294,316,218                               | 238,127,209           |
| 2015               | 2014            | 2,850,404,776               | 300,533,643                               | 237,028,723           |
| 2016               | 2015            | 3,156,205,930               | 335,006,408                               | 206,365,157           |
| 2017               | 2016            | 3,546,622,242               | 320,646,912                               | 230,805,066           |
| 2018               | 2017            | 3,795,456,220               | 222,328,923                               | 376,053,145           |
| 2019               | 2018            | 3,749,539,307               | 227,659,302                               | 352,044,261           |
| 2020               | 2019            | 4,078,991,715               | 241,927,251                               | 414,739,865           |

**Source:** Galveston Central Appraisal District, Harris County Appraisal District, and City of Friendswood records.

**Note:** Property in the City of Friendswood is reassessed once every two years on average. (Source: Galveston Central Appraisal District)  
 Tax rates per \$100 of assessed value.  
 Residential property includes both single-family and multi-family properties.

*Table 5*

| <b>Total<br/>Assessed<br/>Value</b> | <b>Less:<br/>Exemptions and<br/>Tax Exempt<br/>Property</b> | <b>Total<br/>Taxable<br/>Value</b> | <b>Total<br/>Direct<br/>Tax<br/>Rate</b> |
|-------------------------------------|---|------------------------------------|--|
| \$ 3,059,219,459                    | \$ 703,419,784  | \$ 2,355,799,675                   | \$ 0.58510                               |
| 3,094,646,225                       | 706,059,683   | 2,388,586,542                      | 0.59020                                  |
| 3,144,353,984                       | 710,718,423   | 2,433,635,561                      | 0.59700                                  |
| 3,227,975,484                       | 724,153,848   | 2,503,821,636                      | 0.59140                                  |
| 3,387,967,142                       | 761,444,427   | 2,626,522,715                      | 0.59140                                  |
| 3,697,577,495                       | 776,779,458   | 2,920,798,037                      | 0.56870                                  |
| 4,098,074,220                       | 977,353,948   | 3,120,720,272                      | 0.05460                                  |
| 4,393,838,288                       | 894,716,055   | 3,499,122,233                      | 0.05273                                  |
| 4,329,242,870                       | 955,005,811   | 3,374,237,059                      | 0.05324                                  |
| 4,735,658,831                       | 1,066,920,381   | 3,668,738,450                      | 0.05214                                  |

**CITY OF FRIENDSWOOD, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
*Last Ten Fiscal Years*  
*(Unaudited)*  
*(rate per \$100 of assessed value)*

*Table 6*

| Fiscal<br>Year<br>Ended<br>September 30, | City Direct Rates |                 |                 | Overlapping Rates                             |   |  |                     |                  |  |
|--|-------------------|-----------------|-----------------|---|---|--|---------------------|------------------|--|
|  | General           | Debt<br>Service | Total<br>Direct | Friendswood<br>Independent<br>School District | Clear Creek<br>Independent<br>School District | Galveston County<br>Drainage<br>District | Galveston<br>County | Harris<br>County |  |
| 2011                                     | \$ 0.5198         | \$ 0.0653       | \$ 0.5851       | \$ 1.3670                                     | \$ 1.3600                                     | \$ 0.1425                                | \$ 0.6198           | \$ 0.62998       |  |
| 2012                                     | 0.5218            | 0.0684          | 0.5902          | 1.3670  | 1.3600  | 0.1400                                   | 0.6129              | 0.62998          |  |
| 2013                                     | 0.5307            | 0.0663          | 0.5970          | 1.3670  | 1.3600  | 0.1400                                   | 0.5999              | 0.62998          |  |
| 2014                                     | 0.5303            | 0.0611          | 0.5914          | 1.3670  | 1.4000  | 0.1400                                   | 0.5837              | 0.62998          |  |
| 2015                                     | 0.5303            | 0.0611          | 0.5914          | 1.3670  | 1.4000  | 0.1350                                   | 0.5788              | 0.62998          |  |
| 2016                                     | 0.4972            | 0.0715          | 0.5687          | 1.3670  | 1.4000  | 0.1150                                   | 0.5612              | 0.62998          |  |
| 2017                                     | 0.4620            | 0.0840          | 0.5460          | 1.3870  | 1.4000  | 0.1120                                   | 0.5462              | 0.62998          |  |
| 2018                                     | 0.4323            | 0.0950          | 0.5273          | 1.3670  | 1.4000  | 0.1080                                   | 0.5461              | 0.62998          |  |
| 2019                                     | 0.4372            | 0.0952          | 0.5324          | 1.3670  | 1.4000  | 0.1080                                   | 0.5298              | 0.62998          |  |
| 2020                                     | 0.4322            | 0.0893          | 0.5214          | 1.2594  | 1.3100  | 0.1122                                   | 0.5044              | 0.61170          |  |

**Source:** Galveston County Tax Assessor/Collector and City of Friendswood records.

**Note:** Overlapping rates are those of local and county governments that apply to property owners within the City of Friendswood. Not all overlapping rates apply to all property owners. Overlapping rates for Friendswood Independent School District, Galveston County Consolidated Drainage District and Galveston County apply only to residents whose property is in Galveston County. Overlapping rates for Clear Creek Independent School District and Harris County apply only to residents whose property is in Harris County.

**CITY OF FRIENDSWOOD, TEXAS**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**CURRENT AND NINE YEARS AGO**  
*(Unaudited)*

*Table 7*

| Taxpayer                        | 2020                    |      |   | 2011                    |      |   |
|---------------------------------|-------------------------|------|---|-------------------------|------|---|
|                                 | Taxable Value           | Rank | Percentage of Total City Taxable Assessed Value | Taxable Value           | Rank | Percentage of Total City Taxable Assessed Value |
| Reserve at Autumn Creek LTD     | \$ 27,282,270           | 1    | 0.74%   | \$ -                    | -    | -   |
| Texas-New Mexico Power Co.      | 21,620,980              | 2    | 0.59%   | 10,225,400              | 1    | 0   |
| Bellevue at Clear Creek LP      | 19,159,200              | 3    | 0.52%   | -                       | -    | -   |
| Kroger Co.                      | 8,861,055               | 4    | 0.24%   | -                       | -    | -   |
| Bay Meadows LLP                 | 8,486,700               | 5    | 0.23%   | -                       | -    | -   |
| A-S 108 Friendswood Crossing LP | 7,031,940               | 6    | 0.19%   | -                       | -    | -   |
| The Beldon Friendswood LLC      | 6,200,150               | 7    | 0.17%   | -                       | -    | -   |
| H E Butt Grocery Company        | 6,090,560               | 8    | 0.17%   | 8,489,480               | 2    | 0   |
| PS LPT Properties Investors     | 5,777,596               | 9    | 0.16%   | -                       | -    | -   |
| Baywood Apartments LTD          | 5,500,000               | 10   | 0.15%   | -                       | -    | -   |
| HCP Friendswood LLC             | -                       | -    | -   | 6,995,240               | 3    | 0.29%   |
| Autumn Creek Dev LTD            | -                       | -    | -   | 5,762,590               | 4    | 0.24%   |
| Buzbee Family LTD Partnership   | -                       | -    | -   | 5,679,200               | 5    | 0.23%   |
| MB Friendswood Parkwood         | -                       | -    | -   | 5,383,320               | 6    | 0.22%   |
| Friendswood Retirement          | -                       | -    | -   | 5,379,393               | 7    | 0.22%   |
| Comcast of Houston LLC          | -                       | -    | -   | 4,413,130               | 8    | 0.18%   |
| Creekwood Associates LLC        | -                       | -    | -   | 4,367,180               | 9    | 0.18%   |
| HEB Pantry Foods                | -                       | -    | -   | 3,544,905               | 10   | 0.15%   |
| Total                           | <u>116,010,451</u>      |      | <u>3.16%</u>                                    | <u>60,239,838</u>       |      | <u>2.49%</u>                                    |
| All other taxpayers             | <u>3,552,727,999</u>    |      | <u>96.84%</u>                                   | <u>2,360,070,075</u>    |      | <u>97.51%</u>                                   |
|                                 | <u>\$ 3,668,738,450</u> |      | <u>100.00%</u>                                  | <u>\$ 2,420,309,913</u> |      | <u>100.00%</u>                                  |

**Source:** Galveston Central Appraisal District and Harris County Appraisal District.

**CITY OF FRIENDSWOOD, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

*Table 8*

| Fiscal Year<br>Ended<br>September 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>(adjustments)<br>in Subsequent<br>Years | Total Collections to Date |                       |
|---------------------------------------|--|---|-----------------------|--|---------------------------|-----------------------|
|                                       |  | Amount  | Percentage<br>of Levy |  | Amount                    | Percentage<br>of Levy |
| 2011                                  | \$ 13,738,978                          | \$ 13,608,076                                   | 99.47%                | \$ 120,630   | \$ 13,728,706             | 99.93%                |
| 2012                                  | 14,068,660                             | 13,916,558                                      | 99.51%                | 141,137  | 14,057,695                | 99.92%                |
| 2013                                  | 14,454,404                             | 14,361,379                                      | 99.63%                | 81,802   | 14,443,181                | 99.92%                |
| 2014                                  | 14,747,526                             | 14,656,257                                      | 99.38%                | 76,620   | 14,732,877                | 99.90%                |
| 2015                                  | 15,424,948                             | 15,306,943                                      | 99.23%                | 104,084  | 15,411,027                | 99.91%                |
| 2016                                  | 16,431,153                             | 16,264,080                                      | 98.98%                | 150,637  | 16,414,717                | 99.90%                |
| 2017                                  | 17,014,685                             | 16,922,419                                      | 99.46%                | 71,964   | 16,994,383                | 99.88%                |
| 2018                                  | 17,633,192                             | 17,554,220                                      | 99.55%                | 36,236   | 17,590,456                | 99.76%                |
| 2019                                  | 17,952,134                             | 17,756,864                                      | 98.91%                | 66,524   | 17,823,388                | 99.28%                |
| 2020                                  | 18,682,563                             | 18,605,868                                      | 99.59%                | -  | 18,605,868                | 99.59%                |

**Source:** Galveston County Tax Assessor/Collector and City of Friendswood records.

**CITY OF FRIENDSWOOD, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

*Table 9*

| Fiscal Year | Governmental Activities  |                | Business-Type Activities |                     | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|----------------|--------------------------|---------------------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Capital Leases | General Obligation Bonds | Water Revenue Bonds |                          |                               |            |
| 2011        | \$ 22,885,000            | \$ 710,023     | \$ -                     | \$ 35,205,000       | \$ 58,800,023            | 0.46%                         | \$ 1,579   |
| 2012        | 21,605,000               | 975,726        | -                        | 34,115,000          | 56,695,726               | 0.42%                         | 1,498      |
| 2013        | 20,230,000               | 876,981        | -                        | 32,995,000          | 54,101,981               | 0.37%                         | 1,410      |
| 2014        | 18,815,000               | 623,407        | -                        | 31,830,000          | 51,268,407               | 0.35%                         | 1,318      |
| 2015        | 24,525,285               | 360,584        | 9,875,671                | 24,663,416          | 59,424,956               | 0.40%                         | 1,510      |
| 2016        | 31,768,805               | 180,408        | 33,238,357               | 6,109,871           | 71,297,441               | 0.46%                         | 1,793      |
| 2017        | 36,067,806               | 668,284        | 31,160,729               | 5,871,129           | 73,767,948               | 0.47%                         | 1,818      |
| 2018        | 34,065,657               | 791,305        | 29,028,108               | 5,627,385           | 69,512,455               | 0.42%                         | 1,695      |
| 2019        | 32,023,508               | 436,620        | 26,845,483               | 27,039,600          | 86,345,211               | 0.49%                         | 2,093      |
| 2020        | 38,058,822               | 1,861,762      | 24,587,858               | 26,037,385          | 90,545,827               | 0.49%                         | 2,175      |

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**CITY OF FRIENDSWOOD, TEXAS**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

*Table 10*

| Fiscal Year | Population | Taxable Value    | General Bonded Debt Outstanding |                         | Net General Bonded Debt | Percentage of Taxable Value Property | Per Capita |
|-------------|------------|------------------|---------------------------------|-------------------------|-------------------------|--------------------------------------|------------|
|             |            |                  | General Obligation Bonds *      | Less Debt Service Funds |                         |                                      |            |
| 2011        | 37,247     | \$ 2,355,799,675 | \$ 23,293,294                   | \$ 240,869              | \$ 22,644,131           | 0.96%                                | 608        |
| 2012        | 37,839     | 2,388,586,542    | 22,402,761                      | 193,714                 | 21,411,286              | 0.90%                                | 566        |
| 2013        | 38,369     | 2,433,635,561    | 20,967,293                      | 134,339                 | 20,095,661              | 0.83%                                | 524        |
| 2014        | 38,911     | 2,503,821,636    | 19,491,826                      | 130,147                 | 18,684,853              | 0.75%                                | 480        |
| 2015        | 39,458     | 2,626,522,715    | 34,400,956                      | 147,193                 | 34,253,763              | 1.30%                                | 868        |
| 2016        | 39,767     | 2,920,798,037    | 65,007,162                      | 159,686                 | 64,847,476              | 2.22%                                | 1,631      |
| 2017        | 40,570     | 3,120,720,272    | 67,228,535                      | 115,152                 | 67,113,383              | 2.15%                                | 1,654      |
| 2018        | 41,003     | 3,499,122,233    | 63,093,765                      | -                       | 63,093,765              | 1.80%                                | 1,539      |
| 2019        | 41,253     | 3,374,237,059    | 58,868,991                      | 18,302                  | 58,850,689              | 1.74%                                | 1,427      |
| 2020        | 41,637     | 3,668,738,450    | 62,646,680                      | 31,909                  | 62,614,771              | 1.71%                                | 1,504      |

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* Includes both Governmental Activities and Business-type Activities

**CITY OF FRIENDSWOOD, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2020**  
*(Unaudited)*

*Table 11*

| Governmental Unit                        | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable | Estimated<br>Share of<br>Overlapping<br>Debt |
|--|---------------------|---------------------------------------|--|
| <b>Debt repaid with property taxes</b>   |                     |                                       |  |
| Friendswood Independent School District  | \$ 85,170,000       | 100.00%                               | \$ 85,170,000                                |
| Clear Creek Independent School District  | 1,067,559,573       | 2.916%                                | 31,130,037                                   |
| Galveston County                         | 274,009,000         | 7.953%                                | 21,791,936                                   |
| Harris County                            | 2,527,057,000       | 0.144%                                | 3,638,962                                    |
| Subtotal, overlapping debt               |                     |                                       | 141,730,935                                  |
| <b>City direct debt</b>                  |                     |                                       | <b>39,920,584</b>                            |
| <b>Total direct and overlapping debt</b> |                     |                                       | <b>\$ 181,651,519</b>                        |

**Source:** Information was obtained from either the governmental unit's website or the finance department of the governmental unit.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Friendswood. The City's share of the debt of the overlapping governments is based on the ratio of the assessed value of the City's own property to that of each of the other governments. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

**CITY OF FRIENDSWOOD, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**(UNAUDITED)**

*Table 12*

As a City Council-City Manager form of government, the City of Friendswood is not limited by law in the amount of debt it may issue. The City's charter states:

"In keeping with the Constitution of the State of Texas and not contrary thereto, the City of Friendswood shall have the power to borrow money on the credit of the City for any public purpose not now or hereafter prohibited by the Constitution and laws of the State of Texas, and shall have the right to issue all tax bonds, revenue bonds, funding and refunding bonds, time warrants and other evidence of indebtedness as now authorized or as may hereafter be authorized to be issued by cities and towns by the laws of the State of Texas."

Article 11, Section 5 of the State of Texas Constitution states in part:

"but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city"

The tax rate for fiscal year ended September 30, 2020 is \$0.5214 per \$100 of assessed valuation with assessed valuation being 100% of market value.

**CITY OF FRIENDSWOOD, TEXAS**  
**PLEGGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

*Table 13*

| Fiscal Year | Waterworks and Sewer Revenue Bonds |                          |                       |              |              |          |
|-------------|------------------------------------|--------------------------|-----------------------|--------------|--------------|----------|
|             | Utility Service Charges            | Less: Operating Expenses | Net Available Revenue | Debt Service |              | Coverage |
|             |                                    |                          |                       | Principal    | Interest     |          |
| 2011        | \$ 12,726,936                      | \$ 5,410,497             | \$ 7,316,439          | \$ 1,440,000 | \$ 1,640,437 | 2.38     |
| 2012        | 11,258,216                         | 5,361,567                | 5,896,649             | 1,090,000    | 1,589,565    | 2.20     |
| 2013        | 11,462,779                         | 6,113,276                | 5,349,503             | 1,120,000    | 1,548,303    | 2.00     |
| 2014        | 11,117,391                         | 6,376,510                | 4,740,881             | 1,165,000    | 1,504,006    | 1.78     |
| 2015        | 11,020,029                         | 6,220,331                | 4,799,698             | 1,205,000    | 1,153,522    | 2.04     |
| 2016        | 11,319,801                         | 6,361,229                | 4,958,572             | -            | 481,140      | 10.31    |
| 2017        | 12,295,441                         | 6,911,675                | 5,383,766             | 220,000      | 184,100      | 13.32    |
| 2018        | 12,183,711                         | 7,205,293                | 4,978,418             | 225,000      | 179,250      | 12.32    |
| 2019        | 13,130,943                         | 9,378,672                | 3,752,271             | 230,000      | 787,319      | 3.69     |
| 2020        | 16,638,758                         | 10,050,967               | 6,587,791             | 905,000      | 952,470      | 3.55     |

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

**CITY OF FRIENDSWOOD, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS**  
*(Unaudited)*

*Table 14*

| <b>Calendar Year</b> | <b>Estimated Population</b> | <b>Personal Income</b> | <b>Per Capita Personal Income</b> | <b>Unemployment Rate</b> |
|----------------------|-----------------------------|------------------------|-----------------------------------|--------------------------|
| 2011                 | 37,247                      | \$ 12,848,571,000      | \$ 43,444                         | 6.8%                     |
| 2012                 | 37,839                      | 13,651,835,000         | 45,433                            | 5.0%                     |
| 2013                 | 38,369                      | 14,475,816,000         | 47,186                            | 4.5%                     |
| 2014                 | 38,911                      | 14,741,197,000         | 46,917                            | 3.4%                     |
| 2015                 | 39,358                      | 14,774,880,000         | 47,011                            | 3.7%                     |
| 2016                 | 39,767                      | 15,463,890,000         | 47,991                            | 4.9%                     |
| 2017                 | 40,570                      | 15,682,608,000         | 47,605                            | 4.7%                     |
| 2018                 | 41,003                      | 16,443,373,000         | 49,079                            | 4.3%                     |
| 2019                 | 41,253                      | 17,497,755,000         | 51,785                            | 3.2%                     |
| 2020                 | 41,637                      | 18,561,154,000         | 54,250                            | 5.9% <sup>(1)</sup>      |

**Sources:** Population information was provided from past financial reports. Unemployment rates, personal income and per capita personal income were obtained from the U.S. Department of Labor Bureau of Labor Statistics website or the Texas Workforce Commission website.

<sup>(1)</sup> Increase in unemployment rate is a result of the COVID-19 pandemic.

**CITY OF FRIENDSWOOD, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
*(Unaudited)*

*Table 15*

| <u>Employer</u>               | <u>2020</u>                |                                       |             | <u>2011</u>                |             |
|-------------------------------|----------------------------|---------------------------------------|-------------|----------------------------|-------------|
|                               | <u>Estimated Employees</u> | <u>Percentage of Total Employment</u> | <u>Rank</u> | <u>Estimated Employees</u> | <u>Rank</u> |
| Friendswood ISD               | 762                        | 3.83%                                 | 1           | 676                        | 1           |
| HEB                           | 374                        | 1.88%                                 | 2           | 350                        | 2           |
| Kroger                        | 287                        | 1.44%                                 | 3           | 305                        | 3           |
| City of Friendswood           | 239                        | 1.20%                                 | 4           | 233                        | 4           |
| Clear Creek ISD               | 176                        | 0.88%                                 | 5           | 201                        | 5           |
| UTMB                          | 172                        | 0.86%                                 | 6           | 52                         | 11          |
| Friendship Haven Nursing Home | 104                        | 0.52%                                 | 7           | 140                        | 6           |
| McDonalds                     | 87                         | 0.44%                                 | 9           | 89                         | 8           |
| U.S. Post Office              | 75                         | 0.38%                                 | 8           | 57                         | 10          |
| Atria (formerly Brookdale)    | 70                         | 0.35%                                 | 10          | -                          | -           |
| <b>Total</b>                  | <u>2,346</u>               | <u>11.78%</u>                         |             | <u>2,103</u>               |             |

**Source:** City Manager's Office

**Note:** Percentage of total employment is based on total City employment of 19,909 for 2020. Total City employment for 2011 is not available.

**CITY OF FRIENDSWOOD, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN CALENDAR YEARS**  
*(Unaudited)*

| <b>Function/Program</b>      | <b>Full-time Equivalent Employees as of September 30</b> |               |               |               |               |
|------------------------------|--|---------------|---------------|---------------|---------------|
|                              | <b>2011</b>  | <b>2012</b>   | <b>2013</b>   | <b>2014</b>   | <b>2015</b>   |
| General Government:          |  |               |               |               |               |
| City Attorney                | -  | -             | -             | -             | 1.00          |
| City Manager                 | 5.50   | 4.65          | 4.15          | 4.15          | 4.55          |
| City Secretary               | 5.00   | 5.00          | 5.00          | 5.00          | 5.00          |
| Administrative Services      | 27.20  | 28.20         | 28.20         | 28.70         | 28.70         |
| Human Resources              | -  | -             | -             | -             | -             |
| Information Technology       | -  | -             | -             | -             | -             |
| Public Safety:               |  |               |               |               |               |
| Police                       | 80.40  | 80.40         | 81.40         | 82.40         | 85.72         |
| Fire marshal and fire        | 6.10   | 6.10          | 6.10          | 6.50          | 6.60          |
| Public Works                 | 19.00  | 19.33         | 20.33         | 26.33         | 25.33         |
| Parks and Recreation         | 17.70  | 16.89         | 16.89         | 10.89         | 10.89         |
| Engineering                  | -  | -             | -             | -             | -             |
| Community Services           | 18.95  | 19.28         | 19.20         | 19.03         | 19.63         |
| Library                      | 14.72  | 14.72         | 14.37         | 14.37         | 14.62         |
| Water                        | 10.30  | 10.30         | 9.30          | 9.30          | 8.30          |
| Sewer                        | 9.00   | 9.00          | 9.00          | 9.00          | 8.00          |
| <b>Total City Employees:</b> | <b>213.87</b>  | <b>213.87</b> | <b>213.94</b> | <b>215.67</b> | <b>218.34</b> |

**Source: City of Friendswood Budget Documents**

**Notes:**

In-house City Attorney added to staff in fiscal year 2015.

In fiscal year 2019, Engineering became an independent department, separate from Public Works.

In fiscal year 2020, Human Resources and Information Technology became independent departments, separate from Administrative Services.

**Table 16**

| <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   | <b>2020</b>   |
|---------------|---------------|---------------|---------------|---------------|
| 1.00          | 1.00          | 2.10          | 2.10          | 2.10          |
| 5.40          | 5.40          | 5.40          | 5.00          | 6.00          |
| 5.00          | 5.00          | 5.00          | 5.00          | 4.00          |
| 27.70         | 27.70         | 27.60         | 27.60         | 18.60         |
| -             | -             | -             | -             | 5.00          |
| -             | -             | -             | -             | 5.00          |
| 86.72         | 88.72         | 87.72         | 90.38         | 90.38         |
| 6.60          | 6.60          | 6.60          | 7.20          | 7.20          |
| 29.00         | 26.00         | 27.00         | 23.00         | 23.00         |
| 11.70         | 11.70         | 10.70         | 10.70         | 10.70         |
| -             | -             | -             | 6.00          | 7.00          |
| 19.63         | 20.90         | 21.90         | 23.10         | 24.50         |
| 14.62         | 14.97         | 14.97         | 14.97         | 14.97         |
| 8.30          | 8.30          | 9.30          | 9.30          | 9.30          |
| 8.00          | 11.00         | 10.00         | 11.00         | 11.00         |
| <b>223.67</b> | <b>227.29</b> | <b>228.29</b> | <b>235.35</b> | <b>238.75</b> |

**CITY OF FRIENDSWOOD, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN CALENDAR YEARS**  
*(Unaudited)*

| <b>Function/Program</b>                                  | <b>Fiscal Year</b> |             |             |             |
|--|--------------------|-------------|-------------|-------------|
|  | <b>2011</b>        | <b>2012</b> | <b>2013</b> | <b>2014</b> |
| Community Development:                                   |                    |             |             |             |
| Building permits issued                                  | 1,222              | 1,317       | 1,469       | 1,395       |
| Building inspections conducted                           | 9,514              | 10,486      | 11,470      | 10,611      |
| Police:  |                    |             |             |             |
| Physical arrests   | 1,962              | 1,885       | 1,601       | 1,596       |
| Parking violations                                       | 82                 | 61          | 107         | 58          |
| Traffic violations                                       | 7,291              | 6,518       | 5,718       | 5,815       |
| Fire Marshal:  |                    |             |             |             |
| Inspections  | 1,444              | 1,616       | 1,673       | 1,427       |
| Fire:  |                    |             |             |             |
| Emergency responses                                      | 2,818              | 2,975       | 2,993       | 3,261       |
| Fires extinguished                                       | 108                | 86          | 86          | 116         |
| Parks and Recreation:                                    |                    |             |             |             |
| Recreation participants                                  | 13,894             | 16,068      | 18,607      | 15,178      |
| Facility reservations                                    | 503                | 493         | 686         | 728         |
| Library:   |                    |             |             |             |
| Volumes in collection                                    | 97,622             | 125,251     | 133,865     | 141,383     |
| Total volumes borrowed                                   | 349,223            | 355,447     | 367,948     | 367,452     |
| Water:   |                    |             |             |             |
| New connections  | 173                | 185         | 189         | 193         |
| Water main breaks  | 516                | 112         | 193         | 149         |
| Average daily consumption<br>(thousands of gallons)      | 6,406              | 4,584       | 5,577       | 5,171       |
| Peak daily consumption                                   | 13,698             | 10,896      | 11,505      | 9,917       |
| Sewer:   |                    |             |             |             |
| Average daily sewage treatment<br>(thousands of gallons) | 2,787              | 2,968       | 2,956       | 2,867       |
| Maximum daily flow<br>(thousands of gallons)             | 10,833             | 10,777      | 10,401      | 10,770      |

**Source:** Various City departments and prior year ACFRs

**Table 17**

| <b>Fiscal Year</b> |             |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| <b>2015</b>        | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
| 1,377              | 1,865       | 2,177       | 2,788       | 1,465       | 1,605       |
| 12,145             | 11,026      | 12,134      | 14,157      | 9,251       | 9,124       |
| 1,479              | 1,464       | 903         | 1,145       | 1,190       | 847         |
| 63                 | 44          | 61          | 15          | 26          | 17          |
| 4,540              | 5,001       | 3,669       | 6,785       | 4,468       | 8,807       |
| 1,512              | 1,354       | 1,233       | 1,139       | 1,448       | 1,146       |
| 3,258              | 3,303       | 3,599       | 3,720       | 3,655       | 3,650       |
| 78                 | 76          | 75          | 80          | 80          | 65          |
| 16,153             | 21,369      | 20,556      | 18,299      | 19,657      | 6,027       |
| 1,443              | 1,444       | 1,004       | 2,123       | 3,293       | 3,166       |
| 133,165            | 147,726     | 100,678     | 102,852     | 101,532     | 99,930      |
| 350,145            | 301,158     | 341,048     | 348,554     | 342,592     | 271,078     |
| -                  | 183         | 137         | 125         | 169         | 185         |
| 57                 | 46          | 44          | 116         | 84          | 41          |
| 4,970              | 4,963       | 5,282       | 5,455       | 5,129       | 5,319       |
| 12,623             | 10,472      | 10,110      | 9,475       | 9,390       | 9,927       |
| 3,306              | 3,382       | 3,286       | 3,117       | 3,345       | 3,113       |
| 11,237             | 12,188      | 12,766      | 10,370      | 12,491      | 10,520      |

**CITY OF FRIENDSWOOD, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN CALENDAR YEARS**  
*(Unaudited)*

| <u>Function/Program</u>                      | <u>Fiscal Year</u> |             |             |             |
|--|--------------------|-------------|-------------|-------------|
|  | <u>2011</u>        | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Police                                       |                    |             |             |             |
| Stations                                     | 1                  | 1           | 1           | 1           |
| Patrol units                                 | 26                 | 25          | 26          | 27          |
| Fire   |                    |             |             |             |
| Stations                                     | 4                  | 4           | 4           | 4           |
| Public Works                                 |                    |             |             |             |
| Streets - paved (miles)                      | 162                | 164         | 165         | 167         |
| Streets - unpaved (miles)                    | 2                  | 2           | 2           | 2           |
| Traffic signals                              | 3                  | 3           | 3           | 3           |
| Parks and Recreation                         |                    |             |             |             |
| Acreage                                      | 189                | 189         | 189         | 189         |
| Parks  | 8                  | 8           | 8           | 8           |
| Swimming pool                                | 1                  | 1           | 1           | 1           |
| Tennis courts                                | 4                  | 4           | 4           | 4           |
| Library                                      | 1                  | 1           | 1           | 1           |
| Water  |                    |             |             |             |
| Water mains (miles)                          | 184                | 186         | 187         | 207         |
| Fire hydrants                                | 1,324              | 1,588       | 1,608       | 1,610       |
| Connections                                  | 12,476             | 12,711      | 12,929      | 13,093      |
| Storage capacity<br>(thousands of gallons)   | 7,500              | 7,500       | 7,500       | 8,000       |
| Sewer  |                    |             |             |             |
| Sanitary sewers (miles)                      | 159                | 162         | 163         | 194         |
| Connections                                  | 11,563             | 11,828      | 12,072      | 12,236      |
| Storm sewers (miles)                         | 99                 | 100         | 100         | 105         |
| Treatment capacity<br>(thousands of gallons) | 4,850              | 4,850       | 4,850       | 12,000      |

**Source:** Various City departments and prior year ACFRs.

*Table 18*

|             | <b>Fiscal Year</b> |             |             |             |             |
|-------------|--------------------|-------------|-------------|-------------|-------------|
| <b>2015</b> | <b>2016</b>        | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
| 1           | 1                  | 1           | 1           | 1           | 1           |
| 29          | 31                 | 32          | 34          | 33          | 31          |
| 4           | 4                  | 4           | 4           | 4           | 4           |
| 169         | 172                | 174         | 176         | 176         | 185         |
| 2           | 2                  | 2           | 2           | 2           | 2           |
| 3           | 3                  | 3           | 3           | 3           | 3           |
| 232         | 266                | 266         | 266         | 266         | 266         |
| 8           | 9                  | 9           | 9           | 10          | 10          |
| 1           | 1                  | 1           | 1           | 1           | 1           |
| 4           | 4                  | 4           | 4           | 4           | 4           |
| 1           | 1                  | 1           | 1           | 1           | 1           |
| 209         | 212                | 214         | 216         | 216         | 216         |
| 1,631       | 1,672              | 1,690       | 1,707       | 1,707       | 1,713       |
| 13,289      | 13,482             | 13,619      | 13,744      | 13,913      | 14,098      |
| 8,100       | 7,850              | 7,850       | 7,850       | 7,850       | 7,850       |
| 195         | 198                | 200         | 202         | 202         | 202         |
| 12,407      | 12,378             | 12,588      | 12,721      | 12,870      | 13,029      |
| 106         | 109                | 110         | 112         | 112         | 112         |
| 9,250       | 9,250              | 9,250       | 9,250       | 9,250       | 9,250       |

