



CITY OF FRIENDSWOOD, TEXAS

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FISCAL YEAR ENDED SEPTEMBER 30, 2021

City of
Friendswood
Texas

CITY OF FRIENDSWOOD, TEXAS

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

September 30, 2021

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, 2022

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, 2021, 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, 2021 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, 2021, 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 41,916. 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 \$145,000, 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 15th 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, 2020. This was the thirty-third 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, 2021**

Elected Officials	Position	Term Expires
Mike Foreman	Mayor	May 2024
Steve Rockey	Council Member - Position No. 1	May 2024
Sally Branson	Council Member - Position No. 2	May 2023
Trish Hanks	Council Member - Position No. 3	May 2024
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
Haley Brown	Director of Human Resources
James O'Brien	Director of Information Technology
Rene Ibarra	Director of Public Works
James Toney	Director of Parks and Recreation
Leticia Brysch	City Secretary
Robert B. Wieners	Police Chief
Karen Horner	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**

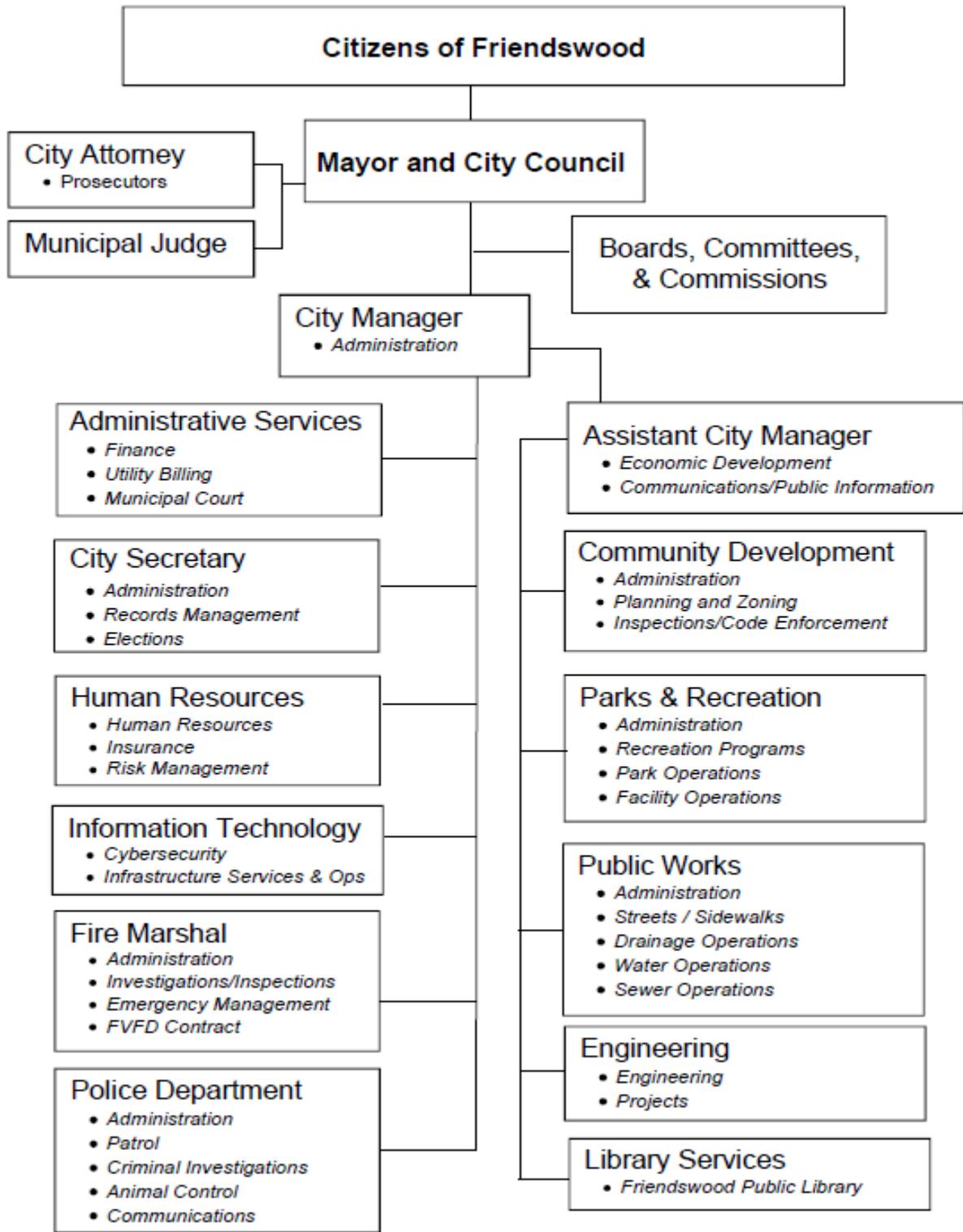
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF FRIENDSWOOD, TEXAS
ORGANIZATIONAL CHART





FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2021, 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*.

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

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

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, 2021, 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 , budgetary comparison information, pension system supplementary information and other post-employment benefit supplementary information, as listed in the table of contents, 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, 2022, 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, 2022



CITY OF FRIENDSWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

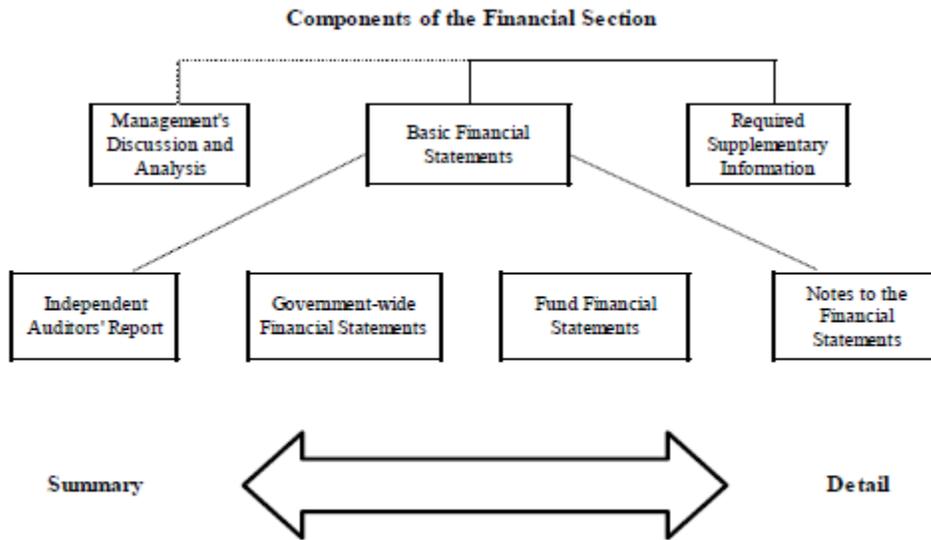
As management of the City of Friendswood, Texas ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. Please read this information in conjunction with the basic financial statements that follow this section.

Financial Highlights

Some of the City's financial highlights for the fiscal year ending September 30, 2021 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 \$128,235,461.
- The City's total net position increased during the year by \$9,206,750. The City's net pension and total OPEB liabilities were \$9.7 million and \$1.9 million, respectively. The net pension liability decreased by \$840 thousand and the total OPEB liability increased by \$123 thousand compared to the prior year.
- As of the close of the current fiscal year, the City reported unrestricted net position of \$16,870,336.
- Program revenues of \$28,512,908 reduced the net cost of the City's functions to be financed from the City's general revenues to \$22,446,592 .

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 fifteen 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, Coronavirus State and Local Fiscal Recovery Fund, and Bond Construction Fund, which are considered to be major funds. The other twelve 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 franchise agreement.

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 \$128,235,461 as of September 30, 2021 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 (82.0%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 44,538,331	\$ 26,111,095	\$ 48,888,658	\$ 33,820,399	\$ 93,426,989	\$ 59,931,494
Capital assets	108,518,265	105,843,302	62,808,555	62,204,855	171,326,820	168,048,157
Total Assets	153,056,596	131,954,397	111,697,213	96,025,254	264,753,809	227,979,651
Deferred outflows of resources	2,969,271	3,381,110	1,023,421	1,097,676	3,992,692	4,478,786
Total assets and deferred outflows of resources	156,025,867	135,335,507	112,720,634	97,122,930	268,746,501	232,458,437
Long-term liabilities	62,989,424	51,912,775	64,349,995	52,001,595	127,339,419	103,914,370
Other Liabilities	8,080,805	4,971,167	2,429,773	1,895,345	10,510,578	6,866,512
Total Liabilities	71,070,229	56,883,942	66,779,768	53,896,940	137,849,997	110,780,882
Deferred inflows of resources	2,336,852	2,290,897	324,191	357,947	2,661,043	2,648,844
Net position:						
Net investment in capital assets	72,240,727	68,990,597	32,910,959	32,242,803	105,151,686	101,233,400
Restricted	3,491,974	4,606,124	2,721,465	2,186,731	6,213,439	6,792,855
Unrestricted	6,886,085	2,563,947	9,984,251	8,438,509	16,870,336	11,002,456
Total Net Position	\$ 82,618,786	\$ 76,160,668	\$ 45,616,675	\$ 42,868,043	\$ 128,235,461	\$ 119,028,711

A portion of the primary government's net position, \$6,213,439 or 4.8%, 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, \$16,870,336 or 13.2%, 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for services	\$ 2,853,702	\$ 2,215,721	\$ 17,919,751	\$ 16,638,758	\$ 20,773,453	\$ 18,854,479
Operating grants and contributions	3,874,866	3,430,645	-	22,602	3,874,866	3,453,247
Capital grants and contributions	3,864,589	708,306	-	-	3,864,589	708,306
General Revenues:						
Property taxes	19,163,858	18,731,549	-	-	19,163,858	18,731,549
Sales and alcohol taxes	9,915,046	8,846,359	-	-	9,915,046	8,846,359
Franchise taxes	2,090,001	2,142,660	-	-	2,090,001	2,142,660
Investment earnings	50,805	880,606	43,099	347,518	93,904	1,228,124
Miscellaneous	390,533	269,855	-	-	390,533	269,855
Total Revenues	42,203,400	37,225,701	17,962,850	17,008,878	60,166,250	54,234,579
Expenses						
General government	5,867,654	6,119,806	-	-	5,867,654	6,119,806
Public safety	15,645,527	15,501,734	-	-	15,645,527	15,501,734
Public works	7,160,229	8,840,113	-	-	7,160,229	8,840,113
Engineering	506,959	434,976	-	-	506,959	434,976
Community development	1,035,202	1,122,506	-	-	1,035,202	1,122,506
Parks and recreation	4,604,943	4,439,511	-	-	4,604,943	4,439,511
Library services	1,221,740	1,214,130	-	-	1,221,740	1,214,130
Water and sewer	-	-	11,864,245	12,071,159	11,864,245	12,071,159
Interest on long-term debt	1,244,881	1,055,889	1,808,120	1,733,123	3,053,001	2,789,012
Total Expenses	37,287,135	38,728,665	13,672,365	13,804,282	50,959,500	52,532,947
Increase (decrease) in net position before transfers	4,916,265	(1,502,964)	4,290,485	3,204,596	9,206,750	1,701,632
Transfers	1,541,853	1,434,829	(1,541,853)	(1,434,829)	-	-
Change in net position	6,458,118	(68,135)	2,748,632	1,769,767	9,206,750	1,701,632
Net Position - Beginning	76,160,668	76,228,803	42,868,043	41,098,276	119,028,711	117,327,079
Net Position - Ending	\$ 82,618,786	\$ 76,160,668	\$ 45,616,675	\$ 42,868,043	\$ 128,235,461	\$ 119,028,711

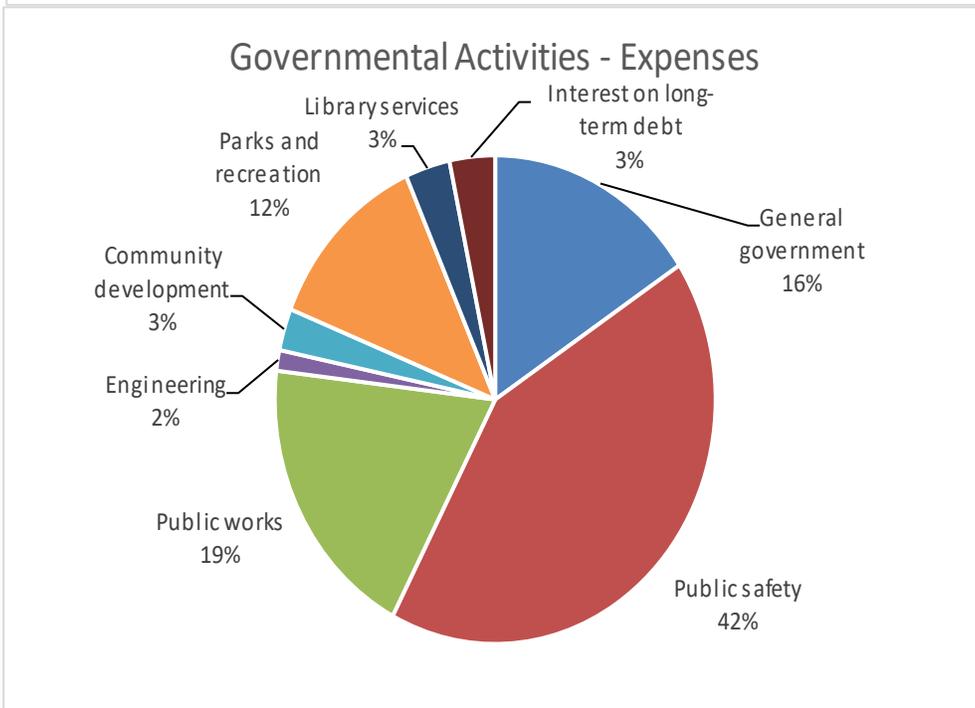
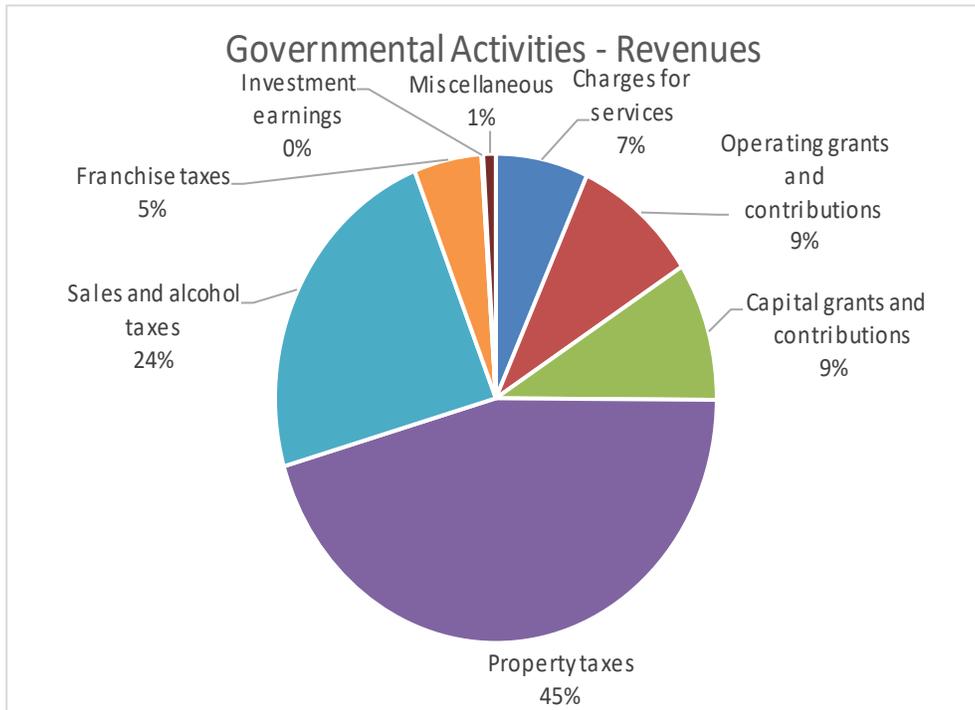
Governmental Activities

Governmental activities increased the City's net position by \$6,458,118. Key elements of this change are as follows:

- Property taxes continue to be the City's largest revenue source. Property tax revenue increased by \$432,309 primarily due to new construction within the City.
- Sales and alcohol tax revenue remained strong during fiscal year 2021, providing a 12.08% increase for the year, from \$8.8 million to \$9.9 million. This increase is primarily a result of new businesses that opened during the prior fiscal year which included several fast-food establishments.
- Operating grants and contributions increased \$444 thousand from prior year. This increase is primarily a result of the City being awarded \$2.2 million in public assistance grant funds related to Hurricane Harvey offset by \$1.9 million in Cares Act funds received in prior year.
- Capital grants and contributions increased \$3,156,283 from prior year. In the current year, the City received Community Development Block Grant Disaster Recovery funds for projects in both the Galveston and Harris County sides of the City. In addition, funds were received from FEMA as a result of Hurricane Harvey and Hazard Mitigation Grant Program funds and Flood Mitigation Assistance funds were received for the acquisition and demolition of flood-prone properties.

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

- Overall, total expenses decreased \$1.4 million from the prior year. The largest decrease of \$1.68 million was in Public Works which was primarily a result of a decrease in street improvement expenses in the current fiscal year.

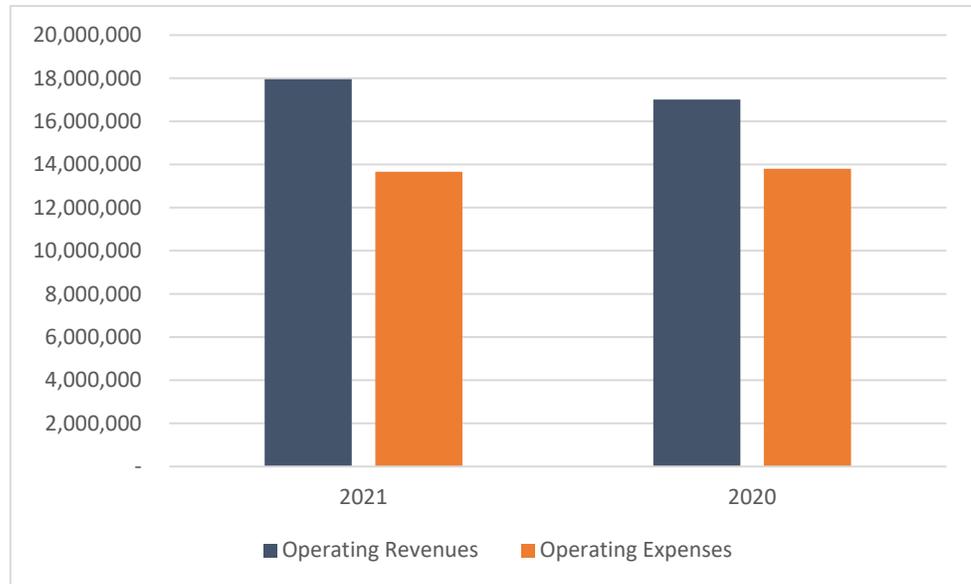


CITY OF FRIENDSWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-Type Activities

Business-type activities increased the City's net position by \$2,748,632. Key elements of this change are as follows:

- Revenues increased by \$1.0 million or 5.6% resulting from an increase in utility rates. The largest increase in rates was related to sewer charges. Expenses decreased \$132 thousand which was primarily a result of management's decision not to purchase additional wastewater capacity at the Blackhawk Wastewater Treatment Facility, offset by an increase in the cost of purchased water.



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 \$35,178,448. Approximately 33.51% of this amount or \$11,787,428 is unassigned fund balance; however, \$7.3 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 \$23,391,020 is nonspendable, restricted, or assigned as follows:

1.04% - Nonspendable	
Prepaid items	\$ 355,011
Permanent fund	11,101
Total Nonspendable	<u>\$ 366,112</u>
53.17% - Restricted	
Public education and government channels	\$ 597,908
Debt service	10,608
Municipal court operations	274,538
Public safety operations	785,094
Capital projects	17,035,848
Total Restricted	<u>\$ 18,703,996</u>
12.28% - Assigned	
Subsequent year's budget appropriation of fund balance	\$ 1,798,058
Capital projects	2,522,854
Total Assigned	<u>\$ 4,320,912</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$17.2 million of which unassigned fund balance of the General Fund was \$12.0 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 35.9% of total General Fund expenditures, while total fund balance represents 51.8 percent of that same amount. At year end, the City's operating reserve was \$7.3 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:

- \$1.5 million increase in total revenues – This increase is primarily related to an increase in sales tax revenue as a result of new businesses that opened during the prior fiscal year which included several fast-food establishments. Intergovernmental revenue increased \$465 thousand as a result of an increase in public assistance grants related to Hurricane Harvey offset by Cares Act funds received in prior year.
- \$3.3 million increase in total expenditures - This increase can primarily be attributed to \$1.7 million increase in capital outlay. In the current year, the City purchased a building to house the Public Works, Engineering and the Operations Division of Parks and Recreation. The total cost of the building funded by the general fund was \$2.9 million which consisted of grant funds received as a result of Hurricane Harvey, insurance proceeds and general fund balance. In addition public works expenditures increased \$680 as a result of repairs and maintenance in the streets division, public safety expenditures increased \$645 thousand as a result of increased personnel costs and parks and recreation expenditures increased \$289 thousand as a result of programs and events cancelled in prior year being reinstated.

The Coronavirus State and Local Fiscal Recovery Fund received \$5.0 million in funding, this amount is unearned revenue and will be expended in fiscal year 2022.

The fund balance of the Bond Construction Fund was \$15,212,515, an increase of \$12,331,479 compared to the prior year. The increase was a result of the issuance of debt of \$13,185,000 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 increased by \$2.7 million. This increase is primarily a result of a sales tax collections for the Street Improvement fund exceeding improvement cost by \$1.2 million and revenue recognition of \$1.8 million for grant funds. The Debt Service Fund had a total fund balance of \$10,608 at the end of the fiscal year, all of which is restricted for the payment of debt service. The net decrease in the Debt Service fund balance during the year was \$21,301.

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 \$ 10.0 million for the Water and Sewer Fund. The total increase in the net position of the Water and Sewer Fund was \$2,748,632. 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 \$707,399. The net position of the Internal Service Fund increased by \$366,044 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 \$1,668,284 or 5.82% and expenditures were increased by \$8,149,947 or 26.53% .

Total revenues were above budget by \$1,373,121. The more significant variances are detailed below:

- \$224,757 below budget in property taxes due to protested property values being lower than anticipated.
- \$893,744 over budget in intergovernmental revenue as a result of federal funds received from FEMA for Hurricane Harvey related expenditures.
- \$568,200 over budget in sales and mixed beverage taxes as a result of new businesses that opened in previous fiscal year which included several fast-food establishments.
- \$317,524 above budget in fines and forfeitures due to increase in number of tickets written for traffic violations.
- \$124,624 below budget in permits due to a decrease in residential growth.
- \$132,649 below budget in investment earnings due to decline in interest rates as a result of the economic downturn.

Total expenditures of the General Fund were below the final expenditure budget. The more significant variances are detailed below:

- \$455,670 below budget in general government expenditures as a result of a decrease in other services and charges (legal, contract, consulting, etc.) as well as a decrease in personnel costs.
- \$340,280 below budget in public safety expenditures as a result of personnel vacancies.
- \$171,080 below budget in public works due to personnel vacancies and a decrease in streets and drainage repairs.
- \$105,194 below budget in community development as a result of a decrease in other services and decrease in personnel costs in the planning and zoning and inspections and code enforcement divisions.
- \$547,092 below budget in parks and recreation due to a decrease in repairs and maintenance as a result of maintenance projects not being completed in the fiscal year. Personnel costs were also down in all divisions.
- \$2,893,705 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 facility and streets improvements.

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, 2021 is \$171.3 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 substantial completion of Lift Station #23 re-construction, (\$3,573,900), water and sewer utilities for Blackhawk Boulevard Phase II (\$407,600), and water and sewer utilities for Friendswood Lakes Boulevard (\$438,900). The City also acquired two bypass pumps with the completion of LS#23 valued at \$250,000.
- To accommodate future flood mitigation projects, the City purchased two buyout properties using grant funding for \$480,000 as well as three additional properties for \$872,000.
- Heavy equipment purchases included a dump truck and field drag machine for a total cost of \$137,633.
- The City accepted completion of Blackhawk Boulevard Phase II. The total project cost was \$5,408,915. Street construction comprised \$5,001,342 of the total cost; water and sewer related construction cost \$407,573.
- The City's \$5.5 million portion for the Imperial Estates Inline Detention Pond cost-share project was recorded as Construction in Progress at 9/30/2020. Work performed by the Galveston County Consolidated Drainage District was substantially complete (95%) and was recoded to an asset as of 9/30/2021.
- Friendswood Lakes Boulevard was completed as a cost-share project between the City of Friendswood and County of Galveston. The total project cost for the City was \$1,194,307 split between governmental activities (street construction and drainage - \$755,490) and business-type activities (water and sewer utilities - \$438,817).
- Several improvements were made to City parks including the relocation of the disc golf course to Stevenson Park for \$15,528, construction of a monument entrance sign at the Dog Park for \$27,825 and construction of a dumpster enclosure at the Sportspark for \$11,754.
- The old Food Lion grocery store was purchased for \$3.768 million to house Public Works, Engineering and Parks and Recreation departments after the old Public Works facility was flooded during Hurricane Harvey. A portion (\$788,000) of the building's acquisition price was funded with grant funds and a section of the building will be converted into an emergency shelter.
- Office renovations for City Secretary (CSO) and a portion of Administrative Services (ASO) departments were completed for \$127,900. An executive conference room was converted to A PEG channel studio for \$6,500.
- The City made some significant upgrades towards technological capabilities during the year. Some of the completed projects include: installation of fiber optic cables from and between the Library and Stevenson Park to City Hall, purchase of audio/visual equipment in Council Chambers to record and broadcast meetings/events, acquisition of new servers and equipment for City Hall, Public Safety Building, Blackhawk Building and the Library, and the purchase of new network monitoring software. The total cost for these upgrades was \$490,305.
- The City purchased 24 new vehicles. Public Safety received 17 of the new vehicles and also completed upfitting to a vehicle purchased in FY20 for a total cost of \$940,745. Public Works purchased a new vehicle with a cost of \$30,729. The Parks department purchased three vehicles for a total cost of \$125,965. Three EMS vehicles were purchased for \$143,813.
- The following major projects are in Construction in Progress at the end of fiscal year 2021: Blackhawk Emergency Shelter, Blackhawk Building Renovation, Fire Station #2, Public Safety Building, Centennial Park Wall, Utility Relocation at Clear Creek Utility Bridge, Forest Bend Detention Pond, 42" Southeast Transmission Water Line, Lift Station Mitigation Program, Sanitary Sewer Assessment – Phase V & VI, and Automated Water Meter installation

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 29,695,765	\$ 28,344,769	\$ 319,473	\$ 319,473	\$ 30,015,238	\$ 28,664,242
Buildings and improvements	23,862,519	21,644,179	338,606	358,363	24,201,125	22,002,542
Machinery and equipment	7,014,572	6,503,500	2,658,943	2,600,356	9,673,515	9,103,856
Infrastructure	46,509,824	38,014,849	36,904,531	34,251,770	83,414,355	72,266,619
Water rights	-	-	19,716,695	19,716,695	19,716,695	19,716,695
Construction in progress	1,435,585	11,336,005	2,870,307	4,958,198	4,305,892	16,294,203
	<u>\$ 108,518,265</u>	<u>\$ 105,843,302</u>	<u>\$ 62,808,555</u>	<u>\$ 62,204,855</u>	<u>\$ 171,326,820</u>	<u>\$ 168,048,157</u>

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

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt, premiums and capital lease obligation of \$114.5 million.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 46,265,000	\$ 35,390,000	\$ 20,300,000	\$ 22,380,000	\$ 66,565,000	\$ 57,770,000
Revenue bonds	-	-	37,080,000	24,325,000	37,080,000	24,325,000
Premium on bond issuance	3,544,357	2,668,822	5,666,291	3,920,243	9,210,648	6,589,065
Capital leases	1,681,709	1,861,762	-	-	1,681,709	1,861,762
	<u>\$ 51,491,066</u>	<u>\$ 39,920,584</u>	<u>\$ 63,046,291</u>	<u>\$ 50,625,243</u>	<u>\$ 114,537,357</u>	<u>\$ 90,545,827</u>

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

	Standard & Poor's
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.

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

Economic Factors and Next Year's Budgets and Rates

Friendswood continues to experience moderate growth. The City's current population is estimated to be 41,916. 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. Other residential developments are in planning phases for next fiscal year.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The adopted budget for fiscal year 2022 has a tax rate of \$0.487314 per \$100 taxable value. This rate consists of a maintenance and operation (M&O) tax rate of \$0.385147 and an interest and sinking (debt service) tax rate of \$0.102167. The rate was set based on a net assessed value of \$4,243,567,347. This is an increase of \$278,976,966 above certified values including supplemental rolls for tax year 2020. 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 \$7,261,012 to \$8,095,816. The franchise fees budget decreased from \$2,101,190 to \$1,925,828 and the budget for license and permits has been decreased from \$874,049 to \$823,839. If all projections are accurate, the total General Fund unassigned fund balance net of the 90 day operating requirement (\$7.3 million) is estimated to be approximately \$6.1 million at September 30, 2022.

Water revenues are budgeted at \$8,200,503 which is a decrease of \$26,986 in revenues, or 0.32 percent. Sewer revenues are budgeted at \$8,877,468 which is an increase of \$1,378,008 or 18.37 percent. Water and Sewer Fund net position, net of the 90 day operating requirement (\$2.4 million) is projected to be \$1.8 million at the end of fiscal year 2022.

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.

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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
Assets					
Cash and cash equivalents	\$ 8,049,301	\$ 4,120,731	\$ 12,170,032	\$ 523,322	\$ 705,229
Investments	31,217,392	8,184,690	39,402,082	5,263,469	1,401,031
Receivables, net of allowances					
Taxes	2,725,756	-	2,725,756	19,132	125,897
Customer accounts	424,351	3,455,179	3,879,530	-	-
Other	509,927	-	509,927	-	-
Accrued interest	7,709	4,445	12,154	10	640
Due from other governments	1,248,884	-	1,248,884	-	-
Prepaid items	355,011	62,870	417,881	311	-
Working capital deposit	-	563,405	563,405	-	-
Restricted investments	-	32,497,338	32,497,338	-	-
Capital Assets:					
Non-depreciable	31,131,350	22,906,475	54,037,825	7,762,414	-
Depreciable, net	77,386,915	39,902,080	117,288,995	366,930	-
Total Capital Assets	108,518,265	62,808,555	171,326,820	8,129,344	-
Total Assets	153,056,596	111,697,213	264,753,809	13,935,588	2,232,797
Deferred Outflows of Resources					
Deferred loss on issuance of refunding bonds	61,221	651,357	712,578	300,189	-
Deferred outflow of resources for pensions	2,564,439	320,952	2,885,391	-	-
Deferred outflow of resources for OPEB	343,611	51,112	394,723	-	-
Total Deferred Outflows of Resources	2,969,271	1,023,421	3,992,692	300,189	-
Total Assets and Deferred Outflows of Resources	156,025,867	112,720,634	268,746,501	14,235,777	2,232,797
Liabilities					
Accounts payable	1,614,806	1,133,659	2,748,465	34,019	-
Accrued liabilities	887,621	96,128	983,749	-	-
Retainage payable	-	193,128	193,128	-	-
Accrued interest	124,805	188,509	313,314	280,481	-
Unearned revenue	4,991,651	264,473	5,256,124	-	-
Customer deposits	-	553,876	553,876	-	-
Due to other governments	461,922	-	461,922	-	-
Noncurrent liabilities:					
Due within one year	3,039,958	3,138,556	6,178,514	965,000	-
Due in more than one year	49,447,399	60,025,514	109,472,913	20,993,501	-
Net pension liability	8,806,296	934,333	9,740,629	-	-
Total OPEB liability	1,695,771	251,592	1,947,363	-	-
Total Liabilities	71,070,229	66,779,768	137,849,997	22,273,001	-
Deferred Inflows of Resources					
Deferred gain on issuance of refunding bonds	60,107	30,324	90,431	-	-
Deferred Inflows of resources for pensions	1,995,352	249,728	2,245,080	-	-
Deferred Inflows of resources for OPEB	281,393	44,139	325,532	-	-
Total Deferred Inflows of Resources	2,336,852	324,191	2,661,043	-	-
Net Position					
Net investment in capital assets	72,240,727	32,910,959	105,151,686	2,710,520	-
Restricted for:					
Public education and government channels	597,908	-	597,908	-	-
Debt service	-	2,514,577	2,514,577	2,114,449	-
Municipal court operations	274,538	-	274,538	-	-
Economic development	-	-	-	-	2,232,797
Public safety	785,094	-	785,094	-	-
Community development - nonexpendable	11,101	-	11,101	-	-
Capital projects	1,823,333	206,888	2,030,221	54,616	-
Unrestricted	6,886,085	9,984,251	16,870,336	(12,916,809)	-
Total Net Position	\$ 82,618,786	\$ 45,616,675	\$ 128,235,461	\$ (8,037,224)	\$ 2,232,797

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 5,867,654	\$ 871,362	\$ 16,000	\$ -
Public safety	15,645,527	1,372,432	3,840,601	-
Public works	7,160,229	225,419	-	3,864,589
Engineering	506,959	-	-	-
Community development	1,035,202	-	-	-
Parks and recreation	4,604,943	384,489	18,265	-
Library services	1,221,740	-	-	-
Interest on long-term debt	1,244,881	-	-	-
Total Governmental Activities	37,287,135	2,853,702	3,874,866	3,864,589
Business-type Activities:				
Water and sewer	13,672,365	17,919,751	-	-
Total Business-type Activities	13,672,365	17,919,751	-	-
Total Primary Government	50,959,500	20,773,453	3,874,866	3,864,589
Component Units				
West Ranch Management District	962,888	-	-	-
Friendswood Downtown EDC	46,003	-	-	-
Total Component Units	\$ 1,008,891	\$ -	\$ -	\$ -

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

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
Primary government					
Governmental Activities:					
General government	\$ (4,980,292)	\$ -	\$ (4,980,292)	\$ -	\$ -
Public safety	(10,432,494)	-	(10,432,494)	-	-
Public works	(3,070,221)	-	(3,070,221)	-	-
Engineering	(506,959)	-	(506,959)	-	-
Community development	(1,035,202)	-	(1,035,202)	-	-
Parks and recreation	(4,202,189)	-	(4,202,189)	-	-
Library services	(1,221,740)	-	(1,221,740)	-	-
Interest on long-term debt	(1,244,881)	-	(1,244,881)	-	-
Total Governmental Activities	(26,693,978)	-	(26,693,978)	-	-
Business-type Activities:					
Water and sewer	-	4,247,386	4,247,386	-	-
Total Business-type Activities	-	4,247,386	4,247,386	-	-
Total Primary Government	(26,693,978)	4,247,386	(22,446,592)	-	-
Component Units					
West Ranch Management District				(962,888)	-
Friendswood Downtown EDC				-	(46,003)
Total Component Units				(962,888)	(46,003)
General revenues:					
Taxes:					
Property taxes	19,163,858	-	19,163,858	2,809,865	-
Franchise and other taxes	2,090,001	-	2,090,001	-	-
Sales taxes	9,915,046	-	9,915,046	-	653,729
Interest	50,805	43,099	93,904	3,878	4,282
Miscellaneous	390,533	-	390,533	-	-
Transfers	1,541,853	(1,541,853)	-	-	-
Total General Revenues and Transfers	33,152,096	(1,498,754)	31,653,342	2,813,743	658,011
Change in net position	6,458,118	2,748,632	9,206,750	1,850,855	612,008
Net Position - Beginning	76,160,668	42,868,043	119,028,711	(9,888,079)	1,620,789
Net Position - Ending	\$ 82,618,786	\$ 45,616,675	\$ 128,235,461	\$ (8,037,224)	\$ 2,232,797

CITY OF FRIENDSWOOD, TEXAS

BALANCE SHEET

September 30, 2021

	General Fund	Coronavirus State and Local Fiscal Recovery Fund	Bond Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,134,131	\$ 1,671,180	\$ -	\$ 1,006,638	\$ 7,811,949
Investments	9,765,853	3,320,020	15,845,109	1,814,879	30,745,861
Receivables, net of allowance:					
Taxes receivables	2,302,505	-	-	423,251	2,725,756
Customer accounts	421,637	-	-	2,714	424,351
Other receivables	506,354	-	-	3,573	509,927
Accrued interest	5,844	448	-	1,163	7,455
Due from other funds	1,783,098	-	-	-	1,783,098
Due from other governments	216,197	-	-	-	216,197
Prepaid items	355,011	-	-	1,032,687	1,387,698
Total Assets	\$ 20,490,630	\$ 4,991,648	\$ 15,845,109	\$ 4,284,905	\$ 45,612,292
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,365,198	\$ -	\$ 191,887	\$ 153,485	\$ 1,710,570
Accrued liabilities	772,644	-	-	943	773,587
Due to other governments	468,454	-	-	-	468,454
Customer deposits	10,000	-	-	-	10,000
Due to other funds	-	-	440,707	1,342,391	1,783,098
Unearned revenue	-	4,991,648	-	-	4,991,648
Total Liabilities	2,616,296	4,991,648	632,594	1,496,819	9,737,357
Deferred Inflows of Resources:					
Unavailable revenue	647,189	-	-	49,298	696,487
Total Deferred Inflows of resources	647,189	-	-	49,298	696,487
Fund Balances:					
Nonspendable:					
Prepaid items	355,011	-	-	-	355,011
Permanent fund	-	-	-	11,101	11,101
Restricted:					
Public education and government channels	597,908	-	-	-	597,908
Municipal court operations	-	-	-	274,538	274,538
Debt service	-	-	-	10,608	10,608
Public safety	-	-	-	785,094	785,094
Capital projects	-	-	15,212,515	1,823,333	17,035,848
Assigned:					
Subsequent year's budget appropriation of fund balance	1,798,058	-	-	-	1,798,058
Capital projects	2,522,854	-	-	-	2,522,854
Unassigned	11,953,314	-	-	(165,886)	11,787,428
Total Fund Balances	17,227,145	-	15,212,515	2,738,788	35,178,448
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,490,630	\$ 4,991,648	\$ 15,845,109	\$ 4,284,905	\$ 45,612,292

CITY OF FRIENDSWOOD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balance, governmental funds \$ 35,178,448

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. 106,518,943

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. 2,706,718

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	(46,265,000)
Capital leases payable	(1,681,809)
Compensated absences	(996,190)
Accrued interest payable	(124,805)
Unamortized premium on bonds	(3,544,358)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 696,487

Deferred gain on refunding	(60,107)
Deferred loss on refunding	61,221

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	(8,806,296)
Total OPEB liability	(1,695,771)
Deferred outflows and inflows of resources related to the net pension liability	569,087
Deferred outflows and inflows of resources related to the total OPEB liability	62,218

Net Position of Governmental Activities in the Statement of Net Position **\$ 82,618,786**

CITY OF FRIENDSWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General Fund	Coronavirus State and Local Fiscal Recovery Fund	Bond Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 15,267,421	\$ -	\$ -	\$ 3,701,687	\$ 18,969,108
Sales taxes	7,953,859	-	-	1,961,187	9,915,046
Franchise fees and other	2,090,001	-	-	-	2,090,001
Fines and forfeitures	1,117,224	-	-	101,872	1,219,096
Permits and fees	1,617,433	-	-	51,600	1,669,033
Intergovernmental	3,448,210	-	-	4,047,761	7,495,971
Investment earnings	35,951	-	2,749	9,909	48,609
Donations	55,881	-	-	209,057	264,938
Miscellaneous	124,627	-	-	-	124,627
Total Revenues	31,710,607	-	2,749	10,083,073	41,796,429
Expenditures					
Current:					
General government	5,544,348	-	-	46,900	5,591,248
Public safety	14,799,066	-	-	98,399	14,897,465
Public works	2,603,627	-	7,500	2,001,669	4,612,796
Engineering	507,933	-	-	-	507,933
Community development	1,131,498	-	-	-	1,131,498
Parks and recreation	3,715,517	-	-	-	3,715,517
Library services	1,223,726	-	-	-	1,223,726
Debt service:					
Principal	-	-	-	2,556,282	2,556,282
Interest and other charges	-	-	162,444	1,405,028	1,567,472
Capital outlay	3,752,551	-	1,763,771	1,521,168	7,037,490
Total Expenditures	33,278,266	-	1,933,715	7,629,446	42,841,427
Excess (deficiency) of revenues over (under) expenditures	(1,567,659)	-	(1,930,966)	2,453,627	(1,044,998)
Other Financing Sources (Uses)					
Issuance of refunding bonds	-	-	-	3,050,000	3,050,000
Issuance of capital-related debt	-	-	13,185,000	-	13,185,000
Issuance of capital leases	306,329	-	-	-	306,329
Premium on bond issuance	-	-	1,173,884	277,572	1,451,456
Insurance recoveries	175,351	-	-	-	175,351
Transfers in	1,541,853	-	-	210,062	1,751,915
Transfers out	(113,623)	-	(96,439)	-	(210,062)
Sale of capital assets	12,870	-	-	8,400	21,270
Payments to refunding bond escrow agent	-	-	-	(3,321,347)	(3,321,347)
Total Other Financing Sources (Uses)	1,922,780	-	14,262,445	224,687	16,409,912
Net change in fund balances	355,121	-	12,331,479	2,678,314	15,364,914
Fund Balances - Beginning	16,872,024	-	2,881,036	60,474	19,813,534
Fund Balances - Ending	\$ 17,227,145	\$ -	\$ 15,212,515	\$ 2,738,788	\$ 35,178,448

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 15,364,914

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	7,567,544
Depreciation expense	(5,472,068)

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.

(2,970)

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	194,753
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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	2,556,282
Payments to escrow agent for payment of refunded bonds	3,321,347
Proceeds from issuance of long-term debt	(16,235,000)
Proceeds from capital leases	(306,329)
Premium from issuance of long-term debt	(1,451,456)

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	458,211
OPEB	(82,140)

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	(25,653)
(Increase) decrease in compensated absences	(143,601)
Amortization of deferred loss on refunding	(21,950)
Amortization of deferred gain on refunding	4,294
Amortization of premium on bonds	365,899

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.

366,041

Change in Net Position of Governmental Activities

\$ 6,458,118

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-Type Activities		Governmental Activities	
	Enterprise Fund		Internal Service	
	Water and Sewer		Internal Service	
Assets				
Current Assets				
Cash and cash equivalents	\$	4,120,731	\$	237,352
Investments		8,184,690		471,531
Accounts receivable, net of allowance:				
Customer accounts		3,455,179		-
Accrued interest		4,445		254
Prepays and other assets		62,870		-
Restricted investments		32,497,338		-
Total Current Assets		48,325,253		709,137
Non-current Assets				
Working capital deposit		563,405		-
Capital Assets:				
Land		319,473		-
Construction in progress		2,870,307		-
Water rights		19,716,695		-
Buildings and improvements		683,906		-
Machinery and equipment		7,725,245		4,609,925
Water and sewer systems		74,199,822		-
Accumulated depreciation		(42,706,893)		(2,610,603)
Total Capital Assets		62,808,555		1,999,322
Total Non-current Assets		63,371,960		1,999,322
Total Assets		111,697,213		2,708,459
Deferred Outflows of Resources				
Deferred loss on bond refunding		651,357		-
Deferred outflows - pension related		320,952		-
Deferred outflows - OPEB related		51,112		-
Total Deferred Outflows of Resources		1,023,421		-
Total Assets and Deferred Outflows of Resources		112,720,634		2,708,459

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-Type Activities		Governmental Activities	
	Enterprise Fund		Internal Service	
	Water and Sewer		Internal Service	
Liabilities				
Current Liabilities				
Accounts payable	\$	1,133,659	\$	1,738
Accrued liabilities		94,185		-
Accrued interest		188,509		-
Unearned revenue		264,473		-
Customer deposits		555,819		-
Retainage payable		193,128		-
Compensated absences		23,556		-
Bonds and other long-term debt payable		3,115,000		-
Total Current Liabilities		<u>5,568,329</u>		<u>1,738</u>
Non-current Liabilities				
Compensated absences		94,223		-
Net Pension liability		934,333		-
Total OPEB liability		251,592		-
Bonds and other long-term debt payable		59,931,291		-
Total Non-current Liabilities		<u>61,211,439</u>		<u>-</u>
Total Liabilities		<u>66,779,768</u>		<u>1,738</u>
Deferred Inflows of Resources				
Deferred gain on issuance of refunding bonds		30,324		-
Deferred inflows - pension related		249,728		-
Deferred inflows of resources for OPEB		44,139		-
Total Deferred Inflows of Resources		<u>324,191</u>		<u>-</u>
Total Liabilities and Deferred Inflows of Resources		<u>67,103,959</u>		<u>1,738</u>
Net Position				
Net investment in capital assets		32,910,959		1,999,322
Restricted for capital projects		206,888		-
Restricted for debt service		2,514,577		-
Unrestricted		9,984,251		707,399
Total Net Position	\$	<u>45,616,675</u>	\$	<u>2,706,721</u>



CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-Type Activities Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service
Operating Revenues		
Charges for services	\$ 17,514,259	\$ 782,590
Miscellaneous	176,584	44,250
Total Operating Revenues	<u>17,690,843</u>	<u>826,840</u>
Operating Expenses		
Personnel services	2,535,062	-
Sewer operations	1,875,837	-
Water purchases	3,239,840	-
Repairs and maintenance	967,864	-
Supplies	130,066	-
Other services and charges	941,656	-
Depreciation	1,995,734	479,366
Total Operating Expenses	<u>11,686,059</u>	<u>479,366</u>
Operating income	<u>6,004,784</u>	<u>347,474</u>
Non-Operating Revenues (Expenses)		
Investment income	43,099	2,196
Gain on disposal of capital assets	-	16,374
Insurance proceeds	228,908	-
Interest expense	(1,808,120)	-
Bond Issuance Costs	(178,186)	-
Total Non-Operating Revenues (Expenses)	<u>(1,714,299)</u>	<u>18,570</u>
Income before transfers	4,290,485	366,044
Transfers out	<u>(1,541,853)</u>	<u>-</u>
Change in net position	2,748,632	366,044
Net position - Beginning	<u>42,868,043</u>	<u>2,340,677</u>
Total Net Position - Ending	<u>\$ 45,616,675</u>	<u>\$ 2,706,721</u>

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-Type Activities Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service
Cash flows from operating activities		
Cash received from customers	\$ 17,809,458	\$ -
Receipts from interfund charges for fleet management	-	826,840
Cash payments to suppliers for goods and services	(6,866,901)	1,738
Cash payments to employees for services	(2,628,118)	-
Net cash provided by operating activities	8,314,439	828,578
Cash flows from noncapital financing activities		
Transfers out to other funds	(1,541,853)	-
Net cash (used) by noncapital financing activities	(1,541,853)	-
Cash flows from capital and related financing activities		
Acquisition and construction of property, plant and equipment	(2,745,553)	(1,061,823)
Disposal of capital assets	-	16,374
Proceeds from issuance of bonds	15,838,303	-
Repayment of debt	(3,015,000)	-
Interest paid on debt	(1,777,832)	-
Net cash provided (used) by capital and related financing activities	8,299,918	(1,045,449)
Cash flows from investing activities		
Purchase of investments	166,848	320,623
Investment income	56,245	3,301
Net cash provided (used) by investing activities	223,093	323,924
Net increase (decrease) in cash and cash equivalents	15,295,597	107,053
Cash and Cash Equivalents, Beginning	21,322,472	130,299
Cash and Cash Equivalents, Ending	\$ 36,618,069	\$ 237,352
Reconciliation of Total Cash and Cash Equivalents		
Current assets - cash and cash equivalents	\$ 4,120,731	\$ 237,352
Restricted assets - cash and cash equivalents	32,497,338	-
	\$ 36,618,069	\$ 237,352

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type	
	Activities - Enterprise	Governmental
	Funds	Activities
	<u>Water and Sewer</u>	<u>Internal Service</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 6,004,784	\$ 347,474
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,995,734	479,366
Change in assets, deferred inflows and outflows, and liabilities:		
Decrease (increase) in customer receivable	106,262	-
Decrease (increase) in prepaids and other assets	(10,297)	-
Decrease (increase) in deferred outflow for pensions	29,196	-
Decrease (increase) in deferred outflow for OPEB	(18,880)	-
Increase (decrease) in accounts payable	286,491	1,738
Increase (decrease) in accrued liabilities	12,168	-
Increase (decrease) in customer deposits	12,353	-
Increase (decrease) in deferred inflows for pensions	(47,408)	-
Increase (decrease) in deferred inflows for OPEB	16,684	-
Increase (decrease) in total OPEB liability	13,764	-
Increase (decrease) in net pension liability	(93,424)	-
Increase (decrease) in compensated absences	7,012	-
Total Adjustments	<u>2,309,655</u>	<u>481,104</u>
Net cash provided (used) by operating activities	<u><u>\$ 8,314,439</u></u>	<u><u>\$ 828,578</u></u>



CITY OF FRIENDSWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

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 79th 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.

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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 **Coronavirus State and Local Fiscal Recovery Fund** is used to account for federal funds related to the fiscal recovery of Coronavirus. Funds will be used for water and sewer infrastructure projects.

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 \$0.487313 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.392152 and \$0.095161, respectively. The resulting tax levies were approximately \$15.1 and \$3.7 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$3.9 billion for the 2020 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, 2021, the District levied an ad valorem tax at the rate of \$0.2050 per \$100 of assessed valuation, which resulted in tax levy of \$1.3 million on the taxable valuation of approximately \$648.0 million for the 2020 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

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.
- 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.

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)

Deferred Outflows/Inflows of Resources (continued)

- 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.

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.

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)

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.

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, 2021, the City's assigned fund balance included amounts assigned for encumbrances and capital projects.

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.

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)

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. Implementation of New Accounting Standards

GASB No. 84 *Fiduciary Activities* was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance have been restated. The City has evaluated the effects of this standard and has determined that implementation is not required or not material}.

GASB No. 90 *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The City has determined that this Statement does not have an effect on the financial statements as of September 30, 2021.

GASB No. 98 *The Annual Comprehensive Financial Report*. This statement was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 31, 2021, but earlier application is encouraged. The City implemented this statement in fiscal year 2021.

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, 2021 the carrying amount of the City and Friendswood Downtown Economic Development Corporation’s deposits was \$705,229 and the bank balance of \$705,229.

As of September 30, 2021 the City and Friendswood Downtown Economic Development Corporation held the following investments.

	<u>Reported Value of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Investment pools:		
TexPool	\$ 6,826,992	34
Texas CLASS	60,948,163	27
Total investment pools	<u>67,775,155</u>	
Debt Securities:		
Federal Farm Credit Bonds	3,008,078	73
Federal Home Loan Bank Bonds	2,018,412	60
Federal National Mortgage Association	498,806	939
Total debt securities	<u>5,525,296</u>	
Total investments	<u>\$ 73,300,451</u>	

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, 2021:

	<u>Fair Value /</u> <u>Amortized Cost</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investment Securities:				
Federal Farm Credit Bank	\$ 3,008,078	\$ -	\$ 3,008,078	\$ -
Federal Home Loan Bank	2,018,412	-	2,018,412	-
Federal National Mortgage Assoc.	498,806	-	498,806	-
Total Investment Securities	<u>\$ 5,525,296</u>	<u>\$ -</u>	<u>\$ 5,525,296</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, 2021, 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, 2021, were rated as follows:

<u>Investment Type:</u>	<u>Credit Quality</u> <u>Rating</u>	<u>Rating Agency</u>
Investment Pools:		
Texas CLASS	AAAm	Standard & Poor’s
TexPool	AAAm	Standard & Poor’s
Debt Securities:		
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, 2021 for the City’s individual major funds and nonmajor funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>		<u>Proprietary Fund</u>	
	<u>General</u>	<u>Nonmajor</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 226,141	\$ 43,795	\$ -	\$ 269,936
Penalties and interest	131,942	21,432	-	153,374
Sales tax	1,515,752	377,691	-	1,893,443
Franchise taxes	536,614	-	-	536,614
Customer accounts	298,868	3,450	3,734,338	4,036,656
Court fines	849,732	-	-	849,732
Other	506,354	3,573	-	509,927
Gross receivables	4,065,403	449,941	3,734,338	8,249,682
Less: allowance for uncollectibles	(834,907)	(20,403)	(279,159)	(1,134,469)
Net total receivables	\$ 3,230,496	\$ 429,538	\$ 3,455,179	\$ 7,115,213

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:

	<u>Deferred Inflows of Resources</u>
General Fund:	
Delinquent property taxes	\$ 149,182
Property tax penalties and interest	100,990
Court fines	169,947
Grants	218,904
Miscellaneous	8,166
Total General Fund	<u>647,189</u>
Nonmajor funds:	
Delinquent property taxes	29,911
Property tax penalties and interest	15,631
Court fines	3,756
Total nonmajor funds	<u>49,298</u>
Total governmental funds	<u>\$ 696,487</u>

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, 2021, is as follows:

Governmental activities	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 28,344,769	\$ 1,350,996	\$ -	\$ 29,695,765
Construction in progress	11,336,006	1,479,762	(11,380,183)	1,435,585
Total capital assets, not being depreciated	39,680,775	2,830,758	(11,380,183)	31,131,350
Capital assets, being depreciated:				
Buildings and improvements	41,833,118	3,914,626	31,033	45,778,777
Machinery and equipment	17,308,556	1,999,598	(264,624)	19,043,530
Infrastructure	93,797,056	-	11,256,832	105,053,888
Total capital assets, being depreciated	152,938,730	5,914,224	11,023,241	169,876,195
Less accumulated depreciation for:				
Buildings & improvements	(20,188,939)	(1,736,669)	9,350	(21,916,258)
Machinery and equipment	(10,805,057)	(1,452,908)	229,007	(12,028,958)
Infrastructure	(55,782,207)	(2,761,857)	-	(58,544,064)
Total accumulated depreciation	(86,776,203)	(5,951,434)	238,357	(92,489,280)
Total capital assets - being depreciated	66,162,527	(37,210)	11,261,598	77,386,915
Governmental capital assets, net	\$ 105,843,302	\$ 2,793,548	\$ (118,585)	\$ 108,518,265
Business-type activities	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 319,473	\$ -	\$ -	\$ 319,473
Water rights	19,716,695	-	-	19,716,695
Construction in progress	4,958,198	2,582,386	(4,670,277)	2,870,307
Total capital assets, not being depreciated	24,994,366	2,582,386	(4,670,277)	22,906,475
Capital assets, being depreciated:				
Buildings and improvements	683,906	-	-	683,906
Machinery and equipment	7,494,793	267,198	(36,746)	7,725,245
Water and sewer system	69,779,545	-	4,420,277	74,199,822
Total capital assets, being depreciated	77,958,244	267,198	4,383,531	82,608,973
Less accumulated depreciation for:				
Buildings and improvements	(325,543)	(19,757)	-	(345,300)
Machinery and equipment	(4,894,437)	(208,461)	36,596	(5,066,302)
Water and sewer system	(35,527,775)	(1,767,516)	-	(37,295,291)
Total accumulated depreciation	(40,747,755)	(1,995,734)	36,596	(42,706,893)
Total capital assets - being depreciated	37,210,489	(1,728,536)	4,420,127	39,902,080
Business-type capital assets, net	\$ 62,204,855	\$ 853,850	\$ (250,150)	\$ 62,808,555

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 Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,758,982	\$ 3,432	\$ -	\$ 7,762,414
Total capital assets, not being depreciated	<u>7,758,982</u>	<u>3,432</u>	<u>-</u>	<u>7,762,414</u>
Capital assets, being depreciated:				
Water production and distribution facilities	483,467	-	-	483,467
Total capital assets, being depreciated	<u>483,467</u>	<u>-</u>	<u>-</u>	<u>483,467</u>
Less accumulated depreciation for:				
Water production and distribution facilities	(105,792)	(10,745)	-	(116,537)
Total accumulated depreciation	<u>(105,792)</u>	<u>(10,745)</u>	<u>-</u>	<u>(116,537)</u>
Total capital assets - being depreciated	377,675	(10,745)	-	366,930
Component Unit capital assets, net	<u>\$ 8,136,657</u>	<u>\$ (7,313)</u>	<u>\$ -</u>	<u>\$ 8,129,344</u>

Depreciation

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

	Depreciation Expense
Primary government	
Governmental activities:	
General government	\$ 323,221
Public safety	1,176,723
Public works	3,041,987
Community development	6,891
Parks and recreation	923,246
Capital assets held by the City's internal service fund are charged to the various functions based on their usage	479,366
Total Governmental activities	<u>5,951,434</u>
Business-type activities:	
Water and sewer	1,995,734
Total Business-type activities:	<u>1,995,734</u>
Total primary government	<u>\$ 7,947,168</u>

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, 2021. At year end, the City’s commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
Governmental funds:			
Parks Master Plan	\$ 146,200	\$ 88,200	\$ 58,000
Blackhawk Emergency Shelter	36,475	2,042	34,433
Blackhawk Building Renovation	250,190	15,178	235,012
Fire Station #2	536,314	375,862	160,452
Public Safety Building	533,867	387,139	146,728
Centennial Wall	420,089	3,900	416,189
Utility Relocation at Clear Creek Utility Bridge	212,500	195,850	16,650
Forest Bend Detention Pond	435,048	367,414	67,634
	<u>2,570,683</u>	<u>1,435,585</u>	<u>1,135,098</u>
Enterprise funds:			
42" SE Transmission Water Line Phase I & II	2,241,632	2,241,632	-
Lift Station Mitigation Program (ON HOLD)	677,939	170,154	507,785
Sanitary Sewer Assessment - Phase V & VI	219,499	188,662	30,837
Automated Water Meters	8,995,300	269,859	8,725,441
	<u>12,134,370</u>	<u>2,870,307</u>	<u>9,264,063</u>
Total Commitments	<u>\$ 14,705,053</u>	<u>\$ 4,305,892</u>	<u>\$ 10,399,161</u>

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. At year end, the amount of significant encumbrances expected to be honored upon performance by the vendors in the next year were \$1,798,058 for General Fund.

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, 2021:

General Obligation Bonds:	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Business-Type Activities
2014 General Obligation Refunding	\$ 8,805,000	2028	2.0% - 4.0%	\$ 1,990,000	\$ 5,785,000
2015 General Obligation Refunding	9,595,000	2030	2.0% - 3.0%	6,940,000	-
2016 General Obligation Permanent Improvement and Refunding	19,095,000	2031	2.0% - 5.0%	6,760,000	6,835,000
2016A General Obligation Refunding	9,765,000	2034	2.0% - 4.0%	-	7,680,000
2017 General Obligation Bonds	5,605,000	2031	2.0% - 4.0%	4,695,000	-
2020 General Obligation and Refunding Bonds	10,465,000	2050	2.0% - 4.0%	9,645,000	-
2021 General Obligation and Refunding Bonds	16,235,000	2051	2.375% - 4.0%	16,235,000	-
Total general obligation bonds				46,265,000	20,300,000
Revenue Bonds:					
2016 Waterworks and Sewer System	5,735,000	2036	2.0% - 4.0%	-	4,590,000
2018 Waterworks and Sewer System	20,170,000	2038	4.0% - 5.0%	-	18,800,000
2021 Waterworks and Sewer System	13,690,000	2041	3.0% - 4.0%	-	13,690,000
Total revenue bonds				-	37,080,000
Total				\$ 46,265,000	\$ 57,380,000

Annual debt service requirements for the City’s bonds and revenue bonds are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 2,315,000	\$ 1,588,982	\$ 3,115,000	\$ 2,208,425	\$ 9,227,407
2023	2,400,000	1,508,907	3,225,000	2,096,600	9,230,507
2024	2,485,000	1,424,207	3,345,000	1,973,275	9,227,482
2025	2,575,000	1,333,470	3,485,000	1,837,125	9,230,595
2026	2,670,000	1,239,670	3,685,000	1,687,950	9,282,620
2027-2031	15,275,000	4,485,221	19,120,000	5,882,125	44,762,346
2032-2036	5,490,000	2,275,605	14,110,000	2,504,800	24,380,405
2037-2041	5,175,000	1,398,755	7,295,000	451,700	14,320,455
2042-2046	3,845,000	772,255	-	-	4,617,255
2047-2051	4,035,000	244,572	-	-	4,279,572
	\$ 46,265,000	\$ 16,271,644	\$ 57,380,000	\$ 18,642,000	\$ 138,558,644

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, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds	\$ 35,390,000	\$ 16,235,000	\$ (5,360,000)	\$ 46,265,000	\$ 2,315,000
Premium on bond issuance	2,668,822	1,451,455	(575,919)	3,544,358	-
Capital lease	1,861,762	306,229	(486,182)	1,681,809	525,720
Compensated absences	852,589	1,015,759	(872,158)	996,190	199,238
Governmental activity					
Long-term liabilities	<u>\$ 40,773,173</u>	<u>\$ 19,008,443</u>	<u>\$ (7,294,259)</u>	<u>\$ 52,487,357</u>	<u>\$ 3,039,958</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	24,325,000	\$ 13,690,000	\$ (935,000)	\$ 37,080,000	\$ 1,450,000
General obligation bonds	22,380,000	-	(2,080,000)	20,300,000	1,665,000
Premium on bond issuance	3,920,243	2,148,303	(402,255)	5,666,291	-
Compensated absences	110,767	110,126	(103,114)	117,779	23,556
Business-type activity					
Long-term liabilities	<u>\$ 50,736,010</u>	<u>\$ 15,948,429</u>	<u>\$ (3,520,369)</u>	<u>\$ 63,164,070</u>	<u>\$ 3,138,556</u>
Total Primary government	<u>\$ 91,509,183</u>	<u>\$ 34,956,872</u>	<u>\$ (10,814,628)</u>	<u>\$ 115,651,427</u>	<u>\$ 6,178,514</u>

The City issued General Obligation Improvement and Refunding Bonds, Series 2021 in June 2021 in the amount of \$16,235,000. The bonds bear interest from 3.00 percent to 4.00 percent and are due in annual installments ranging from \$185,000 to \$1,010,000 through September 2051. Proceeds of the bonds will be used to make certain drainage improvements, expand the public safety building, construct new fire station and training field, 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 \$3,290,000 of the General Obligation Refunding Bonds, Series 2012. 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 \$210,021, which is also known as refunding deferred 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 \$213,107.

The Water and Sewer System Revenue Bonds, Series 2021 were issued in February 2021 in the amount of \$13,690,000. The bonds bear interest from 3.0 percent to 4.0 percent and are due in annual installments ranging from \$470,000 to \$915,000 through March 2041. Proceeds of the bonds will be used to make certain System extensions and improvements, to fund a deposit to the Reserve Fund and to pay the costs of issuance of the bonds.

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, 2021:

General Obligation Bonds:	Amounts Outstanding	Interest Rates	Range of Maturities	Callable Date *
Series 2010	\$ 160,000	4.20%	2021-2022	September 1, 2021
Road Series 2010A	90,000	4.20% - 4.35%	2021-2022	September 1, 2021
Road Series 2013	755,000	2.00% - 3.00%	2021-2028	September 1, 2021
Series 2013	1,105,000	3.00% - 5.00%	2021-2040	September 1, 2021
Road Series 2014	1,910,000	2.00% - 3.75%	2021-2040	September 1, 2022
Series 2015	4,270,000	1.30% - 4.125%	2021-2030	September 1, 2023
Series 2016	2,080,000	3.00% - 4.00%	2031-2040	September 1, 2024
Refunding Series 2016	790,000	2.00% - 4.00%	2021-2026	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	\$ 21,750,000			

* 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:

Fiscal Year	Principal	Interest	Total
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	1,110,000	2,191,730	3,301,730
2027-2031	6,010,000	1,346,044	7,356,044
2032-2036	4,920,000	609,966	5,529,966
2037-2041	5,660,000	18,509	5,678,509
	\$ 21,750,000	\$ 6,597,282	\$ 28,347,282

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, 2021, are as follows:

West Ranch Management District	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Component Unit					
General obligation bonds	\$ 22,600,000	\$ -	\$ (850,000)	\$ 21,750,000	\$ 965,000
Discount on bonds	(296,793)	-	19,064	(277,729)	-
Premium on bonds	85,598	-	(8,968)	76,630	-
Developer advances	40,000	-	-	40,000	-
Due to developer	369,600	-	-	369,600	-
Total	<u>\$ 22,798,405</u>	<u>\$ -</u>	<u>\$ (839,904)</u>	<u>\$ 21,958,501</u>	<u>\$ 965,000</u>

At July 31, 2021, 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, 2021, 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 three-year lease agreement as lessee for the acquisition and use information technology equipment. An initial lease liability was recorded in the amount of \$306,229 during the current fiscal year. The City is required to make annual principal and interest payments of \$106,262. The lease has an interest rate of 2.08%.

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

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 3,037,647
Less: accumulated depreciation	(792,070)
Total	<u>\$ 2,245,577</u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 558,630
2023	454,449
2024	454,449
2025	120,739
2026	89,789
2027	89,789
Minimum lease payments	<u>1,767,845</u>
Less amount representing interest	(86,136)
Total	<u>\$ 1,681,709</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 and on February 4, 2021 issued \$13,690,000 in Water and Sewer System Revenue Bonds, Series 2021. 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, March 1, 2038 for the 2018 bonds and March 1, 2041 for the 2021 bonds. The City will commit revenues each year the bonds are outstanding. At September 30, 2021, the remaining principal on the series 2016, 2018 and 2021 bonds was \$4,590,000, \$18,800,000 and \$13,650,000, respectively. Principal and interest payments for the fiscal year were \$935,000 and \$1,285,705, respectively. Net pledged revenue in 2021 produced 391 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, 2021 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	\$ 440,707	Expenditures funded by General Fund pending reimbursement.
General Fund	Nonmajor governmental funds	<u>1,342,391</u>	Expenditures funded by General Fund pending grant reimbursement.
	Total	<u>\$ 1,783,098</u>	

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2021, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water and Sewer	\$ 1,541,853	Budgeted annual transfer for indirect water and sewer costs by the General Fund
Nonmajor governmental funds	Bond Construction Fund	96,439	2020 Bond funds and close out of 2015 Bond Construction Fund
Nonmajor governmental funds	General Fund	113,623	Funds for HMGP Acquisition & Demolition Project and CDBG - DR Galveston County
		<u>\$ 1,751,915</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.

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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	136
Inactive employees entitled to but not yet receiving benefits	128
Active employees	<u>218</u>
Total	<u>482</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 15.84% and 16.55% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2021, were \$2,721,688 and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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:	25 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:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2019	\$ 85,826,200	\$ 75,245,684	\$ 10,580,516
Changes for the year:			
Service Cost	2,979,569	-	2,979,569
Interest (on the Total Pension Liability)	5,780,980	-	5,780,980
Difference between expected and actual experience	(146,825)	-	(146,825)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(3,343,679)	(3,343,679)	-
Contributions – employer	-	2,620,564	(2,620,564)
Contributions – employee	-	1,158,078	(1,158,078)
Net investment income	-	5,713,369	(5,713,369)
Administrative Expense	-	(36,958)	36,958
Other	-	(1,442)	1,442
Balance at 12/31/2020	<u>\$ 91,096,245</u>	<u>\$ 81,355,616</u>	<u>\$ 9,740,629</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:

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 22,715,813	\$ 9,740,629	\$ (903,647)

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.tmr.com.

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

For the year ended September 30, 2021, the City recognized a pension expense of \$2,151,840.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual economic experience	\$ 668,780	\$ (125,365)
Changes in actuarial assumptions	213,121	-
Difference between projected and actual investment earnings	-	(2,119,715)
Contributions subsequent to the measurement date	<u>2,003,490</u>	<u>-</u>
 Total	 <u>\$ 2,885,391</u>	 <u>\$ (2,245,080)</u>

The \$2,003,490 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (478,340)
2023	360,940
2024	(1,101,745)
2025	<u>(144,034)</u>
Total	<u>\$ (1,363,179)</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, 2020 was as follows:

Inactive employees currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>218</u>
Total	<u>342</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 2.00% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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, 2020 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2020

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate *:	2.00%
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, 2020.

Note: The actuarial assumptions used in the December 31, 2020 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)

Actuarial Assumptions (continued)

Changes in the Total OPEB Liability

Service cost	\$	36,397
Interest		20,150
Changes of benefit terms		-
Difference between expected and actual experience		(48,181)
Changes of assumptions		115,737
Benefit payments		(4,963)
Net change in total OPEB liability		<u>119,140</u>
Total OPEB liability - beginning		<u>717,014</u>
Total OPEB liability - ending	\$	<u><u>836,154</u></u>

Ending total OPEB liability is \$836,154 as of December 31, 2020. Changes of assumptions reflect a change in the discount rate from 3.75% as of December 31, 2019 to 2.00 as of December 31, 2020.

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.00%, 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 (1.00%) or 1 percentage point higher (3.00%) 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.

	1% Decrease to 1.00%	Current Discount Rate Assumption 2.00%	1% Increase to 3.00%
	\$ 1,033,308	\$ 836,154	\$ 686,512

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$76,408 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$82,601 related to the City’s retiree healthcare plan for total OPEB expense of \$159,009. As of September 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (85,450)
Changes in assumptions and other inputs	172,902	-
Contributions made subsequent to the measurement date	3,632	-
Total	<u>\$ 176,534</u>	<u>\$ (85,450)</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 \$3,632 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, 2022. 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:

	Net Deferred Outflows (Inflows) of Resources
2022	\$ 19,861
2023	19,861
2024	14,415
2025	17,570
2026	13,457
Thereafter	2,288
Total	<u>\$ 87,452</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, 2020, the following employees were covered by the benefit terms:

Retirees and beneficiaries	7
Inactive, nonretired members	0
Active members	<u>204</u>
Total	<u>211</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 \$1,111,209 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2020.

Actuarial assumptions and methods

The total OPEB liability in the December 31, 2020 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, 2020

Methods and Assumptions:

Actuarial Cost Method:	Individual Entry-Age Normal
Discount Rate:	2.00% as of December 31, 2020
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 published through 2019 to account for future mortality improvements.
Health Care Trend Rates:	Initial rate of 6.80% declining to an ultimate rate of 4.25% after 12 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 not assumed to elect coverage.

Other Information:

Notes: The discount rate changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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 2.00% (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 2.75% 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	\$	60,972
Interest		30,484
Changes of benefit terms		-
Difference between expected and actual experience		(104,038)
Changes of assumptions		75,401
Benefit payments		<u>(59,267)</u>
Net change in total OPEB liability		3,552
Total OPEB liability - beginning		<u>1,107,657</u>
Total OPEB liability - ending	<u>\$</u>	<u>1,111,209</u>

The ending Total OPEB Liability was \$1,111,209 as of December 31, 2020.

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:

	Current Discount Rate	
<u>1% Decrease to 1.00%</u>	<u>Assumption</u>	<u>1% Increase to</u>
	2.00%	3.00%
\$	1,219,905	\$ 1,011,662
	\$ 1,111,209	

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:

	Current Healthcare	
<u>1% Decrease</u>	<u>Cost Trend Rate</u>	<u>1% Increase</u>
	Assumption	
\$	984,806	\$ 1,261,976
	\$ 1,111,209	

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, 2021, the City recognized OPEB expense of \$82,601 related to the City’s retiree healthcare plan and OPEB expense of \$76,408 related to the TMRS Supplemental Death Benefit Fund for a total OPEB expense of \$159,009. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,619	\$ (240,082)
Changes assumptions	171,452	-
Contributions subsequent to the measurement date	37,118	-
Total	<u>\$ 218,189</u>	<u>\$ (240,082)</u>

The \$37,118 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:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (8,855)
2023	(8,855)
2024	(8,855)
2025	(8,855)
2026	(8,855)
Thereafter	(14,736)
Total	<u>\$ (59,011)</u>

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, 2021, 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, 2021, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2021, 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 – Deficit Fund Balance

As of September 30, 2021, the CDBG – DR Harris County Special Revenue fund had a fund balance deficit of \$165,866. The City plans to record revenue in the future to cover the deficits for the fund.

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 15,883,312	\$ 15,492,178	\$ 15,267,421	\$ (224,757)
Sales and alcohol taxes	7,319,052	7,385,659	7,953,859	568,200
Franchise taxes	2,101,190	2,101,190	2,090,001	(11,189)
Fines and forfeitures	799,700	799,700	1,117,224	317,524
Permits and fees	1,742,057	1,742,057	1,617,433	(124,624)
Intergovernmental	606,603	2,554,466	3,448,210	893,744
Investment earnings	168,600	168,600	35,951	(132,649)
Donations	17,750	62,400	55,881	(6,519)
Miscellaneous	30,938	31,236	124,627	93,391
Total Revenues	28,669,202	30,337,486	31,710,607	1,373,121
Expenditures				
General Government:				
Mayor and Council - Governing Body:				
Supplies and maintenance	8,750	17,513	14,444	3,069
Other services and charges	84,850	63,259	43,892	19,367
Total Governing Body	93,600	80,772	58,336	22,436
Mayor and Council - City Attorney:				
Personnel services	264,642	264,642	249,817	14,825
Supplies	450	186	-	186
Other services and charges	21,270	10,756	5,449	5,307
Total City Attorney	286,362	275,584	255,266	20,318
City Manager - Administration:				
Personnel services	830,719	820,719	791,856	28,863
Supplies	21,780	24,393	12,844	11,549
Other services and charges	39,100	53,250	31,548	21,702
Total Administration	891,599	898,362	836,248	62,114
City Manager - Economic Development:				
Personnel services	186,251	-	-	-
Supplies	5,000	5,000	1,452	3,548
Other services and charges	59,820	156,197	129,006	27,191
Total Economic Development	251,071	161,197	130,458	30,739
City Secretary - Municipal Clerk:				
Personnel services	352,911	352,911	339,568	13,343
Supplies	5,740	22,368	20,928	1,440
Other services and charges	18,470	15,483	15,218	265
Total Municipal Clerk	377,121	390,762	375,714	15,048

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, 2021

	Budgeted Amounts		Actual Amounts	Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
General Government (continued):				
City Secretary - Election Services:				
Supplies	\$ 1,128	\$ 776	\$ 608	\$ 168
Other services and charges	38,920	67,555	67,543	12
Total Election Services	40,048	68,331	68,151	180
City Secretary - Records Management:				
Personnel services	84,149	83,649	64,892	18,757
Supplies	970	686	627	59
Other services and charges	22,890	17,070	16,525	545
Total Records Management	108,009	101,405	82,044	19,361
Administrative Services - Finance:				
Personnel services	1,052,856	995,719	993,696	2,023
Supplies	9,050	24,796	23,236	1,560
Other services and charges	117,145	94,430	79,469	14,961
Total Finance	1,179,051	1,114,945	1,096,401	18,544
Administrative Services - Other Admin:				
Other services and charges	167,895	167,929	163,449	4,480
Total Other Admin	167,895	167,929	163,449	4,480
Administrative Services - Municipal Court:				
Personnel services	406,795	406,795	400,646	6,149
Supplies	5,780	5,780	5,000	780
Other services and charges	28,715	27,296	27,986	(690)
Total Municipal Court	441,290	439,871	433,632	6,239
Human Resources - Administration:				
Personnel services	410,319	410,319	385,350	24,969
Supplies	11,700	14,700	8,788	5,912
Other services and charges	75,512	69,392	25,542	43,850
Total Administration	497,531	494,411	419,680	74,731
Human Resources - Insurance:				
Other services and charges	223,830	229,166	215,730	13,436
Total Insurance	223,830	229,166	215,730	13,436

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (WITH VARIANCES)
 GENERAL FUND
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
General Government (continued):				
Human resources - Risk Management:				
Personnel services	\$ 147,360	\$ 147,360	\$ 143,817	\$ 3,543
Supplies	10,960	14,246	9,980	4,266
Other services and charges	29,780	15,987	8,127	7,860
Total Risk Management	188,100	177,593	161,924	15,669
Information Technology - Administration:				
Personnel services	594,323	594,323	610,521	(16,198)
Supplies	77,750	72,073	25,773	46,300
Repairs and maintenance	65,530	65,220	34,524	30,696
Other services and charges	540,186	668,074	576,497	91,577
Total Administration	1,277,789	1,399,690	1,247,315	152,375
Total General Government	6,023,296	6,000,018	5,544,348	455,670
Public Safety:				
Police Department - Administration:				
Personnel services	895,536	898,703	808,576	90,127
Supplies	28,750	28,750	18,852	9,898
Repairs and maintenance	41,000	41,000	6,670	34,330
Other services and charges	102,309	101,953	85,749	16,204
Total Administration	1,067,595	1,070,406	919,847	150,559
Police Department - Communications:				
Personnel services	1,214,352	1,234,378	1,153,178	81,200
Supplies	9,700	9,700	5,960	3,740
Repairs and maintenance	36,250	36,250	17,593	18,657
Other services and charges	21,480	19,187	12,576	6,611
Total Communications	1,281,782	1,299,515	1,189,307	110,208
Police Department - Patrol:				
Personnel services	6,112,066	6,212,977	5,904,839	308,138
Supplies	298,840	309,366	241,532	67,834
Repairs and maintenance	220,060	237,595	157,621	79,974
Other services and charges	555,329	541,727	511,697	30,030
Total Patrol	7,186,295	7,301,665	6,815,689	485,976
Police Department - Patrol - DOT Program:				
Personnel services	107,440	107,525	116,622	(9,097)
Supplies	4,480	4,480	3,444	1,036
Repairs and maintenance	1,250	1,250	453	797
Other services and charges	15,816	14,980	14,085	895
Total Patrol - DOT Program	128,986	128,235	134,604	(6,369)

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public Safety (continued):				
Police Department - Criminal Investigation:				
Personnel services	\$ 1,819,548	\$ 1,861,778	\$ 1,785,190	\$ 76,588
Supplies	50,450	54,900	40,898	14,002
Repairs and maintenance	49,600	36,165	14,953	21,212
Other services and charges	126,613	123,620	111,706	11,914
Total Criminal Investigation	2,046,211	2,076,463	1,952,747	123,716
Police Department - Animal Control:				
Personnel services	320,563	330,751	342,331	(11,580)
Supplies	32,500	31,044	23,259	7,785
Repairs and maintenance	12,000	11,487	3,586	7,901
Other services and charges	69,963	71,051	56,667	14,384
Total Animal Services	435,026	444,333	425,843	18,490
Fire Marshal - Administration:				
Personnel services	823,535	809,459	825,517	(16,058)
Supplies	29,950	38,554	36,771	1,783
Repairs and maintenance	5,500	6,700	6,557	143
Other services and charges	77,405	84,973	78,964	6,009
Total Administration	936,390	939,686	947,809	(8,123)
Fire Marshal - Emergency Management:				
Personnel services	77,793	91,869	93,156	(1,287)
Supplies	25,050	24,950	24,096	854
Repairs and maintenance	3,000	3,000	2,860	140
Other services and charges	47,530	31,124	19,192	11,932
Total Emergency Management	153,373	150,943	139,304	11,639
Fire Marshal - Fire/EMS Administration:				
Other services and charges	1,730,100	1,708,100	1,722,935	(14,835)
Total Fire/EMS Administration	1,730,100	1,708,100	1,722,935	(14,835)
Fire Marshal - Storm:				
Personnel services	-	-	284,330	(284,330)
Supplies	-	-	30,228	(30,228)
Repairs and maintenance	-	-	545	(545)
Other services and charges	-	-	97,298	(97,298)
Total Storm	-	-	412,401	(412,401)
Fire Marshal - Public Safety Health:				
Personnel services	-	-	-	-
Supplies	-	20,000	118,907	(98,907)
Other services and charges	-	-	19,673	(19,673)
Total Public Safety Health	-	20,000	138,580	(118,580)
Total Public Safety	14,965,758	15,139,346	14,799,066	340,280

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public Works:				
Administration:				
Personnel services	\$ 246,774	\$ 246,774	\$ 238,997	\$ 7,777
Supplies	3,910	3,910	2,658	1,252
Other services and charges	10,485	8,835	1,562	7,273
Total Administration	<u>261,169</u>	<u>259,519</u>	<u>243,217</u>	<u>16,302</u>
Streets:				
Personnel services	833,214	833,214	780,856	52,358
Supplies	100,000	107,700	93,248	14,452
Repairs and maintenance	143,830	762,250	730,201	32,049
Other services and charges	416,556	419,885	438,049	(18,164)
Total Streets	<u>1,493,600</u>	<u>2,123,049</u>	<u>2,042,354</u>	<u>80,695</u>
Drainage:				
Personnel services	313,036	313,036	249,734	63,302
Supplies	12,310	12,810	10,617	2,193
Repairs and maintenance	55,300	46,103	39,429	6,674
Other services and charges	19,983	20,190	18,276	1,914
Total Drainage	<u>400,629</u>	<u>392,139</u>	<u>318,056</u>	<u>74,083</u>
Total Public Works	<u>2,155,398</u>	<u>2,774,707</u>	<u>2,603,627</u>	<u>171,080</u>
Engineering:				
Capital Projects Administration:				
Personnel services	440,434	440,934	464,454	(23,520)
Supplies	13,050	13,405	13,631	(226)
Repairs and maintenance	2,000	2,900	1,797	1,103
Other services and charges	33,131	45,886	28,051	17,835
Total Capital Projects Administration:	<u>488,615</u>	<u>503,125</u>	<u>507,933</u>	<u>(4,808)</u>
Total Engineering	<u>488,615</u>	<u>503,125</u>	<u>507,933</u>	<u>(4,808)</u>
Community Development:				
Administration:				
Personnel services	353,625	353,625	351,673	1,952
Supplies	9,180	9,180	6,457	2,723
Other services and charges	20,190	16,450	5,860	10,590
Total Administration	<u>382,995</u>	<u>379,255</u>	<u>363,990</u>	<u>15,265</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (WITH VARIANCES)
 GENERAL FUND
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Community Development (continued):				
Planning and Zoning:				
Personnel services	\$ 307,284	\$ 307,284	\$ 286,837	\$ 20,447
Supplies	3,900	3,900	2,789	1,111
Other services and charges	55,675	51,042	33,994	17,048
Total Planning and Zoning	<u>366,859</u>	<u>362,226</u>	<u>323,620</u>	<u>38,606</u>
Inspection and Code Enforcement:				
Personnel services	427,787	427,787	410,495	17,292
Supplies	10,420	10,420	7,082	3,338
Repairs and maintenance	3,650	3,650	2,130	1,520
Other services and charges	57,570	53,354	24,181	29,173
Total Inspection and Code Enforcement	<u>499,427</u>	<u>495,211</u>	<u>443,888</u>	<u>51,323</u>
Total Community Development	<u>1,249,281</u>	<u>1,236,692</u>	<u>1,131,498</u>	<u>105,194</u>
Parks and recreation:				
Administration:				
Personnel services	283,486	283,486	281,882	1,604
Supplies	4,750	4,750	3,621	1,129
Repairs and maintenance	32,595	30,662	23,287	7,375
Total Administration	<u>320,831</u>	<u>318,898</u>	<u>308,790</u>	<u>10,108</u>
Recreation Programs:				
Personnel services	327,531	327,531	295,176	32,355
Supplies	20,525	22,525	20,136	2,389
Other services and charges	116,070	116,469	94,878	21,591
Total Recreation programs	<u>464,126</u>	<u>466,525</u>	<u>410,190</u>	<u>56,335</u>
July 4th Program:				
Personnel services	30,423	30,423	34,030	(3,607)
Supplies	4,150	5,330	5,330	-
Other services and charges	89,080	91,140	88,146	2,994
Total July 4th Program	<u>123,653</u>	<u>126,893</u>	<u>127,506</u>	<u>(613)</u>
Summer Day Camp Program:				
Personnel services	114,319	114,319	94,186	20,133
Supplies	16,250	16,250	14,725	1,525
Other services and charges	43,150	43,025	37,062	5,963
Total Summer Day Camp Program	<u>173,719</u>	<u>173,594</u>	<u>145,973</u>	<u>27,621</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Parks and recreation (continued):				
Keep Friendswood Beautiful committee:				
Supplies	\$ 13,200	\$ 11,886	\$ 11,791	\$ 95
Repairs and maintenance	2,500	3,338	3,338	-
Other services and charges	34,025	33,731	33,459	272
Total Keep Friendswood Beautiful committee	49,725	48,955	48,588	367
Stevenson Park pool:				
Personnel services	74,860	74,860	54,635	20,225
Supplies	25,700	26,159	24,448	1,711
Repairs and maintenance	5,000	5,401	5,327	74
Other services and charges	26,840	25,944	21,021	4,923
Total Stevenson park pool	132,400	132,364	105,431	26,933
Senior Activity Center:				
Personnel services	181,193	181,193	171,044	10,149
Supplies	10,890	10,890	4,641	6,249
Repairs and maintenance	2,000	3,000	2,870	130
Other services and charges	17,680	16,592	5,897	10,695
Total Senior Activity Center	211,763	211,675	184,452	27,223
Park Operations:				
Personnel services	769,677	769,677	730,960	38,717
Supplies	78,480	84,249	76,853	7,396
Repairs and maintenance	164,100	140,148	126,557	13,591
Other services and charges	506,332	554,889	536,531	18,358
Total Park Operations	1,518,589	1,548,963	1,470,901	78,062
Facility Operations:				
Supplies	29,000	32,206	28,944	3,262
Repairs and maintenance	182,210	502,590	217,373	285,217
Other services and charges	830,595	699,946	667,369	32,577
Total Facility Operations	1,041,805	1,234,742	913,686	321,056
Total parks and recreation	4,036,611	4,262,609	3,715,517	547,092
Library:				
Administration:				
Personnel services	1,094,359	1,094,359	1,066,488	27,871
Supplies	157,185	163,325	128,274	35,051
Repairs and maintenance	440	980	800	180
Other services and charges	21,112	39,585	28,164	11,421
Total Administration	1,273,096	1,298,249	1,223,726	74,523
Total library	1,273,096	1,298,249	1,223,726	74,523

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Capital improvements:				
Repairs and Maintenance	\$ -	\$ 1,007,000	\$ 7,000	\$ 1,000,000
Other services and charges	-	3,254	3,253	1
Capital outlay	519,000	6,636,002	3,742,298	2,893,704
Total capital improvements	519,000	7,646,256	3,752,551	2,893,705
Total Expenditures	30,711,055	38,861,002	33,278,266	4,582,736
Excess (deficiency) of revenues over expenditures	(2,041,853)	(8,523,516)	(1,567,659)	6,955,857
Other Financing Sources (Uses)				
Insurance recoveries	-	106,244	175,351	69,107
Sale of capital assets	-	4,000	12,870	8,870
Issuance of capital lease	-	275,727	306,329	30,602
Transfers in	1,541,853	1,541,853	1,541,853	-
Transfers out	-	(106,395)	(113,623)	(7,228)
Total Other Financing Sources (Uses)	1,541,853	1,821,429	1,922,780	101,351
Net change in fund balances	(500,000)	(6,702,087)	355,121	7,057,208
Fund Balances - Beginning	16,872,024	16,872,024	16,872,024	-
Fund Balances - Ending	\$ 16,372,024	\$ 10,169,937	\$ 17,227,145	\$ 7,057,208

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 details 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, 2021, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

Police – Patrol DOT Program	\$ 6,369
Fire Marshall – Administration	\$ 8,123
Fire Marshall Fire/EMS Administration	\$ 14,835
Fire Marshall – Storm	\$ 412,401
Fire Marshall Public Safety Health	\$ 118,580
Engineering	\$ 4,808
Parks – July 4 th program	\$ 613

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Total pension liability				
1. Service Cost	\$ 2,979,569	\$ 2,738,906	\$ 2,626,099	\$ 2,505,392
2. Interest (on the Total Pension Liability)	5,780,980	5,345,140	5,044,613	4,755,782
3. Difference between expected and actual experience	(146,825)	1,150,459	59,617	(60,180)
4. Changes of assumptions	-	378,973	-	-
5. Benefit payments, including refunds of employee contributions	(3,343,679)	(3,210,157)	(3,458,824)	(2,505,921)
6. Net change in total pension liability	5,270,045	6,403,321	4,271,505	4,695,073
7. Total pension liability – beginning	85,826,200	79,422,879	75,151,374	70,456,304
8. Total pension liability – ending	91,096,245	85,826,200	79,422,879	75,151,377
B. Plan fiduciary net position				
1. Contributions – employer	2,620,564	2,395,398	2,305,344	2,182,093
2. Contributions – employee	1,158,078	1,068,692	1,025,248	987,399
3. Net investment income	5,713,369	10,053,454	(2,013,270)	8,104,390
4. Benefit payments, including refunds of employee contributions	(3,343,679)	(3,210,157)	(3,458,824)	(2,505,921)
5. Administrative Expense	(36,958)	(56,778)	(38,892)	(41,987)
6. Other	(1,442)	(1,704)	(2,032)	(2,127)
7. Net change in plan fiduciary net position	6,109,932	10,248,905	(2,182,426)	8,723,847
8. Plan fiduciary net position – beginning	75,245,684	64,996,779	67,179,205	58,455,358
9. Plan fiduciary net position – ending	81,355,616	75,245,684	64,996,779	67,179,205
C. Net pension liability (A.9 – B.9)	\$ 9,740,629	\$ 10,580,516	\$ 14,426,100	\$ 7,972,172
D. Plan fiduciary net position as a percentage of the total pension liability	89.31%	87.67%	81.84%	89.39%
E. Covered payroll	\$ 16,543,970	\$ 15,267,034	\$ 14,646,398	\$ 14,098,997
F. Net position liability as a percentage of covered payroll	58.88%	69.30%	98.50%	56.54%

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

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Seven Measurement Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Total pension liability			
1. Service Cost	\$ 2,334,817	\$ 2,204,299	\$ 2,018,353
2. Interest (on the Total Pension Liability)	4,435,987	4,317,394	4,084,392
3. Difference between expected and actual experience	366,687	(1,032,789)	(736,093)
4. Changes of assumptions	-	847,469	-
5. Benefit payments, including refunds of employee contributions	<u>(2,464,107)</u>	<u>(2,256,734)</u>	<u>(2,005,311)</u>
6. Net change in total pension liability	4,673,384	4,079,639	3,361,341
7. Total pension liability – beginning	<u>65,782,920</u>	<u>61,703,281</u>	<u>58,341,940</u>
8. Total pension liability – ending	<u>70,456,304</u>	<u>65,782,920</u>	<u>61,703,281</u>
B. Plan fiduciary net position			
1. Contributions – employer	2,037,849	1,998,038	1,867,782
2. Contributions – employee	923,896	886,669	829,598
3. Net investment income	3,672,583	79,202	2,868,842
4. Benefit payments, including refunds of employee contributions	(2,464,107)	(2,256,734)	(2,005,311)
5. Administrative Expense	(41,467)	(48,239)	(29,949)
6. Other	<u>(2,234)</u>	<u>(2,383)</u>	<u>(2,462)</u>
7. Net change in plan fiduciary net position	4,126,520	656,553	3,528,500
8. Plan fiduciary net position – beginning	<u>54,328,838</u>	<u>53,672,285</u>	<u>50,143,785</u>
9. Plan fiduciary net position – ending	<u>58,455,358</u>	<u>54,328,838</u>	<u>53,672,285</u>
C. Net pension liability (A.9 – B.9)	<u>\$ 12,000,946</u>	<u>\$ 11,454,082</u>	<u>\$ 8,030,996</u>
D. Plan fiduciary net position as a percentage of the total pension liability	82.97%	82.59%	86.98%
E. Covered payroll	\$ 13,198,512	\$ 12,653,842	\$ 11,851,396
F. Net position liability as a percentage of covered payroll	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 Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially required contributions	\$ 2,721,688	\$ 2,485,117	\$ 2,376,185	\$ 2,255,270	\$ 2,161,617
Contributions in relation to the actuarially required contributions	<u>2,721,688</u>	<u>2,485,117</u>	<u>2,376,185</u>	<u>2,255,270</u>	<u>2,161,617</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 16,639,755	\$ 15,724,041	\$ 15,133,171	\$ 14,385,208	\$ 13,986,135
Contributions as a percentage of covered payroll	16.36%	15.80%	15.70%	15.68%	15.46%
	<u>2016</u>	<u>2015</u>	<u>2014</u>		
Actuarially required contributions	\$ 2,100,698	\$ 1,960,652	\$ 1,847,375		
Contributions in relation to the actuarially required contributions	<u>2,100,698</u>	<u>1,960,652</u>	<u>1,847,375</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered payroll	\$ 13,525,613	\$ 12,423,310	\$ 11,781,281		
Contributions as a percentage of covered payroll	15.53%	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, 2021

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	25 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 Four Measurement Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 36,397	\$ 27,481	\$ 30,757	\$ 26,788
Interest	20,150	23,199	20,933	20,384
Difference between expected and actual experience	(48,181)	(60,356)	(7,425)	-
Changes of assumptions	115,737	118,183	(43,775)	49,777
Benefit payments **	<u>(4,963)</u>	<u>(6,107)</u>	<u>(5,859)</u>	<u>(5,640)</u>
Net change in total OPEB liability	119,140	102,400	(5,369)	91,309
Total OPEB liability - beginning	<u>717,014</u>	<u>614,614</u>	<u>619,983</u>	<u>528,674</u>
Total OPEB liability - ending	<u>\$ 836,154</u>	<u>\$ 717,014</u>	<u>\$ 614,614</u>	<u>\$ 619,983</u>
Covered payroll	\$ 16,543,970	\$ 15,267,034	\$ 14,646,398	\$ 14,098,997
Total OPEB liability as a percentage of covered payroll	5.05%	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:

2020	2.00%
2019	2.75%

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

CITY OF FRIENDSWOOD RETIREE HEALTH CARE PLAN

Last Four Measurement Years

	2020	2019	2018	2017
Service cost	\$ 60,972	\$ 46,995	\$ 53,919	\$ 44,637
Interest	30,484	36,314	37,843	39,497
Difference between expected and actual experience	(104,038)	8,768	(214,124)	4,573
Changes of assumptions	75,401	86,718	7,071	51,765
Benefit payments	(59,267)	(52,896)	(38,566)	(38,414)
Net change in total OPEB liability	3,552	125,899	(153,857)	102,058
Total OPEB liability - beginning	1,107,657	981,758	1,135,615	1,033,557
Total OPEB liability - ending	<u>\$ 1,111,209</u>	<u>\$ 1,107,657</u>	<u>\$ 981,758</u>	<u>\$ 1,135,615</u>
Covered payroll	\$ 16,543,973	\$ 15,267,037	\$ 14,646,402	\$ 12,035,859
Total OPEB liability as a percentage of covered payroll	6.72%	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 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020. 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.

Community Development Block Grant (CDBG) – Disaster Recovery (DR) Harris County – This fund is used to account for revenues that are restricted to the Community Development Block Grant – Disaster Recovery expenditures. Funds will be used for the Harris County side of the City.

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.

Community Development Block Grant (CDBG) – Disaster Recovery (DR) Galveston County – This fund is used to account for revenues that are restricted to the Community Development Block Grant – Disaster Recovery expenditures. Funds will be used for the Galveston County side of the City.

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 – This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

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.

**NONMAJOR
GOVERNMENTAL FUNDS (continued)**

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**

Coronavirus State and Local Fiscal Recovery Fund – This fund is used to account for federal funds related to the fiscal recovery of Coronavirus. Funds will be used for water and sewer infrastructure projects.

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.

	Special Revenue Funds			
	Police Investigation	Fires/EMS Donation	Municipal Court	CDBG - DR Harris County
Assets				
Cash and cash equivalents	\$ 68,507	\$ 199,687	\$ 91,955	\$ 35,134
Investments	134,108	396,706	182,681	69,800
Receivables, net of allowance:				
Taxes receivable	-	-	-	-
Customer accounts	-	2,714	-	-
Other receivables	-	-	3,573	-
Accrued interest	71	256	85	-
Due from other governments	-	-	-	5,316
Total Assets	\$ 202,686	\$ 599,363	\$ 278,294	\$ 110,250
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 16,955	\$ -	\$ -	\$ 19,342
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	256,794
Total Liabilities	16,955	-	-	276,136
Deferred Inflows of Resources:				
Unavailable revenue	-	-	3,756	-
Total Deferred Inflows	-	-	3,756	-
Fund Balances:				
 Nonspendable:				
Permanent fund	-	-	-	-
 Restricted:				
Municipal court operations	-	-	274,538	-
Debt service	-	-	-	-
Public safety	185,731	599,363	-	-
Capital projects	-	-	-	-
 Unassigned	-	-	-	(165,886)
Total Fund Balances	185,731	599,363	274,538	(165,886)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 202,686	\$ 599,363	\$ 278,294	\$ 110,250

	<u>Special Revenue Funds</u>			
	<u>TWDB Flood Mitigation Acquisition Grant</u>	<u>HMGP Acquisition & Demolition Project</u>	<u>CDBG - DR Galveston County</u>	<u>Debt Service Fund</u>
Assets				
Cash and cash equivalents	\$ -	\$ 92,092	\$ 28,214	\$ 3,437
Investments	-	-	56,051	6,828
Receivables, net of allowance:				
Taxes receivable	-	-	-	45,560
Customer accounts	-	-	-	-
Other receivables	-	-	-	-
Accrued interest	-	-	-	325
Due from other governments	280,699	609,629	137,043	-
Total Assets	<u>\$ 280,699</u>	<u>\$ 701,721</u>	<u>\$ 221,308</u>	<u>\$ 56,150</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 117,188	\$ -	\$ -
Accrued liabilities	-	-	943	-
Due to other funds	280,699	584,533	220,365	-
Total Liabilities	<u>280,699</u>	<u>701,721</u>	<u>221,308</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	45,542
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,542</u>
Fund Balances:				
Nonspendable:				
Permanent fund	-	-	-	-
Restricted:				
Municipal court operations	-	-	-	-
Debt service	-	-	-	10,608
Public safety	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,608</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 280,699</u>	<u>\$ 701,721</u>	<u>\$ 221,308</u>	<u>\$ 56,150</u>

CITY OF FRIENDSWOOD, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Permanent	Capital Projects Funds			Total Nonmajor Governmental Funds
	1776 Park Fund	Sidewalk Install Fund	Park Land Dedication Funds	Street Improvements Fund	
Assets					
Cash and cash equivalents	\$ 3,716	\$ 14,633	\$ 35,585	\$ 433,678	\$ 1,006,638
Investments	7,381	29,072	70,693	861,559	1,814,879
Receivables, net of allowance:					
Taxes receivable	-	-	-	377,691	423,251
Customer accounts	-	-	-	-	2,714
Other receivables	-	-	-	-	3,573
Accrued interest	4	15	45	362	1,163
Due from other governments	-	-	-	-	1,032,687
Total Assets	\$ 11,101	\$ 43,720	\$ 106,323	\$ 1,673,290	\$ 4,284,905
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 153,485
Accrued liabilities	-	-	-	-	943
Due to other funds	-	-	-	-	1,342,391
Total Liabilities	-	-	-	-	1,496,819
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	49,298
Total Deferred Inflows	-	-	-	-	49,298
Fund Balances:					
Nonspendable:					
Permanent fund	11,101	-	-	-	11,101
Restricted:					
Municipal court operations	-	-	-	-	274,538
Debt service	-	-	-	-	10,608
Public safety	-	-	-	-	785,094
Capital projects	-	43,720	106,323	1,673,290	1,823,333
Unassigned	-	-	-	-	(165,886)
Total Fund Balances	11,101	43,720	106,323	1,673,290	2,738,788
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,101	\$ 43,720	\$ 106,323	\$ 1,673,290	\$ 4,284,905

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Special Revenue Funds			
	Police Investigation	Fires/EMS Donation	Municipal Court	CDBG - DR Harris County
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Fines and forfeitures	16,162	-	85,710	-
Permits and fees	-	-	-	-
Intergovernmental	-	-	-	973,186
Donations	-	209,057	-	-
Investment earnings	590	2,061	605	-
Total Revenues	16,752	211,118	86,315	973,186
Expenditures				
Current:				
General government	-	-	46,900	-
Public safety	14,493	83,906	-	-
Public works	-	-	-	347,730
Debt Service:				
Principal	-	117,503	-	-
Interest and other charges	-	15,331	-	-
Capital Outlay	17,884	164,222	-	787,748
Total Expenditures	32,377	380,962	46,900	1,135,478
Excess (deficiency) of revenues over (under) expenditures	(15,625)	(169,844)	39,415	(162,292)
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	-	-	-	-
Sale of capital assets	-	8,400	-	-
Payments to refunding bond escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	-	8,400	-	-
Net change in fund balances	(15,625)	(161,444)	39,415	(162,292)
Fund Balances - Beginning	201,356	760,807	235,123	(3,594)
Fund Balances - Ending	\$ 185,731	\$ 599,363	\$ 274,538	\$ (165,886)

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	<u>Special Revenue Funds</u>			
	<u>TWDB Flood Mitigation Acquisition Grant</u>	<u>HMGP Acquisition & Demolition Project</u>	<u>CDBG - DR Galveston County</u>	<u>Debt Service Fund</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 3,701,687
Sales taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Permits and fees	-	-	-	-
Intergovernmental	1,979,213	925,619	169,743	-
Donations	-	-	-	-
Investment earnings	-	-	-	2,824
Total Revenues	<u>1,979,213</u>	<u>925,619</u>	<u>169,743</u>	<u>3,704,511</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	281,550	373,292	230,638	-
Debt Service:				
Principal	-	-	-	2,438,779
Interest and other charges	-	-	-	1,389,697
Capital Outlay	-	479,569	-	-
Total Expenditures	<u>281,550</u>	<u>852,861</u>	<u>230,638</u>	<u>3,828,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,697,663</u>	<u>72,758</u>	<u>(60,895)</u>	<u>(123,965)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	-	-	3,050,000
Premium on issuance of bonds	-	-	-	277,572
Transfers in	-	52,728	60,895	96,439
Sale of capital assets	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	(3,321,347)
Total Other Financing Sources (Uses)	<u>-</u>	<u>52,728</u>	<u>60,895</u>	<u>102,664</u>
Net change in fund balances	1,697,663	125,486	-	(21,301)
Fund Balances - Beginning	<u>(1,697,663)</u>	<u>(125,486)</u>	<u>-</u>	<u>31,909</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,608</u>

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Permanent		Capital Projects Funds		
	1776 Park Fund	Sidewalk Install Fund	Park Land Dedication Funds	Street Improvements Fund	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -		\$ -	\$ -	\$ 3,701,687
Sales taxes	-	-	-	1,961,187	1,961,187
Fines and forfeitures	-	-	-	-	101,872
Permits and fees	-	-	51,600	-	51,600
Intergovernmental	-	-	-	-	4,047,761
Donations	-	-	-	-	209,057
Investment earnings	31	115	351	3,332	9,909
Total Revenues	31	115	51,951	1,964,519	10,083,073
Expenditures					
Current:					
General government	-	-	-	-	46,900
Public safety	-	-	-	-	98,399
Public works	-	-	-	768,459	2,001,669
Debt Service:					
Principal	-	-	-	-	2,556,282
Interest and other charges	-	-	-	-	1,405,028
Capital Outlay	-	-	71,745	-	1,521,168
Total Expenditures	-	-	71,745	768,459	7,629,446
Excess (deficiency) of revenues over (under) expenditures	31	115	(19,794)	1,196,060	2,453,627
Other Financing Sources (Uses)					
Issuance of refunding bonds	-	-	-	-	3,050,000
Premium on issuance of bonds	-	-	-	-	277,572
Transfers in	-	-	-	-	210,062
Sale of capital assets	-	-	-	-	8,400
Payments to refunding bond escrow agent	-	-	-	-	(3,321,347)
Total Other Financing Sources (Uses)	-	-	-	-	224,687
Net change in fund balances	31	115	(19,794)	1,196,060	2,678,314
Fund Balances - Beginning	11,070	43,605	126,117	477,230	60,474
Fund Balances - Ending	\$ 11,101	\$ 43,720	\$ 106,323	\$ 1,673,290	\$ 2,738,788

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

POLICE INVESTIGATION

For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 16,162	\$ 16,162
Investment earnings	1,425	1,425	590	(835)
Total Revenues	<u>1,425</u>	<u>1,425</u>	<u>16,752</u>	<u>15,327</u>
Expenditures				
Current:				
Public safety	-	14,493	14,493	-
Capital outlay	-	17,884	17,884	-
Total Expenditures	<u>-</u>	<u>32,377</u>	<u>32,377</u>	<u>-</u>
Net change in fund balances	1,425	(30,952)	(15,625)	15,327
Fund Balances - Beginning	<u>201,356</u>	<u>201,356</u>	<u>201,356</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 202,781</u>	<u>\$ 170,404</u>	<u>\$ 185,731</u>	<u>\$ 15,327</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Donations	\$ 215,000	\$ 215,000	\$ 209,057	\$ (5,943)
Investment earnings	2,150	2,150	2,061	(89)
Total Revenues	<u>217,150</u>	<u>217,150</u>	<u>211,118</u>	<u>(6,032)</u>
Expenditures				
Current:				
Public safety	65,075	83,906	83,906	-
Debt service:				
Principal	116,923	116,923	117,503	(580)
Interest and other charges	15,909	15,909	15,331	578
Capital outlay	<u>169,000</u>	<u>169,601</u>	<u>164,222</u>	<u>5,379</u>
Total Expenditures	<u>366,907</u>	<u>386,339</u>	<u>380,962</u>	<u>5,377</u>
Excess (deficiency) of revenues over expenditures	<u>(149,757)</u>	<u>(169,189)</u>	<u>(169,844)</u>	<u>(655)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	601	8,400	7,799
Total Other Financing Sources (Uses)	<u>-</u>	<u>601</u>	<u>8,400</u>	<u>7,799</u>
Net change in fund balances	(149,757)	(168,588)	(161,444)	7,144
Fund Balances - Beginning	<u>760,807</u>	<u>760,807</u>	<u>760,807</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 611,050</u>	<u>\$ 592,219</u>	<u>\$ 599,363</u>	<u>\$ 7,144</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Fines and forfeitures	\$ 49,000	\$ 49,000	\$ 85,710	\$ 36,710
Investment earnings	1,850	1,850	605	(1,245)
Total Revenues	<u>50,850</u>	<u>50,850</u>	<u>86,315</u>	<u>35,465</u>
Expenditures				
Current:				
General government	47,552	49,190	46,900	2,290
Total Expenditures	<u>47,552</u>	<u>49,190</u>	<u>46,900</u>	<u>2,290</u>
Net change in fund balances	3,298	1,660	39,415	37,755
Fund Balances - Beginning	<u>235,123</u>	<u>235,123</u>	<u>235,123</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 238,421</u>	<u>\$ 236,783</u>	<u>\$ 274,538</u>	<u>\$ 37,755</u>

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

CDBG – DR HARRIS COUNTY

For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 967,871	\$ 973,186	\$ 5,315
Total Revenues	<u>-</u>	<u>967,871</u>	<u>973,186</u>	<u>5,315</u>
Expenditures				
Current:				
Public works	-	180,123	347,730	(167,607)
Capital outlay	-	787,748	787,748	-
Total Expenditures	<u>-</u>	<u>967,871</u>	<u>1,135,478</u>	<u>(167,607)</u>
Net change in fund balances	-	-	(162,292)	(162,292)
Fund Balances - Beginning	<u>(3,594)</u>	<u>(3,594)</u>	<u>(3,594)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (3,594)</u>	<u>\$ (3,594)</u>	<u>\$ (165,886)</u>	<u>\$ (162,292)</u>

CITY OF FRIENDSWOOD, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TWDB FLOOD MITIGATION ACQUISITION GRANT
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,979,213	\$ 1,979,213
Total Revenues	<u>-</u>	<u>-</u>	<u>1,979,213</u>	<u>1,979,213</u>
Expenditures				
Current:				
Public works	-	-	281,550	(281,550)
Total Expenditures	<u>-</u>	<u>-</u>	<u>281,550</u>	<u>(281,550)</u>
Net change in fund balances	-	-	1,697,663	1,697,663
Fund Balances - Beginning	<u>(1,697,663)</u>	<u>(1,697,663)</u>	<u>(1,697,663)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (1,697,663)</u>	<u>\$ (1,697,663)</u>	<u>\$ -</u>	<u>\$ 1,697,663</u>

CITY OF FRIENDSWOOD, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
HAZARD MITIGATION GRANT PROGRAM
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Intergovernmental	\$ -	\$ 377,397	\$ 925,619	\$ 548,222
Total Revenues	<u>-</u>	<u>377,397</u>	<u>925,619</u>	<u>548,222</u>
Expenditures				
Current:				
Public works	-	94,348	373,292	(278,944)
Capital outlay	-	283,049	479,569	(196,520)
Total Expenditures	<u>-</u>	<u>377,397</u>	<u>852,861</u>	<u>(475,464)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>72,758</u>	<u>72,758</u>
Other Financing Sources (Uses)				
Transfers in	-	-	52,728	52,728
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>52,728</u>	<u>52,728</u>
Net change in fund balances	-	-	125,486	125,486
Fund Balances - Beginning	<u>(125,486)</u>	<u>(125,486)</u>	<u>(125,486)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (125,486)</u>	<u>\$ (125,486)</u>	<u>\$ -</u>	<u>\$ 125,486</u>

CITY OF FRIENDSWOOD, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CDBG - DR GALVESTON COUNTY
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Intergovernmental	\$ -	\$ 32,700	\$ 169,743	\$ 137,043
Total Revenues	<u>-</u>	<u>32,700</u>	<u>169,743</u>	<u>137,043</u>
Expenditures				
Current:				
Public works	-	93,595	230,638	(137,043)
Total Expenditures	<u>-</u>	<u>93,595</u>	<u>230,638</u>	<u>(137,043)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(60,895)</u>	<u>(60,895)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	-	60,895	60,895	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>60,895</u>	<u>60,895</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Investment earnings	\$ 185	\$ 185	\$ 31	\$ (154)
Total Revenues	<u>185</u>	<u>185</u>	<u>31</u>	<u>(154)</u>
Expenditures				
Current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	185	185	31	(154)
Fund Balances - Beginning	<u>11,070</u>	<u>11,070</u>	<u>11,070</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 11,255</u>	<u>\$ 11,255</u>	<u>\$ 11,101</u>	<u>\$ (154)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Investment earnings	\$ 245	\$ 245	\$ 115	\$ (130)
Total Revenues	<u>245</u>	<u>245</u>	<u>115</u>	<u>(130)</u>
Expenditures				
Current	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	245	245	115	(130)
Fund Balances - Beginning	<u>43,605</u>	<u>43,605</u>	<u>43,605</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 43,850</u>	<u>\$ 43,850</u>	<u>\$ 43,720</u>	<u>\$ (130)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Permit and fees	\$ 50,000	\$ 50,000	\$ 51,600	\$ 1,600
Investment earnings	775	775	351	(424)
Total Revenues	<u>50,775</u>	<u>50,775</u>	<u>51,951</u>	<u>1,176</u>
Expenditures				
Current:				
Capital outlay	-	74,474	71,745	2,729
Total Expenditures	<u>-</u>	<u>74,474</u>	<u>71,745</u>	<u>2,729</u>
Net change in fund balances	50,775	(23,699)	(19,794)	3,905
Fund Balances - Beginning	<u>126,117</u>	<u>126,117</u>	<u>126,117</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 176,892</u>	<u>\$ 102,418</u>	<u>\$ 106,323</u>	<u>\$ 3,905</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Sales taxes	\$ 1,815,271	\$ 1,815,271	\$ 1,961,187	\$ 145,916
Investment earnings	19,800	19,800	3,332	(16,468)
Total Revenues	<u>1,835,071</u>	<u>1,835,071</u>	<u>1,964,519</u>	<u>129,448</u>
Expenditures				
Public works	-	768,459	768,459	-
Total Expenditures	<u>-</u>	<u>768,459</u>	<u>768,459</u>	<u>-</u>
Net change in fund balances	1,835,071	1,066,612	1,196,060	129,448
Fund Balances - Beginning	<u>477,230</u>	<u>477,230</u>	<u>477,230</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,312,301</u>	<u>\$ 1,543,842</u>	<u>\$ 1,673,290</u>	<u>\$ 129,448</u>

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 3,749,088	\$ 3,749,088	\$ 3,701,687	\$ (47,401)
Investment earnings	9,075	9,075	2,824	(6,251)
Total Revenues	<u>3,758,163</u>	<u>3,758,163</u>	<u>3,704,511</u>	<u>(53,652)</u>
Expenditures				
Debt service:				
Principal	2,438,779	2,438,779	2,438,779	-
Interest and other charges	1,290,310	1,386,750	1,389,697	(2,947)
Total Expenditures	<u>3,729,089</u>	<u>3,825,529</u>	<u>3,828,476</u>	<u>(2,947)</u>
Excess (deficiency) of revenues over expenditures	<u>29,074</u>	<u>(67,366)</u>	<u>(123,965)</u>	<u>(56,599)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	-	3,050,000	3,050,000
Premium on bond issuance	-	-	277,572	277,572
Transfers in	-	96,440	96,439	(1)
Payments to refunding bond escrow agent	-	-	(3,321,347)	(3,321,347)
Total Other Financing Sources	<u>-</u>	<u>96,440</u>	<u>102,664</u>	<u>6,224</u>
Net change in fund balances	29,074	29,074	(21,301)	(50,375)
Fund Balances - Beginning	<u>31,909</u>	<u>31,909</u>	<u>31,909</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 60,983</u>	<u>\$ 60,983</u>	<u>\$ 10,608</u>	<u>\$ (50,375)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Investment earnings	\$ 40,000	\$ 40,000	\$ 2,749	\$ (37,251)
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>2,749</u>	<u>(37,251)</u>
Expenditures				
Current:				
Public works	-	-	7,500	(7,500)
Debt service:				
Bond issuance costs	-	162,444	162,444	-
Capital outlay	<u>-</u>	<u>16,690,450</u>	<u>1,763,771</u>	<u>14,926,679</u>
Total Expenditures	<u>-</u>	<u>16,852,894</u>	<u>1,933,715</u>	<u>14,919,179</u>
Excess (deficiency) of revenues over expenditures	<u>40,000</u>	<u>(16,812,894)</u>	<u>(1,930,966)</u>	<u>14,881,928</u>
Other Financing Sources (Uses)				
Issuance of capital-related debt	-	13,185,000	13,185,000	-
Premium on issuance of bonds	-	1,173,884	1,173,884	-
Transfers out	-	(96,440)	(96,439)	1
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,262,444</u>	<u>14,262,445</u>	<u>1</u>
Net change in fund balances	40,000	(2,550,450)	12,331,479	14,881,929
Fund Balances - Beginning	<u>2,881,036</u>	<u>2,881,036</u>	<u>2,881,036</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,921,036</u>	<u>\$ 330,586</u>	<u>\$ 15,212,515</u>	<u>\$ 14,881,929</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

<i>Financial Trends</i>	114
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	124
These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	129
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.	
<i>Demographic and Economic Information</i>	134
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<i>Operating Information</i>	138
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)

Table 1
Page 1 of 2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental Activities					
Net investment in capital assets	\$ 72,240,727	\$ 68,990,597	\$ 66,823,023	\$ 68,320,682	\$ 72,631,192
Restricted	3,491,974	4,606,124	4,003,468	4,085,999	2,534,312
Unrestricted	6,886,085	2,563,947	5,402,312	6,248,751	5,532,198
Total governmental activities net position	<u>\$ 82,618,786</u>	<u>\$ 76,160,668</u>	<u>\$ 76,228,803</u>	<u>\$ 78,655,432</u>	<u>\$ 80,697,702</u>
Business-type activities					
Net investment in capital assets	\$ 32,910,959	\$ 32,242,803	\$ 27,038,046	\$ 27,088,280	\$ 29,305,429
Restricted	2,721,465	2,186,731	1,982,666	582,697	260,703
Unrestricted	9,984,251	8,438,509	12,077,564	13,620,211	10,584,764
Total business-type activities net position	<u>\$ 45,616,675</u>	<u>\$ 42,868,043</u>	<u>\$ 41,098,276</u>	<u>\$ 41,291,188</u>	<u>\$ 40,150,896</u>
Primary government					
Net investment in capital assets	\$ 105,151,686	\$ 101,233,400	\$ 93,861,069	\$ 95,408,962	\$ 101,936,621
Restricted	6,213,439	6,792,855	5,986,134	4,668,696	2,795,015
Unrestricted	16,870,336	11,002,456	17,479,876	19,868,962	16,116,962
Total Primary government net positions	<u>\$ 128,235,461</u>	<u>\$ 119,028,711</u>	<u>\$ 117,327,079</u>	<u>\$ 119,946,620</u>	<u>\$ 120,848,598</u>

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

Table 1
Page 2 of 2

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities					
Net investment in capital assets	\$ 73,588,484	\$ 73,611,490	\$ 65,404,791	\$ 65,056,180	\$ 65,582,783
Restricted	1,405,907	1,179,764	653,496	718,275	872,869
Unrestricted	5,579,677	5,901,505	10,798,907	9,565,406	8,828,132
Total governmental activities net position	<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>
Business-type activities					
Net investment in capital assets	\$ 28,322,718	\$ 26,628,714	\$ 24,495,816	\$ 22,961,547	\$ 25,618,823
Restricted	99,006	27,468	90,395	176,882	786,600
Unrestricted	10,238,993	12,040,181	14,818,104	16,790,183	13,032,798
Total business-type activities net position	<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>
Primary government					
Net investment in capital assets	\$ 101,911,202	\$ 100,240,204	\$ 89,900,607	\$ 88,017,727	\$ 91,201,606
Restricted	1,504,913	1,207,232	743,891	895,157	1,659,469
Unrestricted	15,818,670	17,941,686	25,617,011	26,355,589	21,860,930
Total Primary government net positions	<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>

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

Table 2
Page 1 of 4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses					
Governmental Activities:					
General government	\$ 5,867,654	\$ 6,119,806	\$ 5,912,467	\$ 5,734,611	\$ 5,128,399
Public safety	15,645,527	15,501,734	15,134,465	17,538,040	15,861,719
Public works	7,160,229	8,840,113	7,897,373	6,267,824	4,429,664
Engineering	506,959	434,976	-	-	-
Community development	1,035,202	1,122,506	1,359,878	945,701	1,495,001
Parks and recreation	4,604,943	4,439,511	4,839,076	4,554,114	3,459,053
Library services	1,221,740	1,214,130	1,257,970	1,210,207	1,215,683
Interest and fiscal charges	1,244,881	1,055,889	923,350	953,509	953,146
Total Government Activities Expenses	<u>37,287,135</u>	<u>38,728,665</u>	<u>37,324,579</u>	<u>37,204,006</u>	<u>32,542,665</u>
Business-Type Activities:					
Water and wastewater	11,864,245	12,071,159	11,507,880	9,019,197	8,502,218
Interest and other	1,808,120	1,733,123	1,579,182	1,029,715	1,086,278
Total Business-Type Activities	<u>13,672,365</u>	<u>13,804,282</u>	<u>13,087,062</u>	<u>10,048,912</u>	<u>9,588,496</u>
Total Primary Government Expenses	<u>\$ 50,959,500</u>	<u>\$ 52,532,947</u>	<u>\$ 50,411,641</u>	<u>\$ 47,252,918</u>	<u>\$ 42,131,161</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 871,362	\$ 930,686	\$ 751,112	\$ 861,271	\$ 1,004,968
Public safety	1,372,432	871,714	811,768	868,761	35,007
Public works	225,419	222,337	236,352	213,042	242,184
Community development	-	9,275	6,841	-	1,036,741
Parks and recreation	384,489	181,709	341,560	344,064	387,915
Library services	-	-	-	-	30,600
Operating grants and contributions	3,874,866	3,430,645	1,842,704	4,924,228	2,591,025
Capital grants and contributions	3,864,589	708,306	-	-	219,808
Total Governmental Activities Program Revenues:	<u>10,593,157</u>	<u>6,354,672</u>	<u>3,990,337</u>	<u>7,211,366</u>	<u>5,548,248</u>
Business-Type Activities:					
Charges for services:					
Water and wastewater	17,919,751	16,638,758	13,669,552	12,183,711	12,295,441
Operating grants and contributions	-	22,602	-	-	-
Total Business-Type activities Program Revenues	<u>17,919,751</u>	<u>16,661,360</u>	<u>13,669,552</u>	<u>12,183,711</u>	<u>12,295,441</u>
Total Primary Government Program Revenues	<u>\$ 28,512,908</u>	<u>\$ 23,016,032</u>	<u>\$ 17,659,889</u>	<u>\$ 19,395,077</u>	<u>\$ 17,843,689</u>
Net (Expense) Revenues					
Governmental activities	(26,693,978)	(32,373,993)	(33,334,242)	(29,992,640)	(26,994,417)
Business-type activities	4,247,386	2,857,078	582,490	2,134,799	2,706,945
Total Primary Government Net Expense	<u>\$ (22,446,592)</u>	<u>\$ (29,516,915)</u>	<u>\$ (32,751,752)</u>	<u>\$ (27,857,841)</u>	<u>\$ (24,287,472)</u>

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

Table 2
Page 2 of 4

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses					
Governmental Activities:					
General government	\$ 4,736,867	\$ 5,410,643	\$ 4,589,795	\$ 4,679,339	\$ 4,737,702
Public safety	13,101,691	11,763,659	11,236,402	10,800,130	10,736,805
Public works	4,429,482	3,933,288	3,921,658	4,385,090	3,738,111
Engineering	-	-	-	-	-
Community development	1,577,813	1,406,288	1,097,075	1,207,264	1,520,401
Parks and recreation	3,080,453	2,869,345	3,356,587	3,260,931	3,227,731
Library services	1,134,859	1,026,967	1,093,043	1,002,801	1,004,303
Interest and fiscal charges	862,654	730,614	630,542	703,275	757,011
Total Government Activities Expenses	<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>
Business-Type Activities:					
Water and wastewater	7,975,920	7,629,711	7,995,106	7,681,366	6,902,279
Interest and other	1,642,723	1,524,276	1,514,804	1,590,395	1,638,495
Total Business-Type Activities	<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>
Total Primary Government Expenses	<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>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,002,022	\$ 807,245	\$ 912,910	\$ 989,190	\$ 1,167,619
Public safety	28,760	30,275	31,620	34,944	39,661
Public works	174,568	190,099	193,064	186,504	171,890
Community development	949,011	843,648	877,132	825,366	730,211
Parks and recreation	286,727	280,046	315,702	316,047	271,912
Library services	27,532	33,699	36,081	36,686	39,543
Operating grants and contributions	800,151	660,633	843,995	644,458	648,058
Capital grants and contributions	318,657	3,225,672	1,202,376	543,763	527,288
Total Governmental Activities Program Revenues:	<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>
Business-Type Activities:					
Charges for services:					
Water and wastewater	11,319,801	11,020,029	11,117,391	11,462,779	11,258,216
Operating grants and contributions	-	-	-	-	-
Total Business-Type activities Program Revenues	<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>
Total Primary Government Program Revenues	<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>
Net (Expense) Revenues					
Governmental activities	(25,336,391)	(21,069,487)	(21,502,222)	(22,461,872)	(22,126,882)
Business-type activities	1,701,158	1,866,042	1,607,481	2,191,018	2,717,442
Total Primary Government Net Expense	<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>

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

Table 2
Page 3 of 4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 19,163,858	\$ 18,731,549	\$ 18,111,247	\$ 17,608,094	\$ 17,270,647
Sales taxes	9,915,046	8,846,359	8,407,249	7,965,662	6,482,367
Franchise and other taxes	2,090,001	2,142,660	2,054,395	1,617,121	1,661,654
Other	-	-	-	-	-
Investment earnings	50,805	880,606	526,867	321,468	187,001
Gain (loss) on disposal of capital assets	-	-	-	-	25,999
Miscellaneous	390,533	269,855	351,165	263,245	131,639
Transfers	1,541,853	1,434,829	1,456,690	1,554,849	1,358,744
Total Governmental Activities	<u>33,152,096</u>	<u>32,305,858</u>	<u>30,907,613</u>	<u>29,330,439</u>	<u>27,118,051</u>
Business-Type Activities:					
Investment earnings	43,099	347,518	681,288	200,449	141,978
Gain (loss) on disposal of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(1,541,853)	(1,434,829)	(1,456,690)	(1,554,849)	(1,358,744)
Total Business-Type Activities	<u>(1,498,754)</u>	<u>(1,087,311)</u>	<u>(775,402)</u>	<u>(1,354,400)</u>	<u>(1,216,766)</u>
Total Primary Government	<u>31,653,342</u>	<u>31,218,547</u>	<u>30,132,211</u>	<u>27,976,039</u>	<u>25,901,285</u>
Change in Net Position					
Governmental activities	6,458,118	(68,135)	(2,426,629)	(662,201)	123,634
Business-type activities	2,748,632	1,769,767	(192,912)	780,399	1,490,179
Total Primary Government	<u>\$ 9,206,750</u>	<u>\$ 1,701,632</u>	<u>\$ (2,619,541)</u>	<u>\$ 118,198</u>	<u>\$ 1,613,813</u>

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

Table 2
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	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 16,350,101	\$ 15,574,684	\$ 14,864,284	\$ 14,630,961	\$ 14,165,599
Sales taxes	5,393,920	5,291,186	4,693,484	4,293,794	3,907,577
Franchise and other taxes	1,779,234	1,726,557	1,673,615	1,583,258	1,556,556
Other	-	-	32,799	24,974	23,356
Investment earnings	149,003	79,071	109,849	88,510	137,202
Gain (loss) on disposal of capital assets	19,564	-	34,359	43,788	17,601
Miscellaneous	128,813	108,306	84,275	78,682	147,457
Transfers	1,397,065	1,226,205	1,799,344	1,773,982	1,725,141
Total Governmental Activities	<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>
Business-Type Activities:					
Investment earnings	95,825	49,138	40,713	37,565	82,853
Gain (loss) on disposal of capital assets	7,569	-	-	-	7,000
Miscellaneous	-	7,839	-	35,790	-
Transfers	(1,397,065)	(1,226,205)	(1,799,344)	(1,773,982)	(1,725,141)
Total Business-Type Activities	<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>
Total Primary Government	<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>
Change in Net Position					
Governmental activities	(118,691)	2,936,522	1,789,787	56,077	(446,393)
Business-type activities	407,487	696,814	(151,150)	490,391	1,082,154
Total Primary Government	<u>\$ 288,796</u>	<u>\$ 3,633,336</u>	<u>\$ 1,638,637</u>	<u>\$ 546,468</u>	<u>\$ 635,761</u>

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

Table 3
Page 1 of 2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General fund					
Nonspendable	\$ 355,011	\$ 255,796	\$ 378,736	\$ 371,610	\$ 434,750
Restricted	597,908	650,424	727,704	631,971	667,271
Committed	-	-	-	-	-
Assigned	4,320,912	2,591,745	2,508,234	4,229,725	2,893,697
Unassigned	11,953,314	13,374,059	10,608,815	9,052,000	9,547,039
Total General Fund	<u>17,227,145</u>	<u>16,872,024</u>	<u>14,223,489</u>	<u>14,285,306</u>	<u>13,542,757</u>
All Other Governmental Funds					
Nonspendable	11,101	11,070	24,738	24,307	31,869
Restricted	18,106,088	4,757,183	5,568,395	9,304,724	8,464,859
Unassigned	(165,886)	(1,826,743)	-	-	-
Total Other Governmental Funds	<u>17,951,303</u>	<u>2,941,510</u>	<u>5,593,133</u>	<u>9,329,031</u>	<u>8,496,728</u>
Total Fund Balances of Governmental Funds	<u>\$ 35,178,448</u>	<u>\$ 19,813,534</u>	<u>\$ 19,816,622</u>	<u>\$ 23,614,337</u>	<u>\$ 22,039,485</u>

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

Table 3
Page 2 of 2

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund					
Nonspendable	\$ 646,778	\$ 822,226	\$ 143,201	\$ 122,927	\$ 99,874
Restricted	626,229	518,119	400,411	281,826	173,015
Committed	3,612	685,486	-	-	-
Assigned	2,706,897	2,773,419	1,421,875	487,201	434,931
Unassigned	9,776,031	8,760,424	10,554,183	9,714,206	9,379,399
Total General Fund	<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>
All Other Governmental Funds					
Nonspendable	31,721	31,378	31,241	31,137	31,027
Restricted	8,165,349	6,539,985	666,317	995,269	2,184,855
Unassigned	(193,750)	-	(239,078)	-	-
Total Other Governmental Funds	<u>8,003,320</u>	<u>6,571,363</u>	<u>458,480</u>	<u>1,026,406</u>	<u>2,215,882</u>
Total Fund Balances of Governmental Funds	<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>

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

Table 4
Page 1 of 2

	2021	2020	2019	2018	2017
Revenues					
Taxes	\$ 30,974,155	\$ 29,712,771	\$ 28,389,651	\$ 27,247,421	\$ 25,509,760
Fines and forfeitures	1,219,096	780,717	866,812	957,671	1,023,556
Permits and fees	1,669,033	1,504,555	1,483,554	1,566,656	1,708,357
Intergovernmental	7,495,971	3,828,898	1,576,838	4,398,836	1,763,974
Investment earnings	48,609	274,405	518,221	313,793	184,127
Donations	264,938	274,945	290,069	396,010	434,164
Miscellaneous	124,627	719,721	18,777	181,017	165,619
Total revenues	41,796,429	37,096,012	33,143,922	35,061,404	30,789,557
Expenditures					
General government	5,591,248	5,690,428	5,336,269	5,440,888	4,975,926
Public safety	14,897,465	14,306,864	13,545,539	16,868,931	14,751,381
Public works	4,612,796	6,021,313	4,127,539	2,157,277	2,160,152
Engineering	507,933	434,976	-	-	-
Community development	1,131,498	1,139,566	1,099,154	985,309	893,663
Parks and recreation	3,715,517	3,426,521	3,796,589	3,511,146	3,339,864
Library services	1,223,726	1,182,289	1,204,415	1,200,512	1,172,245
Capital outlay	7,037,490	12,865,475	6,219,243	2,615,538	8,429,200
Debt principal payment	2,556,282	2,221,257	2,168,876	2,137,284	1,813,130
Interest and other charges	1,567,472	1,285,807	1,112,127	1,145,400	1,170,958
Total expenditures	42,841,427	48,574,496	38,609,751	36,062,285	38,706,519
Excess of revenues over (under) expenditures	(1,044,998)	(11,478,484)	(5,465,829)	(1,000,881)	(7,916,962)
Other Financing Sources (Uses)					
Sale of capital assets	21,270	72,568	6,614	9,135	12,757
Insurance recoveries	175,351	8,548	235,443	725,304	25,999
Issuance of capital related debt	13,185,000	7,795,000	-	485,305	5,605,000
Issuance of capital lease	306,329	1,791,015	-	-	756,006
Refunding bonds issued	3,050,000	2,065,000	-	-	-
Payment to refunding escrow agent	(3,321,347)	(2,372,262)	-	-	-
Premium on issuance of debt	1,451,456	753,840	-	-	435,074
Transfers in	1,751,915	1,584,985	1,473,591	1,402,989	1,364,399
Transfers out	(210,062)	(223,298)	(47,534)	(47,000)	(5,655)
Total other financing sources (uses)	16,409,912	11,475,396	1,668,114	2,575,733	8,193,580
Net change in fund balances	\$ 15,364,914	\$ (3,088)	\$ (3,797,715)	\$ 1,574,852	\$ 276,618
Debt service as a percentage of noncapital expenditures	11.7%	9.9%	10.1%	9.8%	9.9%

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

Table 4
Page 2 of 2

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues					
Taxes	\$ 23,533,294	\$ 22,513,317	\$ 21,335,527	\$ 20,563,848	\$ 19,630,172
Fines and forfeitures	873,872	907,557	860,257	939,380	1,037,880
Permits and fees	1,450,939	1,349,264	1,385,898	1,327,918	1,174,013
Intergovernmental	664,427	3,536,980	1,791,451	918,641	1,077,890
Investment earnings	147,403	77,947	109,117	87,330	135,483
Donations	257,724	349,325	349,166	363,413	306,119
Miscellaneous	79,435	72,837	54,989	84,673	41,410
Total revenues	<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>
Expenditures					
General government	4,385,321	5,343,160	4,306,143	4,250,320	4,322,631
Public safety	12,135,956	11,348,346	10,599,575	10,234,811	10,201,010
Public works	2,118,572	2,066,349	1,689,987	2,204,176	1,702,119
Engineering	-	-	-	-	-
Community development	954,103	925,947	1,092,982	1,207,264	1,520,401
Parks and recreation	3,032,979	2,917,857	2,772,072	2,675,813	2,622,970
Library services	1,096,614	1,036,843	1,083,043	1,002,801	1,004,303
Capital outlay	9,332,400	7,255,229	2,500,254	1,942,746	3,705,622
Debt principal payment	1,570,176	1,272,823	1,668,692	1,721,983	1,562,088
Interest and other charges	921,982	776,340	662,718	712,822	899,709
Total expenditures	<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>
Excess of revenues over (under) expenditures	(8,541,009)	(4,135,667)	(489,061)	(1,667,533)	(4,137,886)
Other Financing Sources (Uses)					
Sale of capital assets	2,743	99	6,325	27,566	9,250
Insurance recoveries	19,564	39,257	28,886	48,132	105,502
Issuance of capital related debt	7,345,000	9,595,000	-	-	8,890,000
Issuance of capital lease	-	-	-	147,318	464,270
Refunding bonds issued	-	2,840,000	-	-	-
Payment to refunding escrow agent	-	(3,058,663)	-	-	(9,425,538)
Premium on issuance of debt	1,484,593	646,746	-	-	563,666
Transfers in	1,503,442	1,544,662	1,799,344	1,973,106	1,970,819
Transfers out	(182,503)	(318,457)	-	(199,124)	(245,678)
Total other financing sources (uses)	<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>
Net change in fund balances	<u>\$ 1,631,830</u>	<u>\$ 7,152,977</u>	<u>\$ 1,345,494</u>	<u>\$ 329,465</u>	<u>\$ (1,805,595)</u>
Debt service as a percentage of noncapital expenditures	9.2%	7.5%	9.8%	10.0%	9.8%

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

Table 5
Page 1 of 2

Fiscal Year	Tax Year	Residential Property	Commercial and Industrial Property	Other Property	Total Assessed Value
2012	2011	\$ 2,584,070,993	\$ 280,043,373	\$ 230,531,859	\$ 3,094,646,225
2013	2012	2,622,105,658	286,288,277	235,960,049	3,144,353,984
2014	2013	2,695,532,057	294,316,218	238,127,209	3,227,975,484
2015	2014	2,850,404,776	300,533,643	237,028,723	3,387,967,142
2016	2015	3,156,205,930	335,006,408	206,365,157	3,697,577,495
2017	2016	3,546,622,242	320,646,912	230,805,066	4,098,074,220
2018	2017	3,795,456,220	222,328,923	376,053,145	4,393,838,288
2019	2018	3,749,539,307	227,659,302	352,044,261	4,329,242,870
2020	2019	4,078,991,715	241,927,251	414,739,865	4,735,658,831
2021	2020	4,526,853,385	290,599,941	451,358,776	5,268,812,102

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.

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

Table 5
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Fiscal Year	Tax Year	Less: Exemptions and Tax Exempt Property	Total Taxable Value	Total Direct Tax Rate
2012	2011	\$ 706,059,683	\$ 2,388,586,542	\$ 0.59020
2013	2012	710,718,423	2,433,635,561	0.59700
2014	2013	724,153,848	2,503,821,636	0.59140
2015	2014	761,444,427	2,626,522,715	0.59140
2016	2015	776,779,458	2,920,798,037	0.56870
2017	2016	977,353,948	3,120,720,272	0.54600
2018	2017	894,716,055	3,499,122,233	0.52735
2019	2018	955,005,811	3,374,237,059	0.53240
2020	2019	1,066,920,381	3,668,738,450	0.52140
2021	2020	1,349,948,370	3,918,863,732	0.48740

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

Table 6

Fiscal Year Ended September 30,	City Direct Rates			Overlapping Rates				
	General	Debt Service	Total Direct	Friendswood Independent School District	Clear Creek Independent School District	Galveston County Consolidate Drainage District	Galveston County	Harris County
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
2021	0.3922	0.0952	0.4874	1.3440	1.2659	0.1131	0.4651	0.59920

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	2021			2012		
	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	\$ 32,597,042	1	0.83%	\$ 15,468,170	1	0.65%
Bellevue at Clear Creek LP	22,640,000	2	0.58%	-		-
Texas-New Mexico Power Co.	19,960,100	3	0.51%	10,429,910	3	0.44%
Kroger Co.	12,914,814	4	0.33%	13,227,856	2	0.55%
Bay Meadows LLP	9,069,143	5	0.23%	-		-
Tannos Land Holding III LLC	8,524,060	6	0.22%	-		-
A-S 108 Friendswood Crossing LP	8,316,140	7	0.21%	-		-
The Beldon Friendswood LLC	8,000,150	8	0.20%	-		-
Baywood Apartments LTD	7,431,980	9	0.19%	-		-
Frontier Land V P L L	6,885,000	10	0.18%	-		-
Autumn Creek Dev LTD	-		-	9,627,310	4	0.40%
G&I VI Sky Hawk LP	-		-	8,807,817	5	0.37%
H E Butt Grocery Company	-		-	8,334,390	6	0.35%
HCP Friendswood LLC	-		-	6,995,240	7	0.29%
MB Friendswood Parkwood	-		-	5,861,410	8	0.25%
Friendswood Retirement	-		-	5,507,771	9	0.23%
Buzbee Family LTD Partnership	-		-	5,288,460	10	0.22%
Total	136,338,429		3.48%	89,548,334		3.75%
All other taxpayers	<u>3,782,525,303</u>		<u>96.52%</u>	<u>2,299,038,208</u>		<u>96.25%</u>
	<u>\$ 3,918,863,732</u>		<u>100.00%</u>	<u>\$ 2,388,586,542</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 Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections (adjustments) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 14,068,660	\$ 13,916,558	99.51%	\$ 142,252	\$ 14,058,810	99.93%
2013	14,454,404	14,361,379	99.63%	82,502	14,443,881	99.93%
2014	14,747,526	14,656,257	99.38%	80,610	14,736,867	99.93%
2015	15,424,948	15,306,943	99.23%	104,171	15,411,114	99.91%
2016	16,431,153	16,264,080	98.98%	153,949	16,418,029	99.92%
2017	17,014,685	16,922,419	99.46%	78,475	17,000,894	99.92%
2018	17,633,192	17,554,220	99.55%	63,212	17,617,432	99.91%
2019	17,952,134	17,756,864	98.91%	170,593	17,927,457	99.86%
2020	18,682,563	18,605,868	99.59%	32,533	18,605,868	99.59%
2021	18,879,840	18,877,842	99.99%	-	18,877,842	99.99%

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			
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
2021	49,809,357	1,681,709	22,310,234	40,736,057	114,537,357	0.57%	2,733

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			
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
2021	41,916	3,918,863,732	72,119,591	10,608	72,108,983	1.84%	1,720

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, 2021
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Friendswood Independent School District	\$ 201,285,000	100.00%	\$ 201,285,000
Clear Creek Independent School District	1,144,627,346	2.939%	33,640,598
Galveston County	210,083,000	8.199%	17,224,705
Harris County	2,697,314,000	0.149%	4,018,998
Subtotal, overlapping debt			256,169,301
City direct debt			51,491,066
Total direct and overlapping debt			\$ 307,660,367

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, 2021 is \$0.4873 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

Table 13

Fiscal Year	Waterworks and Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2021	17,690,843	9,690,325	8,000,518	935,000	1,113,685	3.91	

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

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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% ⁽¹⁾
2021	41,916	19,994,969,000	57,941	3.9%

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.

⁽¹⁾ 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>2021</u>			<u>2012</u>	
	<u>Estimated Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank</u>	<u>Estimated Employees</u>	<u>Rank</u>
Friendswood ISD	804	3.91%	1	689	1
HEB	500	2.43%	2	349	2
City of Friendswood	250	1.21%	3	239	4
Clear Creek ISD	190	0.92%	4	177	5
Kroger	165	0.80%	5	287	3
Friendship Haven Nursing Home	115	0.56%	6	125	6
McDonalds	100	0.49%	7	74	8
U.S. Post Office	75	0.36%	8	66	9
Morada (formerly Atria)	71	0.34%	9	65	10
UTMB	57	0.28%	10	62	11
Total	<u><u>2,327</u></u>	<u><u>11.31%</u></u>		<u><u>2,133</u></u>	

Source: City Manager's Office

Note: Percentage of total employment is based on total City employment of 20,581 for 2021. Total City employment for 2012 is not available.

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

Table 16
Page 1 of 2

Function/Program	Full-time Equivalent Employees as of September 30				
	2012	2013	2014	2015	2016
General Government:					
City Attorney	-	-	-	1.00	1.00
City Manager	4.65	4.15	4.15	4.55	5.40
City Secretary	5.00	5.00	5.00	5.00	5.00
Administrative Services	28.20	28.20	28.70	28.70	27.70
Human Resources	-	-	-	-	-
Information Technology	-	-	-	-	-
Public Safety:					
Police	80.40	81.40	82.40	85.72	86.72
Fire marshal and fire	6.10	6.10	6.50	6.60	6.60
Public Works	19.33	20.33	26.33	25.33	29.00
Community Development	16.89	16.89	10.89	10.89	11.70
Engineering	-	-	-	-	-
Parks and Recreation	19.28	19.20	19.03	19.63	19.63
Library	14.72	14.37	14.37	14.62	14.62
Water	10.30	9.30	9.30	8.30	8.30
Sewer	9.00	9.00	9.00	8.00	8.00
Total City Employees:	213.87	213.94	215.67	218.34	223.67

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.

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

Table 16
Page 2 of 2

Function/Program	Full-time Equivalent Employees as of September 30				
	2017	2018	2019	2020	2021
General Government:					
City Attorney	1.00	2.10	2.10	2.10	2.10
City Manager	5.40	5.40	5.00	6.00	6.00
City Secretary	5.00	5.00	5.00	4.00	4.00
Administrative Services	27.70	27.60	27.60	18.60	18.60
Human Resources	-	-	-	5.00	5.00
Information Technology	-	-	-	5.00	5.00
Public Safety:					
Police	88.72	87.72	90.38	90.38	90.38
Fire marshal and fire	6.60	6.60	7.20	7.20	7.20
Public Works	26.00	27.00	23.00	23.00	23.00
Community Development	11.70	10.70	10.70	10.70	10.70
Engineering	-	-	6.00	7.00	7.00
Parks and Recreation	20.90	21.90	23.10	24.50	24.90
Library	14.97	14.97	14.97	14.97	14.97
Water	8.30	9.30	9.30	9.30	9.30
Sewer	11.00	10.00	11.00	11.00	11.00
Total City Employees:	227.29	228.29	235.35	238.75	239.15

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.

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

Table 17
Page 1 of 2

Function/Program	Fiscal Year				
	2012	2013	2014	2015	2016
Community Development:					
Building permits issued	1,317	1,469	1,395	1,377	1,865
Building inspections conducted	10,486	11,470	10,611	12,145	11,026
Police:					
Physical arrests	1,885	1,601	1,596	1,479	1,464
Parking violations	61	107	58	63	44
Traffic violations	6,518	5,718	5,815	4,540	5,001
Fire Marshal:					
Inspections	1,616	1,673	1,427	1,512	1,354
Fire:					
Emergency responses	2,975	2,993	3,261	3,258	3,303
Fires extinguished	86	86	116	78	76
Parks and Recreation:					
Recreation participants	16,068	18,607	15,178	16,153	21,369
Facility reservations	493	686	728	1,443	1,444
Library:					
Volumes in collection	125,251	133,865	141,383	133,165	147,726
Total volumes borrowed	355,447	367,948	367,452	350,145	301,158
Water:					
New connections	185	189	193	-	183
Water main breaks	112	193	149	57	46
Average daily consumption (thousands of gallons)	4,584	5,577	5,171	4,970	4,963
Peak daily consumption	10,896	11,505	9,917	12,623	10,472
Sewer:					
Average daily sewage treatment (thousands of gallons)	2,968	2,956	2,867	3,306	3,382
Maximum daily flow (thousands of gallons)	10,777	10,401	10,770	11,237	12,188

Source: Various City departments and prior year ACFRs

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

Table 17
Page 2 of 2

Function/Program	Fiscal Year				
	2017	2018	2019	2020	2021
Community Development:					
Building permits issued	2,177	2,788	1,465	1,605	1,658
Building inspections conducted	12,134	14,157	9,251	9,124	9,998
Police:					
Physical arrests	903	1,145	1,190	847	1,368
Parking violations	61	15	26	17	36
Traffic violations	3,669	6,785	4,468	8,807	11,081
Fire Marshal:					
Inspections	1,233	1,139	1,448	1,146	1,730
Fire:					
Emergency responses	3,599	3,720	3,655	3,650	4,405
Fires extinguished	75	80	80	65	92
Parks and Recreation:					
Recreation participants	20,556	18,299	19,657	6,027	16,907
Facility reservations	1,004	2,123	3,293	3,166	1,033
Library:					
Volumes in collection	100,678	102,852	101,532	99,930	101,061
Total volumes borrowed	341,048	348,554	342,592	271,078	340,478
Water:					
New connections	137	125	169	185	92
Water main breaks	44	116	84	41	49
Average daily consumption (thousands of gallons)	5,282	5,455	5,129	5,319	5,064
Peak daily consumption	10,110	9,475	9,390	9,927	14,041
Sewer:					
Average daily sewage treatment (thousands of gallons)	3,286	3,117	3,345	3,113	3,255
Maximum daily flow (thousands of gallons)	12,766	10,370	12,491	10,520	11,006

Source: Various City departments and prior year ACFRs

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

Table 18
Page 1 of 2

Function/Program	Fiscal Year				
	2012	2013	2014	2015	2016
Police					
Stations	1	1	1	1	1
Patrol units	25	26	27	29	31
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	164	165	167	169	172
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	189	189	189	232	266
Parks	8	8	8	8	9
Swimming pool	1	1	1	1	1
Tennis courts	4	4	4	4	4
Library	1	1	1	1	1
Water					
Water mains (miles)	186	187	207	209	212
Fire hydrants	1,588	1,608	1,610	1,631	1,672
Connections	12,711	12,929	13,093	13,289	13,482
Storage capacity (thousands of gallons)	7,500	7,500	8,000	8,100	7,850
Sewer					
Sanitary sewers (miles)	162	163	194	195	198
Connections	11,828	12,072	12,236	12,407	12,378
Storm sewers (miles)	100	100	105	106	109
Treatment capacity (thousands of gallons)	4,850	4,850	12,000	9,250	9,250

Source: Various City departments and prior year ACFRs.

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

Table 18
Page 2 of 2

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police					
Stations	1	1	1	1	1
Patrol units	32	34	33	31	38
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	174	176	176	185	221
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	266	266	266	266	273
Parks	9	9	10	10	10
Swimming pool	1	1	1	1	1
Tennis courts	4	4	4	4	4
Library	1	1	1	1	1
Water					
Water mains (miles)	214	216	216	216	222
Fire hydrants	1,690	1,707	1,707	1,713	1,747
Connections	13,619	13,744	13,913	14,098	14,192
Storage capacity (thousands of gallons)	7,850	7,850	7,850	7,850	7,850
Sewer					
Sanitary sewers (miles)	200	202	202	202	182
Connections	12,588	12,721	12,870	13,029	13,132
Storm sewers (miles)	110	112	112	112	117
Treatment capacity (thousands of gallons)	9,250	9,250	9,250	9,250	9,250

Source: Various City departments and prior year ACFRs.

