



CITY OF FRIENDSWOOD, TEXAS

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022



City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**

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

**Fiscal Year Ended  
September 30, 2022**

**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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**CITY OF FRIENDSWOOD, TEXAS**

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## **INTRODUCTORY SECTION**





# CITY OF FRIENDSWOOD

March 22, 2023

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, 2022, 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, 2022 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, 2022, 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 42,222. 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 15<sup>th</sup> of September or as soon thereafter as practical. The City legally adopts annual budgets for the General, Special Revenue and Debt Service Funds. Annual and project budgets are also adopted for the Proprietary and Capital Projects Funds, respectively.

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

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

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

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

### **Relevant Financial Policies**

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

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

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

**Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Friendswood for its annual comprehensive financial report for the fiscal year ended September 30, 2021. This was the thirty-fourth 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, 2022**

<b>Elected Officials</b>	<b>Position</b>	<b>Term Expires</b>
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 2025
John H. Scott	Council Member - Position No. 5	May 2023
Brent Erenwert	Council Member - Position No. 6	May 2025

**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**

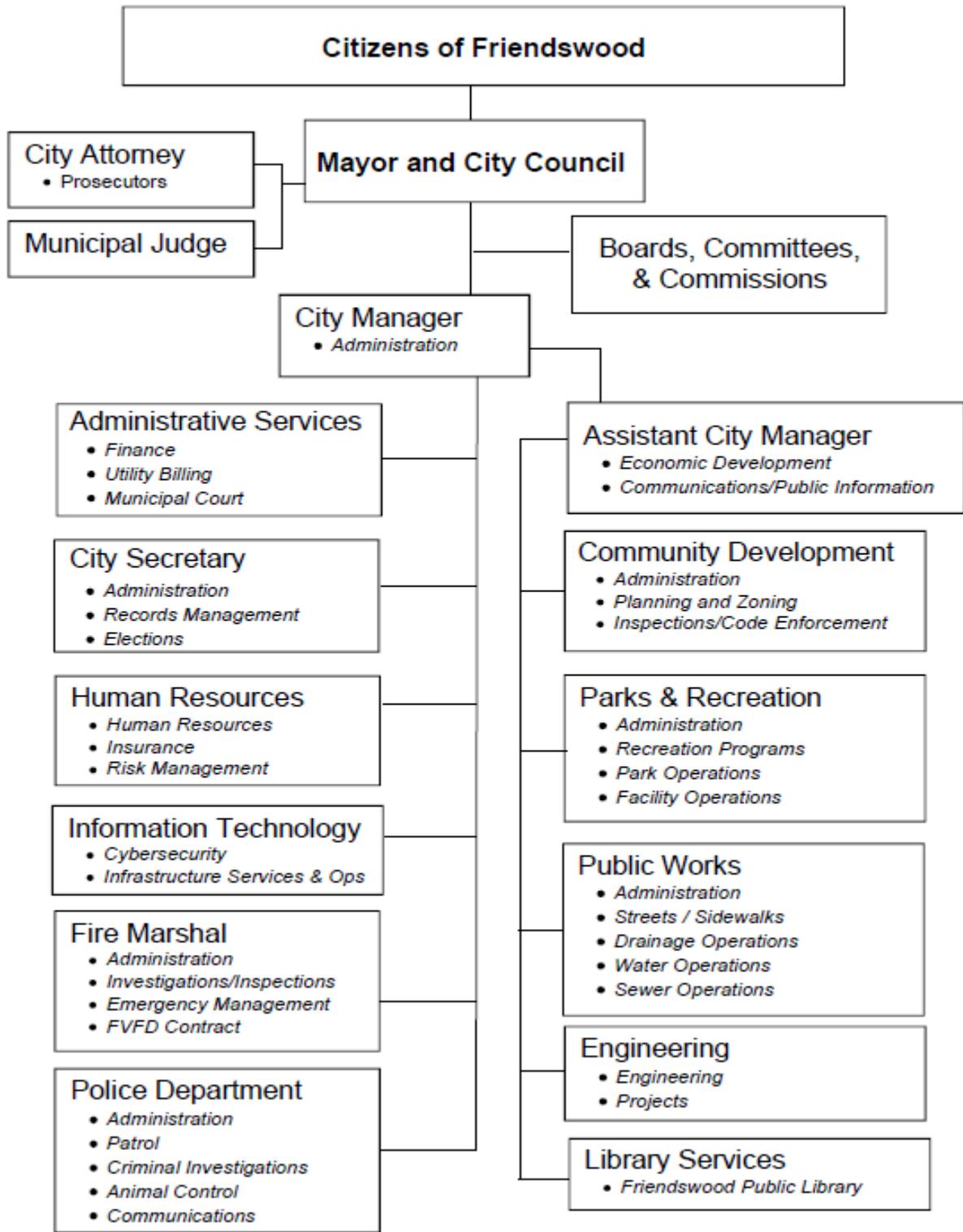
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

*Christopher P. Morill*

Executive Director/CEO

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





## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, 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.

We did not audit the financial statements of West Ranch Management District, a discretely presented component unit of the City, which represents 81%, 100%, and 76%, respectively, of the assets, liabilities, and revenues of the aggregate discretely presented component units. 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 West Ranch Management District, is based solely on the report of the other auditors. The financial statements of West Ranch Management District were not audited in accordance with *Government Auditing Standards*.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

***Auditor’s Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

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

**Supplementary 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 combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

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

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

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas  
March 22, 2023



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

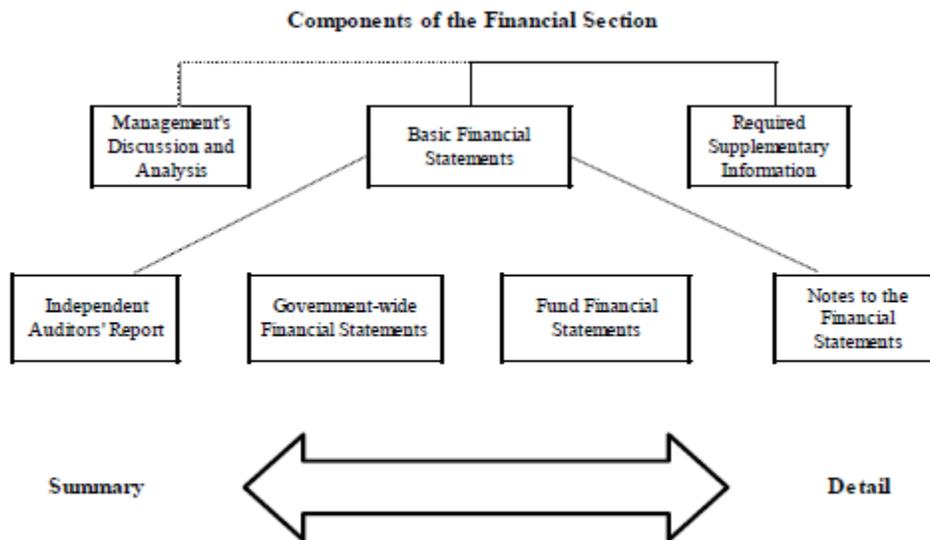
As management of the City of Friendswood, Texas ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. Please read this information in conjunction with the basic financial statements that follow this section.

**Financial Highlights**

Some of the City's financial highlights for the fiscal year ending September 30, 2022 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 \$138,408,783.
- The City's total net position increased during the year by \$10,173,322. The City's net pension and total OPEB liabilities were \$5.2 million and \$1.9 million, respectively. The net pension liability and total OPEB liability decreased by \$4.6 million and \$11.8 thousand, respectively, compared to the prior year.
- As of the close of the current fiscal year, the City reported unrestricted net position of \$20,445,699.
- Program revenues of \$26,019,424 reduced the net cost of the City's functions to be financed from the City's general revenues to \$24,836,928 .

**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 and internal lease payments 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 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 fourteen 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, Bond Construction Fund, and Debt Service Fund, which are considered to be major funds. The other ten funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in this report.

**Proprietary Funds**

The City maintains two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its operation in water distribution and wastewater collection/treatment along with its water and wastewater impact fees, and water construction projects. Management would note that trash collection services are provided by a 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 fund financial statements and 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 \$138,408,783 as of September 30, 2022 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 (79.5%) 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 48,901,051	\$ 44,538,331	\$ 42,738,547	\$ 48,888,658	\$ 91,639,598	\$ 93,426,989
Capital assets	115,612,347	108,518,265	71,551,212	62,808,555	187,163,559	171,326,820
<b>Total Assets</b>	<b>164,513,398</b>	<b>153,056,596</b>	<b>114,289,759</b>	<b>111,697,213</b>	<b>278,803,157</b>	<b>264,753,809</b>
<b>Deferred Outflows of Resources</b>	<b>3,221,061</b>	<b>2,969,271</b>	<b>1,002,527</b>	<b>1,023,421</b>	<b>4,223,588</b>	<b>3,992,692</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>167,734,459</b>	<b>156,025,867</b>	<b>115,292,286</b>	<b>112,720,634</b>	<b>283,026,745</b>	<b>268,746,501</b>
Long-term liabilities	57,337,086	62,989,424	60,296,656	64,349,995	117,633,742	127,339,419
Other Liabilities	16,380,206	8,080,805	3,611,658	2,429,773	19,991,864	10,510,578
<b>Total Liabilities</b>	<b>73,717,292</b>	<b>71,070,229</b>	<b>63,908,314</b>	<b>66,779,768</b>	<b>137,625,606</b>	<b>137,849,997</b>
<b>Deferred Inflows of Resources</b>	<b>6,282,137</b>	<b>2,336,852</b>	<b>710,219</b>	<b>324,191</b>	<b>6,992,356</b>	<b>2,661,043</b>
<b>Net Position:</b>						
Net investment in capital assets	74,006,329	72,240,727	35,999,342	32,910,959	110,005,671	105,151,686
Restricted	5,059,835	3,491,974	2,897,578	2,721,465	7,957,413	6,213,439
Unrestricted	8,668,866	6,886,085	11,776,833	9,984,251	20,445,699	16,870,336
<b>Total Net Position</b>	<b>\$ 87,735,030</b>	<b>\$ 82,618,786</b>	<b>\$ 50,673,753</b>	<b>\$ 45,616,675</b>	<b>\$138,408,783</b>	<b>\$128,235,461</b>

A portion of the primary government's net position, \$7,957,413 or 5.7%, represents resources that are subject to external restrictions on how they may be used. These restrictions include monies accounted for in special revenue funds for which the use is legally restricted and capital project funds. The remaining balance of unrestricted net position, \$20,445,699 or 14.8%, 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.

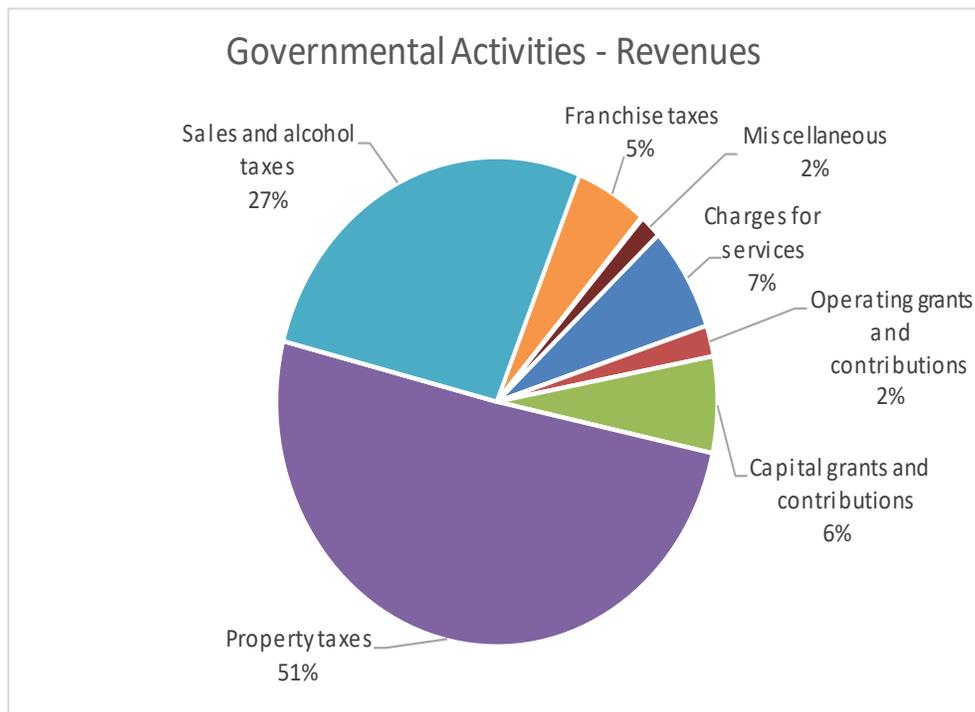
	Governmental Activities		Business Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 2,848,589	\$ 2,853,702	\$ 19,419,622	\$ 17,919,751	\$ 22,268,211	\$ 20,773,453
Operating grants and contributions	841,537	3,874,866	289,181	-	1,130,718	3,874,866
Capital grants and contributions	2,620,495	3,864,589	-	-	2,620,495	3,864,589
General Revenues:						
Property taxes	20,845,938	19,163,858	-	-	20,845,938	19,163,858
Sales and alcohol taxes	11,176,190	9,915,046	-	-	11,176,190	9,915,046
Franchise taxes	2,170,152	2,090,001	-	-	2,170,152	2,090,001
Investment earnings	49,151	50,805	130,401	43,099	179,552	93,904
Miscellaneous	638,418	390,533	-	-	638,418	390,533
<b>Total Revenues</b>	<b>41,190,470</b>	<b>42,203,400</b>	<b>19,839,204</b>	<b>17,962,850</b>	<b>61,029,674</b>	<b>60,166,250</b>
<b>Expenses</b>						
General government	6,210,336	5,867,654	-	-	6,210,336	5,867,654
Public safety	15,655,859	15,645,527	-	-	15,655,859	15,645,527
Public works	6,994,042	7,160,229	-	-	6,994,042	7,160,229
Engineering	570,098	506,959	-	-	570,098	506,959
Community development	1,017,509	1,035,202	-	-	1,017,509	1,035,202
Parks and recreation	4,870,623	4,604,943	-	-	4,870,623	4,604,943
Library services	1,283,007	1,221,740	-	-	1,283,007	1,221,740
Water and sewer	-	-	11,124,562	11,864,245	11,124,562	11,864,245
Interest on long-term debt	1,268,435	1,244,881	1,861,881	1,808,120	3,130,316	3,053,001
<b>Total Expenses</b>	<b>37,869,909</b>	<b>37,287,135</b>	<b>12,986,443</b>	<b>13,672,365</b>	<b>50,856,352</b>	<b>50,959,500</b>
Increase (decrease) in net position						
before transfers	3,320,561	4,916,265	6,852,761	4,290,485	10,173,322	9,206,750
Transfers	1,795,683	1,541,853	(1,795,683)	(1,541,853)	-	-
Change in net position	5,116,244	6,458,118	5,057,078	2,748,632	10,173,322	9,206,750
<b>Net Position - Beginning</b>	<b>82,618,786</b>	<b>76,160,668</b>	<b>45,616,675</b>	<b>42,868,043</b>	<b>128,235,461</b>	<b>119,028,711</b>
<b>Net Position - Ending</b>	<b>\$ 87,735,030</b>	<b>\$ 82,618,786</b>	<b>\$ 50,673,753</b>	<b>\$ 45,616,675</b>	<b>\$138,408,783</b>	<b>\$128,235,461</b>

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

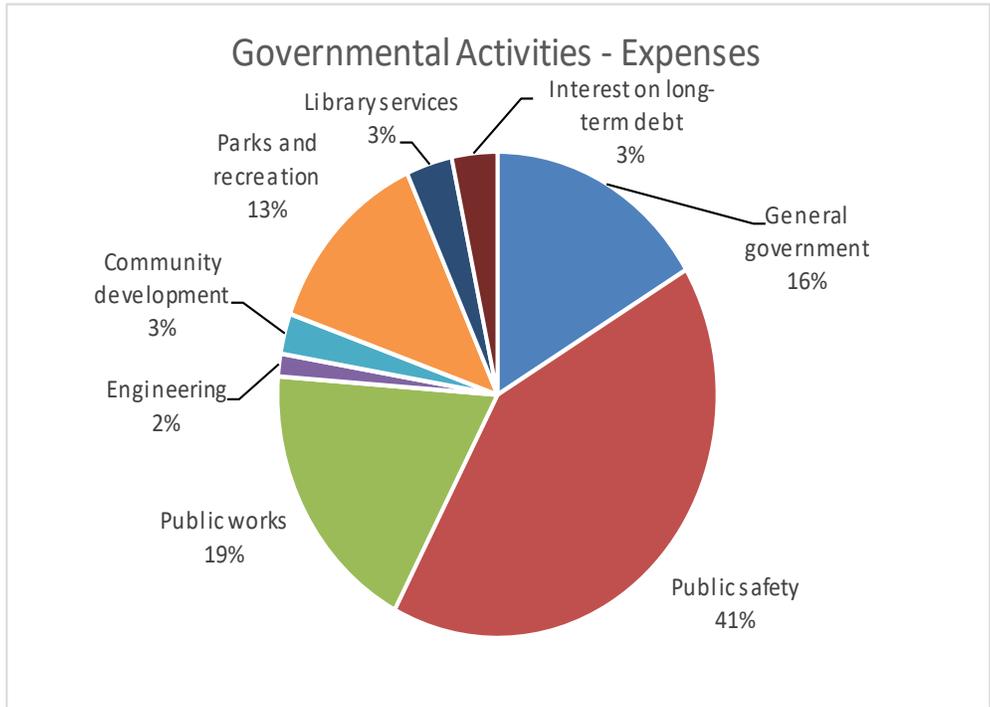
**Governmental Activities**

Governmental activities increased the City's net position by \$5,116,244. Key elements of this change are as follows:

- Property taxes continue to be the City's largest revenue source. Property tax revenue increased by \$1,682,080 primarily due to new construction within the City to cover operating expenses, deferred facilities maintenance, deferred equipment purchases and debt service obligations.
- Sales and alcohol tax revenue remained strong during fiscal year 2022, providing a 12.72% increase for the year, from \$9.9 million to \$11.2 million. This increase is primarily a result of commercial growth and inflation.
- Operating grants and contributions decreased \$3,033,329 from the prior year. This decrease is primarily a result of the City being awarded \$2.5 million in public assistance grant funds related to Hurricane Harvey in the prior year.
- Capital grants and contributions decreased \$1,244,094 from the prior year. In the prior year, Flood Mitigation Assistance funds of \$1.9 million were received for the acquisition and demolition of flood-prone properties.
- Overall, total expenses increased \$0.6 million from the prior year. The largest increase of \$342,682 was in General Government which was primarily a result of software support service expenses in the current fiscal year. Parks and Recreation had the next largest increase of \$265,680 as a result of facility maintenance items previously deferred.



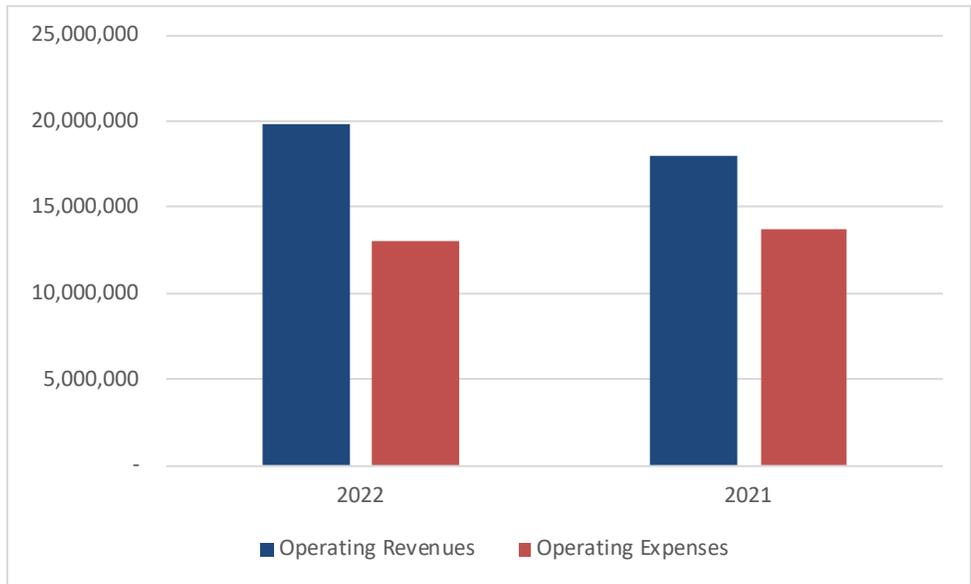
**CITY OF FRIENDSWOOD, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**



**Business-Type Activities**

Business-type activities increased the City’s net position by \$5,057,078. Key elements of this change are as follows:

- Revenues increased by \$1.9 million or 10.4% resulting from an increase in utility rates and consumption due to drought like conditions. Expenses decreased \$686 thousand which was primarily a result of a decrease in the CIP billings for the Southeast Water Purification Plant offset by engineering costs for the upgrade of Blackhawk WWTP Aeration project.



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

**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 \$29,958,067. Approximately 39.45% of this amount or \$11,817,954 is unassigned fund balance; however, \$7.9 million is set aside for the 90-day operating reserve, as set forth in the City's financial policies.

The remaining \$18,140,113 is nonspendable, restricted, or assigned as follows:

0.91% - Nonspendable		
Prepaid items	\$	260,457
Permanent fund		11,093
Total Nonspendable	\$	<u>271,550</u>
44.07% - Restricted		
Public education and government channels	\$	460,154
Debt service		46,375
Municipal court operations		282,910
Public safety operations		674,536
Capital projects		11,737,088
Total Restricted	\$	<u>13,201,063</u>
15.58% - Assigned		
Subsequent year's budget appropriation of fund balance	\$	3,396,348
Capital projects		1,271,152
Total Assigned	\$	<u>4,667,500</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$17.4 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 35.0% of total General Fund expenditures, while total fund balance represents 50.6% of that same amount. At year end, the City's operating reserve was \$7.9 million, representing 25% of total General Fund expenditures, excluding capital expenditures.

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

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

- \$0.4 million decrease in total revenues - This decrease is primarily related to a decrease in intergovernmental revenue as a result of the City receiving \$2.5 million in public assistance grants in the prior year. This decrease is offset by an increase in property taxes of \$1.2 million due to new construction to fund operating expenditures. In addition, sales tax revenue increased \$1.0 million as a result of commercial growth and inflation.
- \$1.0 million increase in total expenditures - This increase can be attributed to \$587 thousand in Parks and Recreation resulting from maintenance cost previously deferred, \$532 thousand in Public Safety as a result of increased personnel costs, \$444 thousand in Public Works due to repairs and maintenance in the streets division and \$444 thousand in general government resulting from increased personnel costs and other services and charges. These increases were offset by a decrease of \$1.2 million in capital improvements due to in the purchase of a building in the prior year to house the Public Works, Engineering and the Operations Division of Parks and Recreation.

The Coronavirus State and Local Fiscal Recovery Fund received an additional \$5.0 million in funding in fiscal year 2022. This amount is unearned revenue and will be expended in fiscal year 2023.

The fund balance of the Bond Construction Fund was \$8,152,712, a decrease of \$7,059,803 compared to the prior year. This decrease is related to cost incurred for the renovation of the Public Safety building, the construction of new Fire Station #2 and drainage related projects.

The Debt Service Fund had a total fund balance of \$46,375 at the end of the fiscal year, all of which is restricted for the payment of debt service. The net increase in the Debt Service fund balance during the year was \$35,767.

Other non-major governmental funds fund balance increased by \$1,647,379. This increase is primarily a result of a sales tax collections for the Street Improvement fund exceeding improvement cost by \$1.9 million.

**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 \$11.8 million for the Water and Sewer Fund. The total increase in the net position of the Water and Sewer Fund was \$5,057,078. 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 \$910,808. The net position of the Internal Service Fund increased by \$569,274 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 \$61,717 or 0.21% and budgeted expenditures were increased by \$7,114,700 or 21.48%.

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

Total revenues were above budget by \$1,252,321. The more significant variances are detailed below:

- \$818,456 over budget in sales and mixed beverage taxes as a result of commercial growth and inflation.
- \$244,324 over budget in franchise taxes as a result of increased gas and electric franchise fees and the receipt of unbudgeted Public Education and Government (PEG)/In-Kind fees.
- \$120,083 below budget in fines and forfeitures due to a decrease in number of tickets written for traffic violations.
- \$124,363 over budget in permits due to an increase in commercial and residential growth.

Total expenditures of the General Fund were \$6.0 million below the final expenditure budget. The more significant variances are detailed below:

- \$761,530 below budget in general government expenditures as a result of a decrease in other services and charges (legal, contract, consulting, etc.).
- \$980,287 below budget in public safety expenditures as a result of personnel vacancies in the patrol division. Also, the implementation of new public safety software included in the budget was not complete at the end of the fiscal year.
- \$3,875,714 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.

**Capital Assets**

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2022 is \$187.2 million. The investment in capital assets include land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, water rights and construction in progress.

Major capital events during the year included the following:

- Business-type improvements include the completion of 42" Southeast Transmission Phases I-III which is a cost share project with the City of Houston and several other government entities for \$3,609,532. The Sanitary Sewer Assessment Phases V-VI were also completed in FY22 for \$203,726.
- To accommodate future flood mitigation projects, the City purchased ten properties for a total cost of \$2,660,075. Grant funds covered a majority of the acquisition costs.
- Heavy equipment purchases included two backhoes, an excavator, and a Freightliner M2106 Truck with loader for a total cost of \$672,548.
- The City accepted completion of four sidewalk infrastructure projects at Leisure Lane, a portion of FM 518 along with TXDOT, a sidewalk at Cline Elementary, and a portion of sidewalk at Friendswood Parkway. The total cost of the sidewalk projects was \$160,894.
- As part of the Public Safety Building expansion project, computer and server equipment for the Police Department as well as furniture and fixtures for the Emergency Operations Center upgrade totaled \$330,972.
- Several improvements were made to City parks including the completion of a new walking trail at Stevenson Park for \$445,931, a perimeter fence at Renwick Park for \$38,000, and playground equipment at Stevenson Park and Old City Park for \$80,435. Bay Area Park had a new security light installed for a cost of \$8,886.
- The library received conference room audio and video equipment for a cost of \$177,486 purchased with PEG fees.

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

- The City purchased 15 new vehicles and the equipment to upfit an additional seven vehicles. Public Safety received 8 of the new vehicles, upfit for one vehicle purchased in FY21, and the upfit equipment for an additional 6 vehicles for a total cost of \$588,290. EMS purchased a new ambulance for a total cost of \$163,000. The Fire Marshal's office purchased a new vehicle with a cost of \$52,981. Engineering purchased a new vehicle with a cost of \$47,348. Public Works purchased three new vehicles for a total cost of \$177,921. The Parks & Recreation department purchased one new vehicle with a cost of \$42,589.
- The following major projects are in Construction in Progress at the end of fiscal year 2022: Blackhawk Building Renovation, Fire Station #2, Public Safety Building, Centennial Park Wall, Utility Relocation at Clear Creek Utility Bridge, Forest Bend Detention Pond, Water System Improvement Study & Engineering, Lift Station Mitigation Program, and Automated Water Meter installation.

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 32,355,840	\$ 29,695,765	\$ 319,473	\$ 319,473	\$ 32,675,313	\$ 30,015,238
Buildings and improvements	22,938,656	23,862,519	318,849	338,606	23,257,503	24,201,125
Machinery and equipment	7,845,397	7,014,572	2,596,552	2,658,943	10,441,949	9,673,515
Infrastructure	43,675,282	46,509,824	38,970,139	36,904,531	82,645,423	83,414,355
Water rights	-	-	19,716,695	19,716,695	19,716,695	19,716,695
Construction in progress	8,797,172	1,435,585	9,629,504	2,870,307	18,426,676	4,305,892
	<u>\$ 115,612,347</u>	<u>\$ 108,518,265</u>	<u>\$ 71,551,212</u>	<u>\$ 62,808,555</u>	<u>\$ 187,163,559</u>	<u>\$ 171,326,820</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 notes payable obligation of \$109.3 million.

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 43,950,000	\$ 46,265,000	\$ 18,635,000	\$ 20,300,000	\$ 62,585,000	\$ 66,565,000
Revenue bonds	-	-	35,630,000	37,080,000	35,630,000	37,080,000
Premium on bond issuance	3,193,902	3,544,358	5,264,036	5,666,291	8,457,938	9,210,648
Notes payable	2,613,729	1,681,809	-	-	2,613,729	1,681,809
	<u>\$ 49,757,631</u>	<u>\$ 51,491,167</u>	<u>\$ 59,529,036</u>	<u>\$ 63,046,291</u>	<u>\$ 109,286,667</u>	<u>\$ 114,537,457</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 42,222. 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 commercial development. These commercial development projects include a medical office building and another building that will include 30 hotel rooms, retail and office space as well as 30 multifamily units. In addition, to commercial growth the City is also experiencing residential growth with several large master-planned communities in progress or in the planning stages.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The adopted budget for fiscal year 2023 has a tax rate of \$0.487314 per \$100 taxable value. This rate consists of a maintenance and operation (M&O) tax rate of \$0.388560 and an interest and sinking (debt service) tax rate of \$0.098754. The rate was set based on a net assessed value of \$4,614,143,928. This is an increase of \$187,212,608 above certified values including supplemental rolls for tax year 2021. 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 \$8,095,816 to \$8,621,519. The franchise fees budget increased from \$1,925,828 to \$2,044,100 and the budget for licenses and permits has been increased from \$823,839 to \$873,730. If all projections are accurate, the total General Fund unassigned fund balance net of the 90 day operating requirement (\$7.9 million) is estimated to be approximately \$3.6 million at September 30, 2023.

Water revenues are budgeted at \$8,548,086 which is an increase of \$347,583 in revenues, or 4.23 percent. Sewer revenues are budgeted at \$9,037,580 which is an increase of \$160,112 or 1.8 percent. Water and Sewer Fund unrestricted net position, net of the 90 day operating requirement (\$2.3 million) is projected to be \$7.4 million at the end of fiscal year 2023.

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

***Requests for Information***

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

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

## **BASIC FINANCIAL STATEMENTS**



**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
<b>Assets</b>					
Cash and cash equivalents	\$ 10,434,204	\$ 4,313,653	\$ 14,747,857	\$ 240,532	\$ 818,732
Investments	31,130,049	10,374,899	41,504,948	4,250,759	1,969,545
Receivables, net of allowances					
Taxes	3,055,805	-	3,055,805	10,674	142,602
Leases	1,021,537	-	1,021,537	-	-
Customer accounts	451,998	3,989,589	4,441,587	-	-
Other	734,354	-	734,354	-	-
Accrued interest	17,409	8,258	25,667	32	1,496
Due from other governments	1,795,238	-	1,795,238	-	-
Prepaid items	260,457	63,224	323,681	-	-
Working capital deposit	-	571,884	571,884	-	-
Restricted investments	-	23,417,040	23,417,040	-	-
Capital Assets:					
Non-depreciable	41,153,012	29,665,672	70,818,684	7,762,414	-
Depreciable, net	74,459,335	41,885,540	116,344,875	356,185	-
Total Capital Assets	115,612,347	71,551,212	187,163,559	8,118,599	-
<b>Total Assets</b>	<b>164,513,398</b>	<b>114,289,759</b>	<b>278,803,157</b>	<b>12,620,596</b>	<b>2,932,375</b>
<b>Deferred Outflows of Resources</b>					
Deferred loss on issuance of refunding bonds	54,715	587,418	642,133	287,109	-
Deferred outflow of resources for pensions	2,849,672	368,093	3,217,765	-	-
Deferred outflow of resources for OPEB	316,674	47,016	363,690	-	-
<b>Total Deferred Outflows of Resources</b>	<b>3,221,061</b>	<b>1,002,527</b>	<b>4,223,588</b>	<b>287,109</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>167,734,459</b>	<b>115,292,286</b>	<b>283,026,745</b>	<b>12,907,705</b>	<b>2,932,375</b>
<b>Liabilities</b>					
Accounts payable	4,850,034	2,694,826	7,544,860	101,485	753
Accrued liabilities	811,325	161,042	972,367	-	-
Retainage payable	442,341	5,797	448,138	-	-
Accrued interest	118,802	179,563	298,365	239,053	-
Unearned revenue	10,003,026	-	10,003,026	-	-
Customer deposits	8,080	570,430	578,510	-	-
Due to other governments	146,598	-	146,598	-	-
Noncurrent liabilities:					
Due within one year	3,331,788	3,246,882	6,578,670	865,000	-
Due in more than one year	47,570,186	56,391,564	103,961,750	18,448,638	-
Net pension liability	4,747,707	410,084	5,157,791	-	-
Total OPEB liability	1,687,405	248,126	1,935,531	-	-
<b>Total Liabilities</b>	<b>73,717,292</b>	<b>63,908,314</b>	<b>137,625,606</b>	<b>19,654,176</b>	<b>753</b>
<b>Deferred Inflows of Resources</b>					
Deferred gain on issuance of refunding bonds	55,814	27,292	83,106	-	-
Deferred inflows of resources for leases	1,011,689	-	1,011,689	-	-
Deferred inflows of resources for pensions	4,884,186	630,892	5,515,078	-	-
Deferred inflows of resources for OPEB	330,448	52,035	382,483	-	-
<b>Total Deferred Inflows of Resources</b>	<b>6,282,137</b>	<b>710,219</b>	<b>6,992,356</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	74,006,329	35,999,342	110,005,671	5,331,558	-
Restricted for:					
Public education and government channels	460,154	-	460,154	-	-
Debt service	46,375	2,521,137	2,567,512	1,991,706	-
Municipal court operations	283,301	-	283,301	-	-
Economic development	-	-	-	-	2,931,622
Public safety	674,536	-	674,536	-	-
Community development - nonexpendable	11,093	-	11,093	-	-
Capital projects	3,584,376	376,441	3,960,817	54,638	-
Unrestricted	8,668,866	11,776,833	20,445,699	(14,124,373)	-
<b>Total Net Position</b>	<b>\$ 87,735,030</b>	<b>\$ 50,673,753</b>	<b>\$ 138,408,783</b>	<b>\$ (6,746,471)</b>	<b>\$ 2,931,622</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental Activities:</b>				
General government	\$ 6,210,336	\$ 974,029	\$ 16,000	\$ -
Public safety	15,655,859	1,197,570	789,849	-
Public works	6,994,042	234,103	-	2,620,495
Engineering	570,098	-	-	-
Community development	1,017,509	1,238	-	-
Parks and recreation	4,870,623	441,649	35,688	-
Library services	1,283,007	-	-	-
Interest on long-term debt	1,268,435	-	-	-
<b>Total Governmental Activities</b>	<b>37,869,909</b>	<b>2,848,589</b>	<b>841,537</b>	<b>2,620,495</b>
<b>Business-type Activities:</b>				
Water and sewer	12,986,443	19,419,622	289,181	-
<b>Total Business-type Activities</b>	<b>12,986,443</b>	<b>19,419,622</b>	<b>289,181</b>	<b>-</b>
<b>Total Primary Government</b>	<b>50,856,352</b>	<b>22,268,211</b>	<b>1,130,718</b>	<b>2,620,495</b>
<b>Component Units</b>				
West Ranch Management District	1,036,725	-	-	-
Friendswood Downtown EDC	36,449	-	-	-
<b>Total Component Units</b>	<b>\$ 1,073,174</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
<b>Primary government</b>					
<b>Governmental Activities:</b>					
General government	\$ (5,220,307)	\$ -	\$ (5,220,307)	\$ -	\$ -
Public safety	(13,668,440)	-	(13,668,440)	-	-
Public works	(4,139,444)	-	(4,139,444)	-	-
Engineering	(570,098)	-	(570,098)	-	-
Community development	(1,016,271)	-	(1,016,271)	-	-
Parks and recreation	(4,393,286)	-	(4,393,286)	-	-
Library services	(1,283,007)	-	(1,283,007)	-	-
Interest on long-term debt	(1,268,435)	-	(1,268,435)	-	-
<b>Total Governmental Activities</b>	<b>(31,559,288)</b>	<b>-</b>	<b>(31,559,288)</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities:</b>					
Water and sewer	-	6,722,360	6,722,360	-	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>6,722,360</b>	<b>6,722,360</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(31,559,288)</b>	<b>6,722,360</b>	<b>(24,836,928)</b>	<b>-</b>	<b>-</b>
<b>Component Units</b>					
West Ranch Management District				(1,036,725)	-
Friendswood Downtown EDC				-	(36,449)
<b>Total Component Units</b>				<b>(1,036,725)</b>	<b>(36,449)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes	20,845,938	-	20,845,938	2,314,093	-
Franchise and other taxes	2,170,152	-	2,170,152	-	-
Sales taxes	11,176,190	-	11,176,190	-	736,129
Interest	49,151	130,401	179,552	13,385	(855)
Miscellaneous	638,418	-	638,418	-	-
<b>Transfers</b>	<b>1,795,683</b>	<b>(1,795,683)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>	<b>36,675,532</b>	<b>(1,665,282)</b>	<b>35,010,250</b>	<b>2,327,478</b>	<b>735,274</b>
Change in net position	5,116,244	5,057,078	10,173,322	1,290,753	698,825
<b>Net Position - Beginning</b>	<b>82,618,786</b>	<b>45,616,675</b>	<b>128,235,461</b>	<b>(8,037,224)</b>	<b>2,232,797</b>
<b>Net Position - Ending</b>	<b>\$ 87,735,030</b>	<b>\$ 50,673,753</b>	<b>\$ 138,408,783</b>	<b>\$ (6,746,471)</b>	<b>\$ 2,931,622</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2022**

	<u>General Fund</u>	<u>Coronavirus State Fiscal Recovery Fund</u>	<u>Bond Construction</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 5,650,255	\$ 2,935,831	\$ 9,982	\$ 43,584	\$ 1,513,649	\$ 10,153,301
Investments	10,075,984	7,062,450	9,572,206	104,845	3,638,822	30,454,307
Receivables, net of allowance:						
Taxes	2,573,880	-	-	54,119	427,806	3,055,805
Leases	1,021,537	-	-	-	-	1,021,537
Customer accounts	449,301	-	-	-	2,697	451,998
Other receivables	730,696	-	-	-	3,658	734,354
Accrued interest	10,945	3,079	-	681	2,135	16,840
Due from other funds	1,157,730	-	996,000	-	-	2,153,730
Due from other governments	44,063	-	-	-	1,751,175	1,795,238
Prepaid items	260,066	-	-	-	391	260,457
<b>Total Assets</b>	<b>\$ 21,974,457</b>	<b>\$ 10,001,360</b>	<b>\$ 10,578,188</b>	<b>\$ 203,229</b>	<b>\$ 7,340,333</b>	<b>\$ 50,097,567</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,879,444	\$ -	\$ 2,051,195	\$ 104,181	\$ 768,808	\$ 4,803,628
Accrued liabilities	811,325	-	-	-	-	811,325
Due to other governments	146,598	-	-	-	-	146,598
Customer deposits	8,080	-	-	-	-	8,080
Retainage payable	29,580	-	374,281	-	38,480	442,341
Due to other funds	-	-	-	-	2,153,730	2,153,730
Unearned revenue	-	10,003,026	-	-	-	10,003,026
<b>Total Liabilities</b>	<b>2,875,027</b>	<b>10,003,026</b>	<b>2,425,476</b>	<b>104,181</b>	<b>2,961,018</b>	<b>18,368,728</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	702,654	-	-	52,673	3,756	759,083
Leases	1,011,689	-	-	-	-	1,011,689
<b>Total Deferred Inflows of resources</b>	<b>1,714,343</b>	<b>-</b>	<b>-</b>	<b>52,673</b>	<b>3,756</b>	<b>1,770,772</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Prepaid items	260,066	-	-	-	391	260,457
Permanent fund	-	-	-	-	11,093	11,093
<b>Restricted:</b>						
Public education and government channels	460,154	-	-	-	-	460,154
Municipal court operations	-	-	-	-	282,910	282,910
Debt service	-	-	-	46,375	-	46,375
Public safety	-	-	-	-	674,536	674,536
Capital projects	-	-	8,152,712	-	3,584,376	11,737,088
<b>Assigned:</b>						
Subsequent year's budget appropriation of fund balance	3,396,348	-	-	-	-	3,396,348
Capital projects	1,271,152	-	-	-	-	1,271,152
<b>Unassigned</b>	<b>11,997,367</b>	<b>(1,666)</b>	<b>-</b>	<b>-</b>	<b>(177,747)</b>	<b>11,817,954</b>
<b>Total Fund Balances</b>	<b>17,385,087</b>	<b>(1,666)</b>	<b>8,152,712</b>	<b>46,375</b>	<b>4,375,559</b>	<b>29,958,067</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 21,974,457</b>	<b>\$ 10,001,360</b>	<b>\$ 10,578,188</b>	<b>\$ 203,229</b>	<b>\$ 7,340,333</b>	<b>\$ 50,097,567</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2022**

**Total fund balance, governmental funds** \$ 29,958,067

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. 113,247,160

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. 3,275,995

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	(43,950,000)
Notes payable	(2,613,729)
Compensated absences	(1,144,343)
Accrued interest payable	(118,802)
Unamortized premium on bonds	(3,193,902)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 759,083

Deferred gain on refunding	(55,814)
Deferred loss on refunding	54,715

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	(4,747,707)
Total OPEB liability	(1,687,405)
Deferred outflows and inflows of resources related to the net pension liability	(2,034,514)
Deferred outflows and inflows of resources related to the total OPEB liability	<u>(13,774)</u>

**Net Position of Governmental Activities in the Statement of Net Position** \$ 87,735,030

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	General Fund	Coronavirus State Fiscal Recovery Fund	Bond Construction	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 16,475,894	\$ -	\$ -	\$ 4,370,044	\$ -	\$ 20,845,938
Sales taxes	8,967,803	-	-	-	2,208,387	11,176,190
Franchise fees and other	2,170,152	-	-	-	-	2,170,152
Fines and forfeitures	969,344	-	-	-	83,596	1,052,940
Permits and fees	1,789,147	-	-	-	58,838	1,847,985
Intergovernmental	594,774	-	-	-	2,620,495	3,215,269
Investment income (loss)	(15,254)	(1,666)	68,133	(1,498)	(135)	49,580
Donations	61,211	-	-	-	194,427	255,638
Miscellaneous	336,367	-	-	-	8,997	345,364
<b>Total Revenues</b>	<b>31,349,438</b>	<b>(1,666)</b>	<b>68,133</b>	<b>4,368,546</b>	<b>5,174,605</b>	<b>40,959,056</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	5,988,239	-	-	-	52,593	6,040,832
Public safety	15,330,928	-	-	-	39,333	15,370,261
Public works	3,047,460	-	163,330	-	2,554,523	5,765,313
Engineering	571,010	-	-	-	-	571,010
Community development	1,187,413	-	-	-	-	1,187,413
Parks and recreation	4,302,309	-	10,547	-	-	4,312,856
Library services	1,333,456	-	-	-	2,729	1,336,185
<b>Debt service:</b>						
Principal	-	-	-	2,721,206	119,514	2,840,720
Interest and other charges	-	-	-	1,611,573	13,318	1,624,891
<b>Capital outlay</b>	<b>2,563,859</b>	<b>-</b>	<b>6,954,059</b>	<b>-</b>	<b>759,216</b>	<b>10,277,134</b>
<b>Total Expenditures</b>	<b>34,324,674</b>	<b>-</b>	<b>7,127,936</b>	<b>4,332,779</b>	<b>3,541,226</b>	<b>49,326,615</b>
Excess (deficiency) of revenues over (under) expenditures	(2,975,236)	(1,666)	(7,059,803)	35,767	1,633,379	(8,367,559)
<b>Other Financing Sources (Uses)</b>						
Notes payable issued	1,457,640	-	-	-	-	1,457,640
Insurance recoveries	74,126	-	-	-	-	74,126
Transfers in	1,708,331	-	-	-	-	1,708,331
Transfers out	(124,948)	-	-	-	-	(124,948)
Sale of capital assets	18,029	-	-	-	14,000	32,029
<b>Total Other Financing Sources (Uses)</b>	<b>3,133,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,000</b>	<b>3,147,178</b>
Net change in fund balances	157,942	(1,666)	(7,059,803)	35,767	1,647,379	(5,220,381)
<b>Fund Balances - Beginning</b>	<b>17,227,145</b>	<b>-</b>	<b>15,212,515</b>	<b>10,608</b>	<b>2,728,180</b>	<b>35,178,448</b>
<b>Fund Balances - Ending</b>	<b>\$ 17,385,087</b>	<b>\$ (1,666)</b>	<b>\$ 8,152,712</b>	<b>\$ 46,375</b>	<b>\$ 4,375,559</b>	<b>\$ 29,958,067</b>

**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, 2022**

**Net Change in Fund Balances - Total Governmental Funds** \$ (5,220,381)

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

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

Capital outlay	12,365,688
Depreciation expense	(5,637,471)

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	62,599
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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	2,840,720
Proceeds from notes payable	(1,457,640)

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	1,454,988
OPEB	(67,626)

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	6,003
(Increase) decrease in compensated absences	(148,153)
Amortization of deferred loss on refunding	(6,506)
Amortization of deferred gain on refunding	4,293
Amortization of premium on bonds	350,456

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.

	569,274
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 5,116,244</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2022**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service</b>
	<b>Water and Sewer</b>	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,313,653	\$ 280,903
Investments	10,374,899	675,742
Accounts receivable, net of allowance:		
Customer accounts	3,989,589	-
Accrued interest	8,258	569
Prepays and other assets	63,224	-
Restricted investments	23,417,040	-
<b>Total Current Assets</b>	<b>42,166,663</b>	<b>957,214</b>
<b>Non-current Assets</b>		
Working capital deposit	571,884	-
<b>Capital Assets:</b>		
Land	319,473	-
Construction in progress	9,629,504	-
Water rights	19,716,695	-
Buildings and improvements	683,906	-
Machinery and equipment	7,878,937	5,216,063
Water and sewer systems	78,013,079	-
Accumulated depreciation	(44,690,382)	(2,850,876)
<b>Total Capital Assets</b>	<b>71,551,212</b>	<b>2,365,187</b>
<b>Total Non-current Assets</b>	<b>72,123,096</b>	<b>2,365,187</b>
<b>Total Assets</b>	<b>114,289,759</b>	<b>3,322,401</b>
<b>Deferred Outflows of Resources</b>		
Deferred loss on bond refunding	587,418	-
Deferred outflows - pension related	368,093	-
Deferred outflows - OPEB related	47,016	-
<b>Total Deferred Outflows of Resources</b>	<b>1,002,527</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>115,292,286</b>	<b>3,322,401</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2022**

	<b>Business-Type Activities</b>		<b>Governmental Activities</b>	
	<b>Enterprise Fund</b>		<b>Internal Service</b>	
	<b>Water and Sewer</b>			
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$	2,694,826	\$	46,406
Accrued liabilities		161,042		-
Accrued interest		179,563		-
Unearned revenue		-		-
Customer deposits		570,430		-
Retainage payable		5,797		-
Compensated absences		21,882		-
Bonds and other long-term debt payable		3,225,000		-
<b>Total Current Liabilities</b>		<u>6,858,540</u>		<u>46,406</u>
<b>Non-current Liabilities</b>				
Compensated absences		87,528		-
Net Pension liability		410,084		-
Total OPEB liability		248,126		-
Bonds and other long-term debt payable		56,304,036		-
<b>Total Non-current Liabilities</b>		<u>57,049,774</u>		<u>-</u>
<b>Total Liabilities</b>		<u>63,908,314</u>		<u>46,406</u>
<b>Deferred Inflows of Resources</b>				
Deferred gain on issuance of refunding bonds		27,292		-
Deferred inflows - pension related		630,892		-
Deferred inflows of resources for OPEB		52,035		-
<b>Total Deferred Inflows of Resources</b>		<u>710,219</u>		<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>		<u>64,618,533</u>		<u>46,406</u>
<b>Net Position</b>				
Net investment in capital assets		35,999,342		2,365,187
Restricted for capital projects		376,441		-
Restricted for debt service		2,521,137		-
Unrestricted		11,776,833		910,808
<b>Total Net Position</b>	\$	<u>50,673,753</u>	\$	<u>3,275,995</u>



**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2022**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
<b>Operating Revenues</b>		
Charges for services	\$ 19,223,542	\$ 813,530
Miscellaneous	184,788	-
<b>Total Operating Revenues</b>	<u>19,408,330</u>	<u>813,530</u>
<b>Operating Expenses</b>		
Personnel services	2,626,093	-
Sewer operations	2,588,636	-
Water purchases	1,836,874	-
Repairs and maintenance	819,562	3,568
Supplies	217,565	-
Other services and charges	1,041,844	-
Depreciation	1,993,988	515,648
<b>Total Operating Expenses</b>	<u>11,124,562</u>	<u>519,216</u>
Operating income	<u>8,283,768</u>	<u>294,314</u>
<b>Non-Operating Revenues (Expenses)</b>		
Intergovernmental	289,181	-
Investment income	130,401	(429)
Gain on disposal of capital assets	-	63,089
Insurance proceeds	11,292	-
Interest expense	(1,861,881)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(1,431,007)</u>	<u>62,660</u>
Income before transfers	6,852,761	356,974
Transfers in	47,648	212,300
Transfers out	<u>(1,843,331)</u>	<u>-</u>
Change in net position	5,057,078	569,274
<b>Net position - Beginning</b>	<u>45,616,675</u>	<u>2,706,721</u>
<b>Total Net Position - Ending</b>	<u>\$ 50,673,753</u>	<u>\$ 3,275,995</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2022**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 18,888,531	\$ -
Receipts from interfund charges for fleet management	-	813,530
Cash payments to suppliers for goods and services	(4,876,811)	41,100
Cash payments to employees for services	(2,816,162)	-
<b>Net cash provided by operating activities</b>	<b>11,195,558</b>	<b>854,630</b>
<b>Cash flows from noncapital financing activities</b>		
Transfer in from other funds	47,648	212,300
Transfers out to other funds	(1,843,331)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(1,795,683)</b>	<b>212,300</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of property, plant and equipment	(10,558,139)	(881,513)
Disposal of capital assets	-	63,089
Repayment of debt	(3,456,348)	-
Interest paid on debt	(2,209,143)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(16,223,630)</b>	<b>(818,424)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(2,190,209)	(204,211)
Investment income	126,588	(744)
<b>Net cash provided (used) by investing activities</b>	<b>(2,063,621)</b>	<b>(204,955)</b>
Net increase (decrease) in cash and cash equivalents	(8,887,376)	43,551
<b>Cash and Cash Equivalents, Beginning</b>	<b>36,618,069</b>	<b>237,352</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 27,730,693</b>	<b>\$ 280,903</b>
<b>Reconciliation of Total Cash and Cash Equivalents</b>		
Current assets - cash and cash equivalents	\$ 4,313,653	\$ 280,903
Restricted assets - cash and cash equivalents	23,417,040	-
	<b>\$ 27,730,693</b>	<b>\$ 280,903</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2022**

	<b>Business-type</b>	
	<b>Activities - Enterprise</b>	<b>Governmental</b>
	<b>Funds</b>	<b>Activities</b>
	<u><b>Water and Sewer</b></u>	<u><b>Internal Service</b></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 8,283,768	\$ 294,314
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,993,988	515,648
Change in assets, deferred inflows and outflows, and liabilities:		
Decrease (increase) in customer receivable	(534,410)	-
Decrease (increase) in prepaids and other assets	(354)	-
pensions	(47,141)	-
Decrease (increase) in deferred outflow for OPEB	4,096	-
Increase (decrease) in accounts payable	1,561,167	44,668
Increase (decrease) in accrued liabilities	66,857	-
Increase (decrease) in customer deposits	14,611	-
pensions	381,164	-
Increase (decrease) in deferred inflows for OPEB	7,896	-
Increase (decrease) in total OPEB liability	(3,466)	-
Increase (decrease) in net pension liability	(524,249)	-
Increase (decrease) in compensated absences	(8,369)	-
Total Adjustments	<u>2,911,790</u>	<u>560,316</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 11,195,558</u></u>	<u><u>\$ 854,630</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 Council-City Manager form of government. The Mayor and six Council members are elected from the City at large serving three-year terms. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for law enforcement, appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The Mayor resides at meetings of the City Council and can vote. The City provides the following services: public safety, streets, parks and recreation, library, water and sewer, sanitation, planning and zoning, building inspection, code enforcement, and general administrative services.

**A. Reporting Entity**

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

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

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

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 government 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.

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

*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 \$0.487314 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.385147 and \$0.102167, respectively. The resulting tax levies were approximately \$16.4 and \$4.4 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$4.2 billion for the 2021 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, 2022, the District levied an ad valorem tax at the rate of \$0.1750 per \$100 of assessed valuation, which resulted in tax levy of \$1.2 million on the taxable valuation of approximately \$697.1 million for the 2021 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**

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 leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation 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.

**Leases**

The City is a lessor for noncancellable lease agreements. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

**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)**

**Leases (continued)**

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**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 assets 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.
- 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues 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 leases - This deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**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 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.

**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.

**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**

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 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, 2022, 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.

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.

**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)**

**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.

**E. Implementation of New Accounting Standards**

The following GASB pronouncements were effective during fiscal year 2022.

GASB Statement No. 87 *Leases* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The financial statements have been updated to reflect this new standard.

**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, 2022, the carrying amount of the City and Friendswood Downtown Economic Development Corporation’s deposits was \$15,561,580 and the bank balance of \$16,804,877.

As of September 30, 2022, the City and Friendswood Downtown Economic Development Corporation held the following investments.

	<u>Reported Value of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Investment pools:</b>		
TexPool	\$ 6,875,033	24
Texas CLASS	<u>51,226,788</u>	34
<b>Total investment pools</b>	<u>58,101,821</u>	
<b>Debt Securities:</b>		
Federal Farm Credit Bonds	4,377,299	340
Federal Home Loan Bank Bonds	3,449,160	222
Federal Home Loan Mortgage Corporation	494,649	262
Federal National Mortgage Association	<u>468,604</u>	574
<b>Total debt securities</b>	<u>8,789,712</u>	
<b>Total investments</b>	<u>\$ 66,891,533</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, 2022:

	<b>Fair Value /</b>			
	<b>Amortized Cost</b>	<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>
<b>Investment Securities:</b>				
Federal Farm Credit Bank	\$ 4,377,299	\$ -	\$ 4,377,299	\$ -
Federal Home Loan Bank	3,449,160	-	3,449,160	-
Federal Home Loan Mortgage Corp.	494,649	-	494,649	-
Federal National Mortgage Assoc.	468,604	-	468,604	-
<b>Total Investment Securities</b>	<b>\$ 8,789,712</b>	<b>\$ -</b>	<b>\$ 8,789,712</b>	<b>\$ -</b>

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, 2022, 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, 2022, were rated as follows:

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

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

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

Receivables as of September 30, 2022 for the City’s individual major funds and nonmajor funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Fund	
	General	Debt Service Fund	Nonmajor	Water and Sewer	Total
<b>Receivables:</b>					
Property taxes	\$ 247,529	\$ 53,104	\$ -	\$ -	\$ 300,633
Penalties and interest	138,675	24,376	-	-	163,051
Sales tax	1,731,350	-	427,806	-	2,159,156
Franchise taxes	572,740	-	-	-	572,740
Customer accounts	321,776	-	2,697	4,268,748	4,593,221
Court fines	873,513	-	-	-	873,513
Leases	1,021,537	-	-	-	1,021,537
Other	730,696	-	3,658	-	734,354
Gross receivables	5,637,816	77,480	434,161	4,268,748	10,418,205
Less: allowance for uncollectibles	(862,402)	(23,361)	-	(279,159)	(1,164,922)
<b>Net total receivables</b>	<b>\$ 4,775,414</b>	<b>\$ 54,119</b>	<b>\$ 434,161</b>	<b>\$ 3,989,589</b>	<b>\$ 9,253,283</b>

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

	Deferred Inflows of Resources
<b>General Fund:</b>	
Delinquent property taxes	\$ 173,870
Property tax penalties and interest	100,990
Court fines	174,703
Grants	244,925
Miscellaneous	8,166
<b>Total General Fund</b>	<b>702,654</b>
<b>Debt Service Fund:</b>	
Delinquent property taxes	37,042
Property tax penalties and interest	15,631
	<b>52,673</b>
<b>Nonmajor funds:</b>	
Court fines	3,756
<b>Total Nonmajor Funds</b>	<b>3,756</b>
<b>Total governmental funds</b>	<b>\$ 759,083</b>

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

**Note 4. Capital Assets**

Capital assets activity for the primary government for the fiscal year ended September 30, 2022, is as follows:

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassification/ Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 29,695,765	\$ 2,660,075	\$ -	\$ 32,355,840
Construction in progress	1,435,585	7,361,587	-	8,797,172
<b>Total capital assets, not being depreciated</b>	<b>31,131,350</b>	<b>10,021,662</b>	<b>-</b>	<b>41,153,012</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	45,778,777	573,252		46,352,029
Machinery and equipment	19,043,530	2,497,550	(321,697)	21,219,383
Infrastructure	105,053,888	160,894	-	105,214,782
<b>Total capital assets, being depreciated</b>	<b>169,876,195</b>	<b>3,231,696</b>	<b>(321,697)</b>	<b>172,786,194</b>
<b>Less accumulated depreciation for:</b>				
Buildings & improvements	(21,916,258)	(1,497,115)	-	(23,413,373)
Machinery and equipment	(12,028,958)	(1,660,569)	315,541	(13,373,986)
Infrastructure	(58,544,064)	(2,995,436)	-	(61,539,500)
<b>Total accumulated depreciation</b>	<b>(92,489,280)</b>	<b>(6,153,120)</b>	<b>315,541</b>	<b>(98,326,859)</b>
Total capital assets - being depreciated	77,386,915	(2,921,424)	(6,156)	74,459,335
<b>Governmental capital assets, net</b>	<b>\$ 108,518,265</b>	<b>\$ 7,100,238</b>	<b>\$ (6,156)</b>	<b>\$ 115,612,347</b>

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassification/ Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 319,473	\$ -	\$ -	\$ 319,473
Water rights	19,716,695	-	-	19,716,695
Construction in progress	2,870,307	10,572,454	(3,813,257)	9,629,504
<b>Total capital assets, not being depreciated</b>	<b>22,906,475</b>	<b>10,572,454</b>	<b>(3,813,257)</b>	<b>29,665,672</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	683,906	-	-	683,906
Machinery and equipment	7,725,245	164,191	(10,499)	7,878,937
Water and sewer system	74,199,822	-	3,813,257	78,013,079
<b>Total capital assets, being depreciated</b>	<b>82,608,973</b>	<b>164,191</b>	<b>3,802,758</b>	<b>86,575,922</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(345,300)	(19,757)	-	(365,057)
Machinery and equipment	(5,066,302)	(226,582)	10,499	(5,282,385)
Water and sewer system	(37,295,291)	(1,747,649)	-	(39,042,940)
<b>Total accumulated depreciation</b>	<b>(42,706,893)</b>	<b>(1,993,988)</b>	<b>10,499</b>	<b>(44,690,382)</b>
Total capital assets - being depreciated	39,902,080	(1,829,797)	3,813,257	41,885,540
<b>Business-type capital assets, net</b>	<b>\$ 62,808,555</b>	<b>\$ 8,742,657</b>	<b>\$ -</b>	<b>\$ 71,551,212</b>

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

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

Capital assets activity for the discretely presented component units for the fiscal year ended September 30, 2022, is as follows:

Component Unit	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 7,762,414	\$ -	\$ -	\$ 7,762,414
<b>Total capital assets, not being depreciated</b>	<b>7,762,414</b>	<b>-</b>	<b>-</b>	<b>7,762,414</b>
<b>Capital assets, being depreciated:</b>				
Water production and distribution facilities	483,467	-	-	483,467
<b>Total capital assets, being depreciated</b>	<b>483,467</b>	<b>-</b>	<b>-</b>	<b>483,467</b>
<b>Less accumulated depreciation for:</b>				
Water production and distribution facilities	(116,537)	(10,745)	-	(127,282)
<b>Total accumulated depreciation</b>	<b>(116,537)</b>	<b>(10,745)</b>	<b>-</b>	<b>(127,282)</b>
Total capital assets - being depreciated	366,930	(10,745)	-	356,185
<b>Component Unit capital assets, net</b>	<b>\$ 8,129,344</b>	<b>\$ (10,745)</b>	<b>\$ -</b>	<b>\$ 8,118,599</b>

**Depreciation**

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

	Depreciation Expense
<b>Primary Government</b>	
<b>Governmental activities:</b>	
General government	\$ 416,913
Public safety	1,197,021
Public works	3,338,400
Community development	5,902
Parks and recreation	679,236
Capital assets held by the City's internal service fund are charged to the various functions based on their usage	515,648
<b>Total Governmental activities</b>	<b>6,153,120</b>
<b>Business-type activities:</b>	
Water and sewer	1,993,988
<b>Total Business-type activities:</b>	<b>1,993,988</b>
<b>Total Primary Government</b>	<b>\$ 8,147,108</b>

**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, 2022. At year end, the City’s commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
<b>Governmental funds:</b>			
Parks Master Plan	\$ 146,200	\$ 95,400	\$ 50,800
Blackhawk Emergency Shelter	36,475	27,550	8,925
Blackhawk Building Renovation	260,000	213,825	46,175
Fire Station #2	4,627,683	2,334,587	2,293,096
Public Safety Building	6,077,700	4,700,280	1,377,420
Centennial Wall	435,589	291,864	143,725
Utility Relocation at Clear Creek Utility Bridge	219,200	202,550	16,650
Forest Bend Detention Pond	4,070,225	835,634	3,234,591
Deepwood Flood Control	236,369	63,924	172,445
IT Network Refresh	239,882	31,558	208,324
	16,349,323	8,797,172	7,552,151
<b>Enterprise funds:</b>			
Lift Station Mitigation Program	\$ 507,784	\$ 428,256	\$ 79,528
Automated Water Meters	8,725,441	8,406,911	318,530
Water Systems Improvements	937,316	746,221	191,095
Lift Station SCADA Server Upgrade	3,744	3,744	-
Fire Station #2	44,372	44,372	-
	10,218,657	9,629,504	589,153
<b>Total Commitments</b>	\$ 26,567,980	\$ 18,426,676	\$ 8,141,304

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 \$3,396,348 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 notes payable. 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.

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

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

**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.

**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, 2022:

<b>General Obligation Bonds:</b>	<b>Original Issue Amount</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2014 General Obligation Refunding	\$ 8,805,000	2028	2.0% - 4.0%	\$ 1,910,000	\$ 4,910,000
2015 General Obligation Refunding	9,595,000	2030	2.0% - 3.0%	6,450,000	-
2016 General Obligation Permanent Improvement and Refunding	19,095,000	2031	2.0% - 5.0%	6,635,000	6,515,000
2016A General Obligation Refunding	9,765,000	2034	2.0% - 4.0%	-	7,210,000
2017 General Obligation Bonds	5,605,000	2031	2.0% - 4.0%	4,295,000	-
2020 General Obligation and Refunding Bonds	10,465,000	2050	2.0% - 4.0%	9,435,000	-
2021 General Obligation and Refunding Bonds	16,235,000	2051	2.375% - 4.0%	15,225,000	-
Total general obligation bonds				43,950,000	18,635,000
<b>Revenue Bonds:</b>					
2016 Waterworks and Sewer System	5,735,000	2036	2.0% - 4.0%	-	4,350,000
2018 Waterworks and Sewer System	20,170,000	2038	4.0% - 5.0%	-	18,060,000
2021 Waterworks and Sewer System	13,690,000	2041	3.0% - 4.0%	-	13,220,000
Total revenue bonds				-	35,630,000
Total				\$ 43,950,000	\$ 54,265,000

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

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

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

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	
2023	\$ 2,400,000	\$ 1,508,906	\$ 3,225,000	\$ 2,096,600	\$ 9,230,506
2024	2,485,000	1,424,206	3,345,000	1,973,275	9,227,481
2025	2,575,000	1,333,469	3,485,000	1,837,125	9,230,594
2026	2,670,000	1,239,669	3,685,000	1,687,950	9,282,619
2027	2,815,000	1,136,803	3,760,000	1,528,000	9,239,803
2028-2032	13,510,000	3,886,238	18,260,000	5,072,025	40,728,263
2033-2037	5,505,000	2,083,075	13,485,000	1,994,150	23,067,225
2038-2042	4,835,000	1,248,600	5,020,000	244,450	11,348,050
2043-2047	3,950,000	670,797	-	-	4,620,797
2048-2052	3,205,000	151,878	-	-	3,356,878
	<u>\$ 43,950,000</u>	<u>\$ 14,683,641</u>	<u>\$ 54,265,000</u>	<u>\$ 16,433,575</u>	<u>\$ 129,332,216</u>

Changes in the City's long-term liability activity for the year ended September 30, 2022, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 46,265,000	\$ -	\$ (2,315,000)	\$ 43,950,000	\$ 2,400,000
Premium on bond issuance	3,544,358	-	(350,456)	3,193,902	-
Notes payable	1,681,809	1,457,640	(525,720)	2,613,729	702,919
Compensated absences	996,190	1,180,525	(1,032,372)	1,144,343	228,869
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<u>\$ 52,487,357</u>	<u>\$ 2,638,165</u>	<u>\$ (4,223,548)</u>	<u>\$ 50,901,974</u>	<u>\$ 3,331,788</u>
<b>Business-type activities:</b>					
Revenue bonds	37,080,000	\$ -	\$ (1,450,000)	\$ 35,630,000	\$ 1,510,000
General obligation bonds	20,300,000	-	(1,665,000)	18,635,000	1,715,000
Premium on bond issuance	5,666,291	-	(402,255)	5,264,036	-
Compensated absences	117,779	118,399	(126,768)	109,410	21,882
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	<u>\$ 63,164,070</u>	<u>\$ 118,399</u>	<u>\$ (3,644,023)</u>	<u>\$ 59,638,446</u>	<u>\$ 3,246,882</u>
<b>Total Primary government</b>	<u>\$ 115,651,427</u>	<u>\$ 2,756,564</u>	<u>\$ (7,867,571)</u>	<u>\$ 110,540,420</u>	<u>\$ 6,578,670</u>

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

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

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

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

**West Ranch Management District**

The following schedule summarizes the terms of the West Ranch Management District’s general obligation bonds at July 31, 2022:

<b>General Obligation Bonds:</b>	<b>Amounts Outstanding</b>	<b>Interest Rates</b>	<b>Range of Maturities</b>	<b>Callable Date *</b>
Road Series 2010A	\$ 45,000	4.35%	2021-2022	September 1, 2020
Road Series 2014	1,845,000	2.00% - 3.75%	2022-2040	September 1, 2022
Series 2015	3,905,000	2.950% - 4.125%	2022-2030	September 1, 2023
Series 2016	2,080,000	3.00% - 4.00%	2031-2040	September 1, 2024
Refunding Series 2016	665,000	2.00% - 4.00%	2022-2026	September 1, 2024
Series 2020	8,975,000	2.00% - 4.00%	2022-2040	September 1, 2025
Refunding Series 2016	1,535,000	2.00% - 4.00%	2022-2040	September 1, 2025
<b>Total general obligation bonds</b>	<b>\$ 19,050,000</b>			

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

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 865,000	\$ 559,587	\$ 1,424,587
2024	900,000	530,329	1,430,329
2025	930,000	497,763	1,427,763
2026	970,000	461,806	1,431,806
2027	1,005,000	426,238	1,431,238
2028-2032	5,370,000	1,638,010	7,008,010
2033-2037	4,740,000	947,879	5,687,879
2038-2041	4,270,000	255,216	4,525,216
	<b>\$ 19,050,000</b>	<b>\$ 5,316,828</b>	<b>\$ 24,366,828</b>

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)**

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

**West Ranch Management District (continued)**

Changes in the discretely presented component units' long-term liabilities for the year end July 31, 2022, are as follows:

West Ranch Management District	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Component Unit</b>					
General obligation bonds	\$ 21,750,000	\$ -	\$ (2,700,000)	\$ 19,050,000	\$ 865,000
Discount on bonds	(277,729)	-	64,319	(213,410)	-
Premium on bonds	76,630	-	(9,182)	67,448	-
Developer advances	40,000	-	-	40,000	-
Due to developer	369,600	-	-	369,600	-
<b>Total</b>	<u>\$ 21,958,501</u>	<u>\$ -</u>	<u>\$ (2,644,863)</u>	<u>\$ 19,313,638</u>	<u>\$ 865,000</u>

At July 31, 2022, 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, 2022, the City has no bonds considered defeased that were outstanding.

**Notes Payable**

During the current fiscal year, the City entered into a five-year agreement for the acquisition and use of vehicles and equipment. An initial liability was recorded in the amount of \$1,457,640 during the current fiscal year. The City is required to make annual principal and interest payments of \$318,555. The agreement has an interest rate of 3.03%.

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

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

**Notes Payable (continued)**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 702,919	\$ 70,085
2024	721,122	51,882
2025	406,103	33,191
2026	386,312	22,032
2027	397,273	11,172
Total	<u>\$ 2,613,729</u>	<u>\$ 188,362</u>

**Pledged Revenues**

On February 1, 2016, the City issued \$5,735,000 in Waterworks and Sewer System Revenue Bonds, Series 2016. On December 3, 2018, the City issued \$20,170,000 in Waterworks and Sewer System Revenue Bonds, Series 2018. On February 4, 2021, the City 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, 2022, the remaining principal on the series 2016, 2018 and 2021 bonds was \$4,350,000, \$18,060,000, and \$13,220,000, respectively. Principal and interest payments for the fiscal year were \$1,450,000 and \$1,434,200, respectively. Net pledged revenue in 2022 produced 385 percent of the current debt service requirement.

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

**Note 6. Interfund Balances and Transfers**

**Due to/from Other Funds**

The City had interfund receivable and payable balances at September 30, 2022 as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	HMGP Acquisition and Demolition	\$ 205,180	Expenditures funded by General Fund pending grant reimbursement.
General Fund	2017 CDBG- DR Harvey - Harris County	680,090	Expenditures funded by General Fund pending grant reimbursement.
General Fund	2017 CDBG- DR Harvey - Galveston County	272,460	Expenditures funded by General Fund pending grant reimbursement.
2021 Bond Fund	2017 CDBG- DR Harvey - Galveston County	996,000	Expenditures funded by bond funds pending grant reimbursement
		<u>\$ 2,153,730</u>	

**Governmental activities:**

General fund	\$ 1,157,730	\$	\$ 1,157,730
Bond construction fund		-	
	996,000		996,000
Nonmajor governmental funds	-	(2,153,730)	(2,153,730)

**Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2022, were as follows:

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water and Sewer Fund	\$ 1,708,331	Budgeted annual transfers for indirect water and sewer costs by the General Fund
Internal Service Fund	General Fund	77,300	To fund new vehicle for Police Department
Internal Service Fund	Water and Sewer Fund	135,000	To fund 2 new vehicles for Public Works
Water and Sewer Fund	General Fund	47,648	Capital lease proceeds to purchase equipment in the sewer division
		<u>\$ 1,968,279</u>	

**Note 6. Leases**

**Lease Receivable**

The City leases real property to third parties for the placement of their telecommunication towers. The City recognized \$37,563 in lease revenue and \$27,178 in interest revenue during the current fiscal year related to these leases. As of September 30, 2022, the City's receivable for lease payments was \$1,021,537. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$1,011,689.

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

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

**Benefits Provided**

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

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

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

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

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

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

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

**Texas Municipal Retirement System (continued)**

**Employees covered by benefit terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	152
Inactive employees entitled to but not yet receiving benefits	131
Active employees	<u>216</u>
Total	<u>499</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 16.55% and 16.27% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$2,844,852 and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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:	24 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)**

**Texas Municipal Retirement System (continued)**

**Actuarial Assumptions (continued)**

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

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

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

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	<u>100.0%</u>	

**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.

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

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

**Texas Municipal Retirement System (continued)**

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at 12/31/2020	\$ 91,096,245	\$ 81,355,616	\$ 9,740,629
Changes for the year:			
Service Cost	3,032,100	-	3,032,100
Interest (on the Total Pension Liability)	6,110,807	-	6,110,807
Difference between expected and actual experience	788,166	-	788,166
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(4,163,654)	(4,163,654)	-
Contributions – employer	-	2,777,049	(2,777,049)
Contributions – employee	-	1,174,582	(1,174,582)
Net investment income	-	10,611,017	(10,611,017)
Administrative Expense	-	(49,073)	49,073
Other	-	337	(337)
Balance at 12/31/2021	<u>\$ 96,863,664</u>	<u>\$ 91,705,874</u>	<u>\$ 5,157,790</u>

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

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Single Rate Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 18,854,597	\$ 5,157,790	\$ (6,071,734)

**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](http://www.tmr.com).

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

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

**Texas Municipal Retirement System (continued)**

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

For the year ended September 30, 2022, the City recognized a pension expense of \$1,199,639.

At September 30, 2022, 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	\$ 1,016,277	\$ (82,001)
Changes in actuarial assumptions	130,195	-
Difference between projected and actual investment earnings	-	(5,433,077)
Contributions subsequent to the measurement date	<u>2,071,293</u>	<u>-</u>
 Total	 <u>\$ 3,217,765</u>	 <u>\$ (5,515,078)</u>

The \$2,071,293 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, 2023. 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>
2023	\$ (486,639)
2024	(1,949,324)
2025	(991,613)
2026	(941,030)
Thereafter	<u>-</u>
Total	<u>\$ (4,368,606)</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, 2021 was as follows:

Inactive employees currently receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>216</u>
Total	<u>353</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 0.17% 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 1.84% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

**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, 2021 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

*Valuation Date:* December 31, 2021

*Methods and Assumptions:*

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate *:	1.84%
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 31,2021.

Note: The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Changes in the Total OPEB Liability**

Service cost	\$	45,305
Interest		17,025
Changes of benefit terms		-
Difference between expected and actual experience		(9,842)
Changes of assumptions		29,168
Benefit payments		(15,102)
Net change in total OPEB liability		66,554
Total OPEB liability - beginning		836,154
Total OPEB liability - ending	\$	<u>902,708</u>

Ending total OPEB liability is \$902,708 as of December 31, 2021. Changes of assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31,2021.

**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)**

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 1.84%, 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 (0.84%) or 1 percentage point higher (2.84%) 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.

	<u>1% Decrease to 0.84%</u>	<u>Current Discount Rate Assumption 1.84%</u>	<u>1% Increase to 2.84%</u>
	\$ 1,116,891	\$ 902,708	\$ 740,283

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$85,258 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$63,783 related to the City’s retiree healthcare plan for total OPEB expense of \$149,041. As of September 30, 2022, the City reported deferred outflows 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	\$ -	\$ (75,182)
Changes in assumptions and other inputs	159,032	-
Contributions made subsequent to the measurement date	3,819	-
<b>Total</b>	<u>\$ 162,851</u>	<u>\$ (75,182)</u>

The \$3,819 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, 2023. 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>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ 22,928
2024	17,482
2025	20,637
2026	16,524
2027	5,355
Thereafter	924
<b>Total</b>	<u>\$ 83,850</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)**

**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>

**Total OPEB Liability**

The City’s total OPEB liability of \$1,032,823 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2020.

**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)**

**Actuarial Assumptions and Methods**

The actuarial valuation was performed as of December 31, 2020. Update procedures were used to roll forward the total OPEB liability to December 31, 2021. 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

*Measurement Date:* December 31, 2021

*Methods and Assumptions:*

Actuarial Cost Method: Individual Entry-Age Normal  
Discount Rate: 1.84% as of December 31, 2021  
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 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. Additionally, the period of service used for the allocation of service costs was changed to only reflect service with the City.

**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 1.84% (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 2.00% as of the prior measurement date.

**Plan Assets**

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

**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)**

**Changes in the Total OPEB Liability**

Service cost	\$ 60,759
Interest	22,218
Changes of benefit terms	-
Difference between expected and actual experience	11,967
Changes of assumptions	(111,991)
Benefit payments	<u>(61,339)</u>
Net change in total OPEB liability	(78,386)
Total OPEB liability - beginning	<u>1,111,209</u>
Total OPEB liability - ending	<u><u>\$ 1,032,823</u></u>

The ending Total OPEB Liability was \$1,032,823 as of December 31, 2021.

**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 1.84%, 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:

<u>1% Decrease to</u> <u>0.84%</u>	<u>Current Discount</u> <u>Rate Assumption</u> <u>1.84%</u>	<u>1% Increase to</u> <u>2.84%</u>
\$ 1,128,772	\$ 1,032,823	\$ 944,844

**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:

<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u> <u>Assumption</u>	<u>1% Increase</u>
\$ 909,992	\$ 1,032,823	\$ 1,179,741

**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, 2022, the City recognized OPEB expense of \$85,258 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$63,783 related to the City’s retiree healthcare plan for total OPEB expense of \$149,041. As of September 30, 2022, the City reported deferred outflows 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	\$ 18,959	\$ (206,886)
Changes assumptions	148,501	(100,415)
Contributions subsequent to the measurement date	33,379	-
Total	<u>\$ 200,839</u>	<u>\$ (307,301)</u>

The \$33,379 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, 2023. 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>
2023	\$ (19,194)
2024	(19,194)
2025	(19,194)
2026	(19,194)
2027	(20,836)
Thereafter	(42,229)
Total	<u>\$ (139,841)</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, 2022, 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, 2022, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2022, 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, 2022, the Coronavirus State and Local Fiscal Recovery fund had a fund balance deficit of \$1,666 and the CDBG-DR Harris County with a deficit of \$204,422. 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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 16,443,981	\$ 16,443,981	\$ 16,475,894	\$ 31,913
Sales and alcohol taxes	8,149,347	8,149,347	8,967,803	818,456
Franchise taxes	1,925,828	1,925,828	2,170,152	244,324
Fines and forfeitures	1,089,427	1,089,427	969,344	(120,083)
Permits and fees	1,658,218	1,664,784	1,789,147	124,363
Intergovernmental	642,396	642,396	594,774	(47,622)
Investment earnings	34,000	34,000	(15,254)	(49,254)
Donations	7,750	38,510	61,211	22,701
Miscellaneous	84,453	108,844	336,367	227,523
<b>Total Revenues</b>	<b>30,035,400</b>	<b>30,097,117</b>	<b>31,349,438</b>	<b>1,252,321</b>
<b>Expenditures</b>				
<b>General Government:</b>				
Mayor and Council - Governing Body:				
Supplies and maintenance	11,700	5,364	4,869	495
Other services and charges	84,850	79,937	75,077	4,860
<b>Total Governing Body</b>	<b>96,550</b>	<b>85,301</b>	<b>79,946</b>	<b>5,355</b>
Mayor and Council - City Attorney:				
Personnel services	259,523	340,701	338,969	1,732
Supplies	450	32,565	14,341	18,224
Other services and charges	21,270	17,735	12,059	5,676
<b>Total City Attorney</b>	<b>281,243</b>	<b>391,001</b>	<b>365,369</b>	<b>25,632</b>
City Manager - Administration:				
Personnel services	747,737	747,737	747,646	91
Supplies	21,780	30,545	29,725	820
Other services and charges	39,100	35,289	25,566	9,723
<b>Total Administration</b>	<b>808,617</b>	<b>813,571</b>	<b>802,937</b>	<b>10,634</b>
City Manager - Economic Development:				
Personnel services	-	-	-	-
Supplies	5,000	5,000	1,000	4,000
Other services and charges	59,820	60,390	31,209	29,181
<b>Total Economic Development</b>	<b>64,820</b>	<b>65,390</b>	<b>32,209</b>	<b>33,181</b>
City Secretary - Municipal Clerk:				
Personnel services	389,936	389,936	376,154	13,782
Supplies	5,740	25,832	25,779	53
Other services and charges	16,725	19,800	19,901	(101)
<b>Total Municipal Clerk</b>	<b>412,401</b>	<b>435,568</b>	<b>421,834</b>	<b>13,734</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>General Government (continued):</b>				
City Secretary - Election Services:				
Supplies	\$ 1,100	\$ 200	\$ 195	\$ 5
Other services and charges	124,980	113,520	54,764	58,756
Total Election Services	126,080	113,720	54,959	58,761
City Secretary - Records Management:				
Personnel services	159,090	77,912	75,015	2,897
Supplies	970	-	-	-
Other services and charges	21,870	14,970	13,343	1,627
Total Records Management	181,930	92,882	88,358	4,524
Administrative Services - Finance:				
Personnel services	1,032,087	1,015,087	1,023,020	(7,933)
Supplies	7,450	15,850	11,220	4,630
Other services and charges	110,788	131,410	122,915	8,495
Total Finance	1,150,325	1,162,347	1,157,155	5,192
Administrative Services - Other Admin:				
Other services and charges	175,307	176,232	176,118	114
Total Other Admin	175,307	176,232	176,118	114
Administrative Services - Municipal Court:				
Personnel services	400,136	433,056	434,045	(989)
Supplies	5,780	5,780	5,609	171
Other services and charges	28,815	26,815	26,000	815
Total Municipal Court	434,731	465,651	465,654	(3)
Human Resources - Administration:				
Personnel services	378,178	368,680	367,535	1,145
Supplies	11,700	11,700	5,974	5,726
Other services and charges	120,512	120,720	50,788	69,932
Total Administration	510,390	501,100	424,297	76,803
Human Resources - Insurance:				
Other services and charges	259,297	252,667	250,395	2,272
Total Insurance	259,297	252,667	250,395	2,272

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>General Government (continued):</b>				
Human resources - Risk Management:				
Personnel services	\$ 148,422	\$ 148,422	\$ 149,599	\$ (1,177)
Supplies	10,960	12,806	7,138	5,668
Other services and charges	61,105	55,037	21,130	33,907
Total Risk Management	<u>220,487</u>	<u>216,265</u>	<u>177,867</u>	<u>38,398</u>
Information Technology - Administration:				
Personnel services	755,143	755,143	715,258	39,885
Supplies	82,290	60,056	43,073	16,983
Repairs and maintenance	65,630	65,630	30,049	35,581
Other services and charges	729,495	1,097,245	702,761	394,484
Total Administration	<u>1,632,558</u>	<u>1,978,074</u>	<u>1,491,141</u>	<u>486,933</u>
<b>Total General Government</b>	<b><u>6,354,736</u></b>	<b><u>6,749,769</u></b>	<b><u>5,988,239</u></b>	<b><u>761,530</u></b>
<b>Public Safety:</b>				
Police Department - Administration:				
Personnel services	915,716	915,716	929,797	(14,081)
Supplies	28,750	29,753	21,933	7,820
Repairs and maintenance	42,500	62,104	38,258	23,846
Other services and charges	81,998	541,310	294,109	247,201
Total Administration	<u>1,068,964</u>	<u>1,548,883</u>	<u>1,284,097</u>	<u>264,786</u>
Police Department - Communications:				
Personnel services	1,196,762	1,196,762	1,186,699	10,063
Supplies	9,700	9,988	6,010	3,978
Repairs and maintenance	36,250	43,250	23,877	19,373
Other services and charges	21,480	21,480	12,270	9,210
Total Communications	<u>1,264,192</u>	<u>1,271,480</u>	<u>1,228,856</u>	<u>42,624</u>
Police Department - Patrol:				
Personnel services	6,534,227	6,453,057	6,027,227	425,830
Supplies	305,040	330,355	308,772	21,583
Repairs and maintenance	225,100	252,184	204,305	47,879
Other services and charges	539,294	544,424	507,863	36,561
Total Patrol	<u>7,603,661</u>	<u>7,580,020</u>	<u>7,048,167</u>	<u>531,853</u>
Police Department - Patrol - DOT Program:				
Personnel services	102,922	102,922	115,829	(12,907)
Supplies	4,480	4,480	5,784	(1,304)
Repairs and maintenance	1,250	8,750	7,720	1,030
Other services and charges	11,899	11,899	8,654	3,245
Total Patrol - DOT Program	<u>120,551</u>	<u>128,051</u>	<u>137,987</u>	<u>(9,936)</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Public Safety (continued):</b>				
Police Department - Criminal Investigation:				
Personnel services	\$ 1,941,851	\$ 1,915,351	\$ 1,935,860	\$ (20,509)
Supplies	52,950	61,387	60,397	990
Repairs and maintenance	52,800	50,421	27,265	23,156
Other services and charges	163,528	216,028	195,197	20,831
<b>Total Criminal Investigation</b>	<b>2,211,129</b>	<b>2,243,187</b>	<b>2,218,719</b>	<b>24,468</b>
Police Department - Animal Control:				
Personnel services	346,601	345,218	370,119	(24,901)
Supplies	32,500	42,500	41,980	520
Repairs and maintenance	12,000	12,000	4,433	7,567
Other services and charges	67,914	70,914	57,720	13,194
<b>Total Animal Services</b>	<b>459,015</b>	<b>470,632</b>	<b>474,252</b>	<b>(3,620)</b>
Fire Marshal - Administration:				
Personnel services	901,027	911,227	929,053	(17,826)
Supplies	28,075	34,850	33,225	1,625
Repairs and maintenance	5,500	6,219	5,753	466
Other services and charges	105,947	104,447	98,448	5,999
<b>Total Administration</b>	<b>1,040,549</b>	<b>1,056,743</b>	<b>1,066,479</b>	<b>(9,736)</b>
Fire Marshal - Emergency Management:				
Personnel services	101,044	101,044	103,516	(2,472)
Supplies	25,350	19,274	12,668	6,606
Repairs and maintenance	3,000	1,700	1,587	113
Other services and charges	48,630	70,301	30,724	39,577
<b>Total Emergency Management</b>	<b>178,024</b>	<b>192,319</b>	<b>148,495</b>	<b>43,824</b>
Fire Marshal - Fire/EMS Administration:				
Other services and charges	1,819,900	1,819,900	1,718,833	101,067
<b>Total Fire/EMS Administration</b>	<b>1,819,900</b>	<b>1,819,900</b>	<b>1,718,833</b>	<b>101,067</b>
Fire Marshal - Storm:				
Personnel services	-	-	-	-
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Other services and charges	-	-	5,043	(5,043)
<b>Total Storm</b>	<b>-</b>	<b>-</b>	<b>5,043</b>	<b>(5,043)</b>
Fire Marshal - Public Safety Health:				
Personnel services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
<b>Total Public Safety Health</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Public Safety</b>	<b>15,765,985</b>	<b>16,311,215</b>	<b>15,330,928</b>	<b>980,287</b>

**CITY OF FRIENDSWOOD, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
For the Year Ended September 30, 2022**

Expenditures (continued)	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Public Works:</b>				
Administration:				
Personnel services	\$ 254,074	\$ 254,074	\$ 253,084	\$ 990
Supplies	4,050	4,050	3,454	596
Other services and charges	13,275	17,379	5,211	12,168
Total Administration	<u>271,399</u>	<u>275,503</u>	<u>261,749</u>	<u>13,754</u>
Streets:				
Personnel services	816,535	816,535	882,554	(66,019)
Supplies	103,220	111,419	141,378	(29,959)
Repairs and maintenance	143,830	1,023,317	966,247	57,070
Other services and charges	429,898	435,000	447,218	(12,218)
Total Streets	<u>1,493,483</u>	<u>2,386,271</u>	<u>2,437,397</u>	<u>(51,126)</u>
Drainage:				
Personnel services	338,413	338,413	271,787	66,626
Supplies	13,090	13,155	13,791	(636)
Repairs and maintenance	56,800	106,336	49,986	56,350
Other services and charges	15,971	15,971	12,750	3,221
Total Drainage	<u>424,274</u>	<u>473,875</u>	<u>348,314</u>	<u>125,561</u>
<b>Total Public Works</b>	<b><u>2,189,156</u></b>	<b><u>3,135,649</u></b>	<b><u>3,047,460</u></b>	<b><u>88,189</u></b>
<b>Engineering:</b>				
Capital Projects Administration:				
Personnel services	482,905	482,905	492,762	(9,857)
Supplies	13,965	17,207	16,661	546
Repairs and maintenance	2,000	2,000	716	1,284
Other services and charges	79,628	73,813	60,871	12,942
Total Capital Projects Administration:	<u>578,498</u>	<u>575,925</u>	<u>571,010</u>	<u>4,915</u>
<b>Total Engineering</b>	<b><u>578,498</u></b>	<b><u>575,925</u></b>	<b><u>571,010</u></b>	<b><u>4,915</u></b>
<b>Community Development:</b>				
Administration:				
Personnel services	367,866	367,866	366,766	1,100
Supplies	9,180	9,180	5,694	3,486
Other services and charges	20,510	20,510	7,081	13,429
Total Administration	<u>397,556</u>	<u>397,556</u>	<u>379,541</u>	<u>18,015</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Community Development (continued):</b>				
Planning and Zoning:				
Personnel services	\$ 316,297	\$ 323,097	\$ 326,979	\$ (3,882)
Supplies	3,900	1,900	1,272	628
Other services and charges	54,075	47,275	22,175	25,100
Total Planning and Zoning	<u>374,272</u>	<u>372,272</u>	<u>350,426</u>	<u>21,846</u>
Inspection and Code Enforcement:				
Personnel services	431,959	431,959	411,682	20,277
Supplies	10,380	10,380	10,215	165
Repairs and maintenance	3,650	3,650	1,011	2,639
Other services and charges	56,782	49,882	34,538	15,344
Total Inspection and Code Enforcement	<u>502,771</u>	<u>495,871</u>	<u>457,446</u>	<u>38,425</u>
<b>Total Community Development</b>	<b><u>1,274,599</u></b>	<b><u>1,265,699</u></b>	<b><u>1,187,413</u></b>	<b><u>78,286</u></b>
<b>Parks and recreation:</b>				
Administration:				
Personnel services	291,934	291,934	293,999	(2,065)
Supplies	3,950	3,850	3,754	96
Repairs and maintenance	32,930	33,030	30,536	2,494
Total Administration	<u>328,814</u>	<u>328,814</u>	<u>328,289</u>	<u>525</u>
Recreation Programs:				
Personnel services	324,187	324,187	345,855	(21,668)
Supplies	19,025	19,716	19,407	309
Other services and charges	127,370	123,500	120,687	2,813
Total Recreation programs	<u>470,582</u>	<u>467,403</u>	<u>485,949</u>	<u>(18,546)</u>
July 4th Program:				
Personnel services	31,233	31,233	34,926	(3,693)
Supplies	4,000	5,039	5,038	1
Other services and charges	88,400	103,938	99,744	4,194
Total July 4th Program	<u>123,633</u>	<u>140,210</u>	<u>139,708</u>	<u>502</u>
Summer Day Camp Program:				
Personnel services	117,374	117,374	101,031	16,343
Supplies	12,500	13,635	13,631	4
Other services and charges	42,650	44,267	44,370	(103)
Total Summer Day Camp Program	<u>172,524</u>	<u>175,276</u>	<u>159,032</u>	<u>16,244</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Parks and recreation (continued):</b>				
Keep Friendswood Beautiful committee:				
Supplies	\$ 14,200	\$ 14,634	\$ 14,581	\$ 53
Repairs and maintenance	2,500	4,426	3,925	501
Other services and charges	37,225	37,233	33,415	3,818
Total Keep Friendswood Beautiful committee	<u>53,925</u>	<u>56,293</u>	<u>51,921</u>	<u>4,372</u>
Stevenson Park pool:				
Personnel services	76,834	76,834	59,674	17,160
Supplies	24,800	23,515	18,582	4,933
Repairs and maintenance	45,518	43,978	38,053	5,925
Other services and charges	25,770	25,810	15,743	10,067
Total Stevenson park pool	<u>172,922</u>	<u>170,137</u>	<u>132,052</u>	<u>38,085</u>
Senior Activity Center:				
Personnel services	183,204	183,204	181,675	1,529
Supplies	10,500	9,633	9,315	318
Repairs and maintenance	2,000	5,029	4,997	32
Other services and charges	17,956	18,715	18,851	(136)
Total Senior Activity Center	<u>213,660</u>	<u>216,581</u>	<u>214,838</u>	<u>1,743</u>
Park Operations:				
Personnel services	820,904	820,904	843,968	(23,064)
Supplies	77,500	80,675	88,335	(7,660)
Repairs and maintenance	226,258	239,526	235,549	3,977
Other services and charges	514,009	505,181	549,787	(44,606)
Total Park Operations	<u>1,638,671</u>	<u>1,646,286</u>	<u>1,717,639</u>	<u>(71,353)</u>
Facility Operations:				
Supplies	29,000	36,373	34,206	2,167
Repairs and maintenance	212,000	538,499	422,100	116,399
Other services and charges	546,000	600,103	616,575	(16,472)
Total Facility Operations	<u>787,000</u>	<u>1,174,975</u>	<u>1,072,881</u>	<u>102,094</u>
<b>Total parks and recreation</b>	<b><u>3,961,731</u></b>	<b><u>4,375,975</u></b>	<b><u>4,302,309</u></b>	<b><u>73,666</u></b>
<b>Library:</b>				
Administration:				
Personnel services	1,164,843	1,164,843	1,144,622	20,221
Supplies	157,185	181,300	159,547	21,753
Repairs and maintenance	440	582	582	-
Other services and charges	18,955	30,098	28,705	1,393
Total Administration	<u>1,341,423</u>	<u>1,376,823</u>	<u>1,333,456</u>	<u>43,367</u>
<b>Total library</b>	<b><u>1,341,423</u></b>	<b><u>1,376,823</u></b>	<b><u>1,333,456</u></b>	<b><u>43,367</u></b>

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND**

**For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Capital improvements:</b>				
Repairs and Maintenance	\$ -	\$ 1,595	\$ 1,595	\$ -
Other services and charges	-	32,298	30,034	2,264
Capital outlay	1,649,800	6,405,680	2,532,230	3,873,450
<b>Total capital improvements</b>	<b>1,649,800</b>	<b>6,439,573</b>	<b>2,563,859</b>	<b>3,875,714</b>
<b>Total Expenditures</b>	<b>33,115,928</b>	<b>40,230,628</b>	<b>34,324,674</b>	<b>5,905,954</b>
Excess (deficiency) of revenues over expenditures	(3,080,528)	(10,133,511)	(2,975,236)	7,158,275
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	31,308	74,126	42,818
Sale of capital assets	-	-	18,029	18,029
Notes payable issued	-	752,663	1,457,640	704,977
Transfers in	1,563,531	1,708,331	1,708,331	-
Transfers out	-	(124,948)	(124,948)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,563,531</b>	<b>2,367,354</b>	<b>3,133,178</b>	<b>765,824</b>
Net change in fund balances	(1,516,997)	(7,766,157)	157,942	7,924,099
<b>Fund Balances - Beginning</b>	<b>17,227,145</b>	<b>17,227,145</b>	<b>17,227,145</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 15,710,148</b>	<b>\$ 9,460,988</b>	<b>\$ 17,385,087</b>	<b>\$ 7,924,099</b>

**Budgetary Basis of Accounting**

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

**Budgetary Information**

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

**Content**

The budget shall provide a complete financial plan of all City funds and activities and, except as required by law or this Charter, shall be in such form as the City Manager deems desirable or the Council may require. The budget shall begin with a clear general summary of its contents; shall show in 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 bid 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.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

**Last Eight Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>A. Total pension liability</b>				
1. Service Cost	\$ 3,032,100	\$ 2,979,569	\$ 2,738,906	\$ 2,626,099
2. Interest (on the Total Pension Liability)	6,110,807	5,780,980	5,345,140	5,044,613
3. Difference between expected and actual experience	788,166	(146,825)	1,150,459	59,617
4. Changes of assumptions	-	-	378,973	-
5. Benefit payments, including refunds of employee contributions	(4,163,654)	(3,343,679)	(3,210,157)	(3,458,824)
6. Net change in total pension liability	5,767,419	5,270,045	6,403,321	4,271,505
7. Total pension liability – beginning	91,096,245	85,826,200	79,422,879	75,151,374
8. Total pension liability – ending	<u>96,863,664</u>	<u>91,096,245</u>	<u>85,826,200</u>	<u>79,422,879</u>
<b>B. Plan fiduciary net position</b>				
1. Contributions – employer	2,777,049	2,620,564	2,395,398	2,305,344
2. Contributions – employee	1,174,582	1,158,078	1,068,692	1,025,248
3. Net investment income	10,611,017	5,713,369	10,053,454	(2,013,270)
4. Benefit payments, including refunds of employee contributions	(4,163,654)	(3,343,679)	(3,210,157)	(3,458,824)
5. Administrative Expense	(49,073)	(36,958)	(56,778)	(38,892)
6. Other	337	(1,442)	(1,704)	(2,032)
7. Net change in plan fiduciary net position	10,350,258	6,109,932	10,248,905	(2,182,426)
8. Plan fiduciary net position – beginning	81,355,616	75,245,684	64,996,779	67,179,205
9. Plan fiduciary net position – ending	<u>91,705,874</u>	<u>81,355,616</u>	<u>75,245,684</u>	<u>64,996,779</u>
<b>C. Net pension liability (A.9 – B.9)</b>	<u>\$ 5,157,790</u>	<u>\$ 9,740,629</u>	<u>\$ 10,580,516</u>	<u>\$ 14,426,100</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	94.68%	89.31%	87.67%	81.84%
<b>E. Covered payroll</b>	\$ 16,779,748	\$ 16,543,970	\$ 15,267,034	\$ 14,646,398
<b>F. Net position liability as a percentage of covered payroll</b>	30.74%	58.88%	69.30%	98.50%

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

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

**Last Eight Measurement Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>A. Total pension liability</b>				
1. Service Cost	\$ 2,505,392	\$ 2,334,817	\$ 2,204,299	\$ 2,018,353
2. Interest (on the Total Pension Liability)	4,755,782	4,435,987	4,317,394	4,084,392
3. Difference between expected and actual experience	(60,180)	366,687	(1,032,789)	(736,093)
4. Changes of assumptions	-	-	847,469	-
5. Benefit payments, including refunds of employee contributions	(2,505,921)	(2,464,107)	(2,256,734)	(2,005,311)
6. Net change in total pension liability	4,695,073	4,673,384	4,079,639	3,361,341
7. Total pension liability – beginning	70,456,304	65,782,920	61,703,281	58,341,940
8. Total pension liability – ending	<u>75,151,377</u>	<u>70,456,304</u>	<u>65,782,920</u>	<u>61,703,281</u>
<b>B. Plan fiduciary net position</b>				
1. Contributions – employer	2,182,093	2,037,849	1,998,038	1,867,782
2. Contributions – employee	987,399	923,896	886,669	829,598
3. Net investment income	8,104,390	3,672,583	79,202	2,868,842
4. Benefit payments, including refunds of employee contributions	(2,505,921)	(2,464,107)	(2,256,734)	(2,005,311)
5. Administrative Expense	(41,987)	(41,467)	(48,239)	(29,949)
6. Other	(2,127)	(2,234)	(2,383)	(2,462)
7. Net change in plan fiduciary net position	8,723,847	4,126,520	656,553	3,528,500
8. Plan fiduciary net position – beginning	58,455,358	54,328,838	53,672,285	50,143,785
9. Plan fiduciary net position – ending	<u>67,179,205</u>	<u>58,455,358</u>	<u>54,328,838</u>	<u>53,672,285</u>
<b>C. Net pension liability (A.9 – B.9)</b>	<u>\$ 7,972,172</u>	<u>\$ 12,000,946</u>	<u>\$ 11,454,082</u>	<u>\$ 8,030,996</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	89.39%	82.97%	82.59%	86.98%
<b>E. Covered payroll</b>	\$ 14,098,997	\$ 13,198,512	\$ 12,653,842	\$ 11,851,396
<b>F. Net position liability as a percentage of covered payroll</b>	56.54%	90.93%	90.52%	67.76%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially required contributions	\$ 2,844,852	\$ 2,721,688	\$ 2,485,117	\$ 2,376,185	\$ 2,255,270
Contributions in relation to the actuarially required contributions	<u>2,844,852</u>	<u>2,721,688</u>	<u>2,485,117</u>	<u>2,376,185</u>	<u>2,255,270</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 17,404,825	\$ 16,639,755	\$ 15,724,041	\$ 15,133,171	\$ 14,385,208
Contributions as a percentage of covered payroll	16.35%	16.36%	15.80%	15.70%	15.68%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Actuarially required contributions	\$ 2,161,617	\$ 2,100,698	\$ 1,960,652	\$ 1,847,375	
Contributions in relation to the actuarially required contributions	<u>2,161,617</u>	<u>2,100,698</u>	<u>1,960,652</u>	<u>1,847,375</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 13,986,135	\$ 13,525,613	\$ 12,423,310	\$ 11,781,281	
Contributions as a percentage of covered payroll	15.46%	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, 2022*

**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	24 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 Five Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 45,305	\$ 36,397	\$ 27,481	\$ 30,757
Interest	17,025	20,150	23,199	20,933
Difference between expected and actual experience	(9,842)	(48,181)	(60,356)	(7,425)
Changes of assumptions	29,168	115,737	118,183	(43,775)
Benefit payments **	<u>(15,102)</u>	<u>(4,963)</u>	<u>(6,107)</u>	<u>(5,859)</u>
Net change in total OPEB liability	66,554	119,140	102,400	(5,369)
Total OPEB liability - beginning	836,154	717,014	614,614	619,983
Total OPEB liability - ending	<u>\$ 902,708</u>	<u>\$ 836,154</u>	<u>\$ 717,014</u>	<u>\$ 614,614</u>
Covered-employee payroll	\$ 16,779,748	\$ 16,543,970	\$ 15,267,034	\$ 14,646,398
Total OPEB liability as a percentage of covered-employee payroll	5.38%	5.05%	4.70%	4.20%
	<u>2017</u>			
Service cost	\$ 26,788			
Interest	20,384			
Difference between expected and actual experience	-			
Changes of assumptions	49,777			
Benefit payments **	<u>(5,640)</u>			
Net change in total OPEB liability	91,309			
Total OPEB liability - beginning	528,674			
Total OPEB liability - ending	<u>\$ 619,983</u>			
Covered-employee payroll	\$ 14,098,997			
Total OPEB liability as a percentage of covered-employee payroll	4.40%			

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2017.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefit.

\*\* 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.

**Notes to Required Supplementary Information:**

*Changes of assumptions:*

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

2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%
2017	3.31%

**CITY OF FRIENDSWOOD, TEXAS**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

**CITY OF FRIENDSWOOD RETIREE HEALTH CARE PLAN**

**Last Five Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 60,759	\$ 60,972	\$ 46,995	\$ 53,919
Interest	22,218	30,484	36,314	37,843
Difference between expected and actual experience	11,967	(104,038)	8,768	(214,124)
Changes of assumptions	(111,991)	75,401	86,718	7,071
Benefit payments	(61,339)	(59,267)	(52,896)	(38,566)
Net change in total OPEB liability	(78,386)	3,552	125,899	(153,857)
Total OPEB liability - beginning	1,111,209	1,107,657	981,758	1,135,615
Total OPEB liability - ending	<u>\$ 1,032,823</u>	<u>\$ 1,111,209</u>	<u>\$ 1,107,657</u>	<u>\$ 981,758</u>
Covered-employee payroll	\$ 16,779,752	\$ 16,543,973	\$ 15,267,037	\$ 14,646,402
Total OPEB liability as a percentage of covered-employee payroll	6.16%	6.72%	7.26%	6.70%
	<u>2017</u>			
Service cost	\$ 44,637			
Interest	39,497			
Difference between expected and actual experience	4,573			
Changes of assumptions	51,765			
Benefit payments	(38,414)			
Net change in total OPEB liability	102,058			
Total OPEB liability - beginning	1,033,557			
Total OPEB liability - ending	<u>\$ 1,135,615</u>			
Covered-employee payroll	\$ 12,035,859			
Total OPEB liability as a percentage of covered-employee payroll	9.44%			

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefit.

**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, 2018 as conducted for the Texas Municipal Retirement System (TMRS).

*Changes of assumptions:*

2021 - The period of service used for allocation of service costs was changed to only reflect service with the City.

2019 - The demographic study and salary increase assumptions were updated to reflect the 2019 TMRS Experience Study.

2018 - The health care trend assumption was modified.

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

2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%
2017	3.31%



**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.

**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.

**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**

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.

**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.

**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.

	<b>Special Revenue Funds</b>			
	<b>Police Investigation</b>	<b>Fires/EMS Donation</b>	<b>Municipal Court</b>	<b>CDBG - DR Harris County</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 55,910	\$ 141,982	\$ 84,687	\$ 135,596
Investments	132,085	341,552	203,724	326,189
Receivables, net of allowance:				
Taxes	-	-	-	-
Customer accounts	-	2,697	-	-
Other receivables	-	-	3,573	-
Accrued interest	117	332	163	-
Prepaid items	-	-	391	-
Due from other governments	-	-	-	444,527
<b>Total Assets</b>	<b>\$ 188,112</b>	<b>\$ 486,563</b>	<b>\$ 292,538</b>	<b>\$ 906,312</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 139	\$ -	\$ 5,208	\$ 409,377
Retainage payable	-	-	273	21,267
Due to other funds	-	-	-	680,090
<b>Total Liabilities</b>	<b>139</b>	<b>-</b>	<b>5,481</b>	<b>1,110,734</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	3,756	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>3,756</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	-	-	391	-
Permanent fund	-	-	-	-
<b>Restricted:</b>				
Municipal court operations	-	-	282,910	-
Public safety	187,973	486,563	-	-
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204,422)</b>
<b>Total Fund Balances</b>	<b>187,973</b>	<b>486,563</b>	<b>283,301</b>	<b>(204,422)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 188,112</b>	<b>\$ 486,563</b>	<b>\$ 292,538</b>	<b>\$ 906,312</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2022**

	<u>Special Revenue Funds</u>		<u>Permanent</u>	<u>Capital Projects Funds</u>
	<u>HMGP Acquisition &amp; Demolition Project</u>	<u>CDBG - DR Galveston County</u>	<u>1776 Park Fund</u>	<u>Sidewalk Install Fund</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2	\$ 56,842	\$ 3,255	\$ 11,174
Investments	-	136,738	7,831	26,881
Receivables, net of allowance:				
Taxes	-	-	-	-
Customer accounts	-	-	-	-
Other receivables	-	85	-	-
Accrued interest	-	-	7	24
Prepaid items	-	-	-	-
Due from other governments	205,178	1,101,470	-	-
<b>Total Assets</b>	<u>\$ 205,180</u>	<u>\$ 1,295,135</u>	<u>\$ 11,093</u>	<u>\$ 38,079</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 32,220
Retainage payable	-	-	-	-
Due to other funds	205,180	1,268,460	-	-
<b>Total Liabilities</b>	<u>205,180</u>	<u>1,268,460</u>	<u>-</u>	<u>32,220</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	-
<b>Total Deferred Inflows</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	-	-	-	-
Permanent fund	-	-	11,093	-
<b>Restricted:</b>				
Municipal court operations	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	-	5,859
<b>Unassigned</b>	-	26,675	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>26,675</u>	<u>11,093</u>	<u>5,859</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 205,180</u>	<u>\$ 1,295,135</u>	<u>\$ 11,093</u>	<u>\$ 38,079</u>

	<u>Capital Projects Funds</u>		
	<u>Park Land Dedication Funds</u>	<u>Street Improvements Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 10,167	\$ 1,014,034	\$ 1,513,649
Investments	24,458	2,439,364	3,638,822
Receivables, net of allowance:			
Taxes	-	427,806	427,806
Customer accounts	-	-	2,697
Other receivables	-	-	3,658
Accrued interest	37	1,455	2,135
Prepaid items	-	-	391
Due from other governments	-	-	1,751,175
<b>Total Assets</b>	<u>\$ 34,662</u>	<u>\$ 3,882,659</u>	<u>\$ 7,340,333</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 321,864	\$ 768,808
Retainage payable	-	16,940	38,480
Due to other funds	-	-	2,153,730
<b>Total Liabilities</b>	<u>-</u>	<u>338,804</u>	<u>2,961,018</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	-	3,756
<b>Total Deferred Inflows</b>	<u>-</u>	<u>-</u>	<u>3,756</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid items	-	-	391
Permanent fund	-	-	11,093
<b>Restricted:</b>			
Municipal court operations	-	-	282,910
Public safety	-	-	674,536
Capital projects	34,662	3,543,855	3,584,376
<b>Unassigned</b>	-	-	(177,747)
<b>Total Fund Balances</b>	<u>34,662</u>	<u>3,543,855</u>	<u>4,375,559</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 34,662</u>	<u>\$ 3,882,659</u>	<u>\$ 7,340,333</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<b>Special Revenue Funds</b>			
	<b>Police Investigation</b>	<b>Fires/EMS Donation</b>	<b>Municipal Court</b>	<b>CDBG - DR Harris County</b>
<b>Revenues</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	16,648	-	66,948	-
Permits and fees	-	-	-	-
Intergovernmental	-	-	-	443,294
Miscellaneous	-	297	-	-
Donations	-	194,427	-	-
Investment income (loss)	(73)	(692)	(140)	-
<b>Total Revenues</b>	<b>16,575</b>	<b>194,032</b>	<b>66,808</b>	<b>443,294</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	52,593	-
Public safety	14,333	25,000	-	-
Public works	-	-	-	56,493
Library services	-	-	-	-
<b>Debt Service:</b>				
Principal	-	119,514	-	-
Interest and other charges	-	13,318	-	-
<b>Capital Outlay</b>	<b>-</b>	<b>163,000</b>	<b>5,452</b>	<b>425,337</b>
<b>Total Expenditures</b>	<b>14,333</b>	<b>320,832</b>	<b>58,045</b>	<b>481,830</b>
Excess (deficiency) of revenues over (under) expenditures	2,242	(126,800)	8,763	(38,536)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	14,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>14,000</b>	<b>-</b>	<b>-</b>
Net change in fund balances	2,242	(112,800)	8,763	(38,536)
<b>Fund Balances - Beginning</b>	<b>185,731</b>	<b>599,363</b>	<b>274,538</b>	<b>(165,886)</b>
<b>Fund Balances - Ending</b>	<b>\$ 187,973</b>	<b>\$ 486,563</b>	<b>\$ 283,301</b>	<b>\$ (204,422)</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<u>Special Revenue Funds</u>		<u>Permanent</u>	<u>Capital Projects Funds</u>
	<u>HMGP Acquisition &amp; Demolition Project</u>	<u>CDBG - DR Galveston County</u>	<u>1776 Park Fund</u>	<u>Sidewalk Install Fund</u>
<b>Revenues</b>				
Sales taxes	\$ -	\$ -	\$ -	-
Fines and forfeitures	-	-	-	-
Permits and fees	-	-	-	1,238
Intergovernmental	-	2,177,201	-	-
Miscellaneous	-	8,700	-	-
Donations	-	-	-	-
Investment income (loss)	-	-	(8)	(38)
<b>Total Revenues</b>	<u>-</u>	<u>2,185,901</u>	<u>(8)</u>	<u>1,200</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	2,159,226	-	-
Library services	-	-	-	-
<b>Debt Service:</b>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
<b>Capital Outlay</b>	-	-	-	39,061
<b>Total Expenditures</b>	<u>-</u>	<u>2,159,226</u>	<u>-</u>	<u>39,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>26,675</u>	<u>(8)</u>	<u>(37,861)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	26,675	(8)	(37,861)
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>11,101</u>	<u>43,720</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ 26,675</u>	<u>\$ 11,093</u>	<u>\$ 5,859</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<u>Capital Projects Funds</u>		
	<u>Park Land Dedication Funds</u>	<u>Street Improvements Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Sales taxes	\$ -	\$ 2,208,387	\$ 2,208,387
Fines and forfeitures	-	-	83,596
Permits and fees	57,600	-	58,838
Intergovernmental	-	-	2,620,495
Miscellaneous	-	-	8,997
Donations	-	-	194,427
Investment income (loss)	(166)	982	(135)
<b>Total Revenues</b>	<u>57,434</u>	<u>2,209,369</u>	<u>5,174,605</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	-	-	52,593
Public safety	-	-	39,333
Public works	-	338,804	2,554,523
Library services	2,729	-	2,729
<b>Debt Service:</b>			
Principal	-	-	119,514
Interest and other charges	-	-	13,318
<b>Capital Outlay</b>	<u>126,366</u>	<u>-</u>	<u>759,216</u>
<b>Total Expenditures</b>	<u>129,095</u>	<u>338,804</u>	<u>3,541,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,661)</u>	<u>1,870,565</u>	<u>1,633,379</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	<u>-</u>	<u>-</u>	<u>14,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>14,000</u>
Net change in fund balances	(71,661)	1,870,565	1,647,379
<b>Fund Balances - Beginning</b>	<u>106,323</u>	<u>1,673,290</u>	<u>2,728,180</u>
<b>Fund Balances - Ending</b>	<u>\$ 34,662</u>	<u>\$ 3,543,855</u>	<u>\$ 4,375,559</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**POLICE INVESTIGATION**  
**For the Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ -	\$ 16,648	\$ 16,648
Investment earnings	423	423	(73)	(496)
<b>Total Revenues</b>	<u>423</u>	<u>423</u>	<u>16,575</u>	<u>16,152</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	15,294	14,333	961
<b>Total Expenditures</b>	<u>-</u>	<u>15,294</u>	<u>14,333</u>	<u>961</u>
Net change in fund balances	423	(14,871)	2,242	17,113
<b>Fund Balances - Beginning</b>	<u>185,731</u>	<u>185,731</u>	<u>185,731</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 186,154</u>	<u>\$ 170,860</u>	<u>\$ 187,973</u>	<u>\$ 17,113</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Donations	\$ 215,000	\$ 215,000	\$ 194,427	\$ (20,573)
Investment earnings	1,567	1,567	(692)	(2,259)
Miscellaneous	-	-	297	297
<b>Total Revenues</b>	<u>216,567</u>	<u>216,567</u>	<u>194,032</u>	<u>(22,535)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	25,000	25,000	-
<b>Debt service:</b>				
Principal	119,514	119,514	119,514	-
Interest and other charges	13,318	13,318	13,318	-
<b>Capital outlay</b>	<u>220,635</u>	<u>224,135</u>	<u>163,000</u>	<u>61,135</u>
<b>Total Expenditures</b>	<u>353,467</u>	<u>381,967</u>	<u>320,832</u>	<u>61,135</u>
Excess (deficiency) of revenues over expenditures	<u>(136,900)</u>	<u>(165,400)</u>	<u>(126,800)</u>	<u>38,600</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	3,500	14,000	10,500
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>3,500</u>	<u>14,000</u>	<u>10,500</u>
Net change in fund balances	(136,900)	(161,900)	(112,800)	49,100
<b>Fund Balances - Beginning</b>	<u>599,363</u>	<u>599,363</u>	<u>599,363</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 462,463</u>	<u>\$ 437,463</u>	<u>\$ 486,563</u>	<u>\$ 49,100</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Fines and forfeitures	\$ 49,000	\$ 49,000	\$ 66,948	\$ 17,948
Investment earnings	474	474	(140)	(614)
<b>Total Revenues</b>	<u>49,474</u>	<u>49,474</u>	<u>66,808</u>	<u>17,334</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	49,759	54,105	52,593	1,512
<b>Capital outlay</b>	<u>120,000</u>	<u>98,233</u>	<u>5,452</u>	<u>92,781</u>
<b>Total Expenditures</b>	<u>169,759</u>	<u>152,338</u>	<u>58,045</u>	<u>94,293</u>
Net change in fund balances	(120,285)	(102,864)	8,763	111,627
<b>Fund Balances - Beginning</b>	<u>274,538</u>	<u>274,538</u>	<u>274,538</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 154,253</u>	<u>\$ 171,674</u>	<u>\$ 283,301</u>	<u>\$ 111,627</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 443,294	\$ 443,294
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>443,294</u>	<u>443,294</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	-	85,592	56,493	29,099
<b>Capital outlay</b>	<u>-</u>	<u>-</u>	<u>425,337</u>	<u>(425,337)</u>
<b>Total Expenditures</b>	<u>-</u>	<u>85,592</u>	<u>481,830</u>	<u>(396,238)</u>
Net change in fund balances	-	(85,592)	(38,536)	47,056
<b>Fund Balances - Beginning</b>	<u>(165,886)</u>	<u>(165,886)</u>	<u>(165,886)</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (165,886)</u>	<u>\$ (251,478)</u>	<u>\$ (204,422)</u>	<u>\$ 47,056</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	-	-	-	-
<b>Capital outlay</b>	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 1,075,731	\$ 2,177,201	\$ 1,101,470
Miscellaneous revenue	-	-	8,700	8,700
<b>Total Revenues</b>	<u>-</u>	<u>1,075,731</u>	<u>2,185,901</u>	<u>1,110,170</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	-	1,099,531	2,159,226	(1,059,695)
<b>Total Expenditures</b>	<u>-</u>	<u>1,099,531</u>	<u>2,159,226</u>	<u>(1,059,695)</u>
Net change in fund balances	-	(23,800)	26,675	50,475
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ (23,800)</u>	<u>\$ 26,675</u>	<u>\$ 50,475</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Investment earnings	\$ 22	\$ 22	\$ (8)	\$ (30)
<b>Total Revenues</b>	<u>22</u>	<u>22</u>	<u>(8)</u>	<u>(30)</u>
<b>Expenditures</b>				
Current	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	22	22	(8)	(30)
<b>Fund Balances - Beginning</b>	<u>11,101</u>	<u>11,101</u>	<u>11,101</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 11,123</u>	<u>\$ 11,123</u>	<u>\$ 11,093</u>	<u>\$ (30)</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Permits and fees	\$ -	\$ -	\$ 1,238	\$ 1,238
Investment earnings	88	88	(38)	(126)
<b>Total Revenues</b>	<u>88</u>	<u>88</u>	<u>1,200</u>	<u>1,112</u>
<b>Expenditures</b>				
Capital outlay	-	45,030	39,061	5,969
<b>Total Expenditures</b>	<u>-</u>	<u>45,030</u>	<u>39,061</u>	<u>5,969</u>
Net change in fund balances	88	(44,942)	(37,861)	7,081
<b>Fund Balances - Beginning</b>	<u>43,720</u>	<u>43,720</u>	<u>43,720</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 43,808</u>	<u>\$ (1,222)</u>	<u>\$ 5,859</u>	<u>\$ 7,081</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Permit and fees	\$ 50,000	\$ 50,000	\$ 57,600	\$ 7,600
Investment earnings	269	269	(166)	(435)
<b>Total Revenues</b>	<u>50,269</u>	<u>50,269</u>	<u>57,434</u>	<u>7,165</u>
<b>Expenditures</b>				
<b>Current:</b>				
Parks and recreation	-	6,822	2,729	4,093
<b>Capital outlay</b>	-	149,308	126,366	22,942
<b>Total Expenditures</b>	<u>-</u>	<u>156,130</u>	<u>129,095</u>	<u>27,035</u>
Net change in fund balances	50,269	(105,861)	(71,661)	34,200
<b>Fund Balances - Beginning</b>	<u>106,323</u>	<u>106,323</u>	<u>106,323</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 156,592</u>	<u>\$ 462</u>	<u>\$ 34,662</u>	<u>\$ 34,200</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Sales taxes	\$ 2,023,954	\$ 2,023,954	\$ 2,208,387	\$ 184,433
Investment earnings	2,127	2,127	982	(1,145)
<b>Total Revenues</b>	<u>2,026,081</u>	<u>2,026,081</u>	<u>2,209,369</u>	<u>183,288</u>
<b>Expenditures</b>				
Public works	-	338,804	338,804	-
<b>Capital outlay</b>	-	184,246	-	184,246
<b>Total Expenditures</b>	<u>-</u>	<u>523,050</u>	<u>338,804</u>	<u>184,246</u>
Net change in fund balances	2,026,081	1,503,031	1,870,565	367,534
<b>Fund Balances - Beginning</b>	<u>1,673,290</u>	<u>1,673,290</u>	<u>1,673,290</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,699,371</u>	<u>\$ 3,176,321</u>	<u>\$ 3,543,855</u>	<u>\$ 367,534</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 4,355,517	\$ 4,355,517	\$ 4,370,044	\$ 14,527
Investment earnings	1,600	1,600	(1,498)	(3,098)
<b>Total Revenues</b>	<u>4,357,117</u>	<u>4,357,117</u>	<u>4,368,546</u>	<u>11,429</u>
<b>Expenditures</b>				
<b>Debt service:</b>				
Principal	2,722,150	2,722,150	2,721,206	944
Interest and other charges	1,613,367	1,613,367	1,611,573	1,794
<b>Total Expenditures</b>	<u>4,335,517</u>	<u>4,335,517</u>	<u>4,332,779</u>	<u>2,738</u>
Net change in fund balances	21,600	21,600	35,767	14,167
<b>Fund Balances - Beginning</b>	<u>10,608</u>	<u>10,608</u>	<u>10,608</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 32,208</u>	<u>\$ 32,208</u>	<u>\$ 46,375</u>	<u>\$ 14,167</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ 18,258	\$ 18,258	\$ 68,133	\$ 49,875
<b>Total Revenues</b>	<u>18,258</u>	<u>18,258</u>	<u>68,133</u>	<u>49,875</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	-	245,723	163,330	82,393
Parks and recreation	-	-	10,547	(10,547)
<b>Capital outlay</b>	-	14,678,132	6,954,059	7,724,073
<b>Total Expenditures</b>	<u>-</u>	<u>14,923,855</u>	<u>7,127,936</u>	<u>7,795,919</u>
Net change in fund balances	18,258	(14,905,597)	(7,059,803)	7,845,794
<b>Fund Balances - Beginning</b>	<u>15,212,515</u>	<u>15,212,515</u>	<u>15,212,515</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,230,773</u>	<u>\$ 306,918</u>	<u>\$ 8,152,712</u>	<u>\$ 7,845,794</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CORONAVIRUS STATE FISCAL RECOVERY FUND**  
**For the Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 14,200	\$ -	\$ (14,200)
Investment earnings	-	-	(1,666)	(1,666)
<b>Total Revenues</b>	<u>\$ -</u>	<u>\$ 14,200</u>	<u>\$ (1,666)</u>	<u>\$ (15,866)</u>
<b>Expenditures</b>				
<b>Current:</b>	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>14,200</u>	<u>-</u>	<u>14,200</u>
Net change in fund balances	-	-	(1,666)	(1,666)
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,666)</u></u>	<u><u>\$ (1,666)</u></u>

**STATISTICAL SECTION  
(Unaudited)**



**STATISTICAL SECTION  
(Unaudited)**

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

**Contents Pages**

<b><i>Financial Trends</i></b>	114
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	124
These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	
<b><i>Debt Capacity</i></b>	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.	
<b><i>Demographic and Economic Information</i></b>	134
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<b><i>Operating Information</i></b>	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 74,006,329	\$ 72,240,727	\$ 68,990,597	\$ 66,823,023	\$ 68,320,682
Restricted	5,059,835	3,491,974	4,606,124	4,003,468	4,085,999
Unrestricted	8,668,866	6,886,085	2,563,947	5,402,312	6,248,751
<b>Total Governmental Activities Net Position</b>	<u>\$ 87,735,030</u>	<u>\$ 82,618,786</u>	<u>\$ 76,160,668</u>	<u>\$ 76,228,803</u>	<u>\$ 78,655,432</u>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 35,999,342	\$ 32,910,959	\$ 32,242,803	\$ 27,038,046	\$ 27,088,280
Restricted	2,897,578	2,721,465	2,186,731	1,982,666	582,697
Unrestricted	11,776,833	9,984,251	8,438,509	12,077,564	13,620,211
<b>Total Business-Type Activities Net Position</b>	<u>\$ 50,673,753</u>	<u>\$ 45,616,675</u>	<u>\$ 42,868,043</u>	<u>\$ 41,098,276</u>	<u>\$ 41,291,188</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 110,005,671	\$ 105,151,686	\$ 101,233,400	\$ 93,861,069	\$ 95,408,962
Restricted	7,957,413	6,213,439	6,792,855	5,986,134	4,668,696
Unrestricted	20,445,699	16,870,336	11,002,456	17,479,876	19,868,962
<b>Total Primary Government Net Positions</b>	<u>\$ 138,408,783</u>	<u>\$ 128,235,461</u>	<u>\$ 119,028,711</u>	<u>\$ 117,327,079</u>	<u>\$ 119,946,620</u>

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

**Table 1**  
**Page 2 of 2**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 72,631,192	\$ 73,588,484	\$ 73,611,490	\$ 65,404,791	\$ 65,056,180
Restricted	2,534,312	1,405,907	1,179,764	653,496	718,275
Unrestricted	5,532,198	5,579,677	5,901,505	10,798,907	9,565,406
<b>Total Governmental Activities Net Position</b>	<u>\$ 80,697,702</u>	<u>\$ 80,574,068</u>	<u>\$ 80,692,759</u>	<u>\$ 76,857,194</u>	<u>\$ 75,339,861</u>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 29,305,429	\$ 28,322,718	\$ 26,628,714	\$ 24,495,816	\$ 22,961,547
Restricted	260,703	99,006	27,468	90,395	176,882
Unrestricted	10,584,764	10,238,993	12,040,181	14,818,104	16,790,183
<b>Total Business-Type Activities Net Position</b>	<u>\$ 40,150,896</u>	<u>\$ 38,660,717</u>	<u>\$ 38,696,363</u>	<u>\$ 39,404,315</u>	<u>\$ 39,928,612</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 101,936,621	\$ 101,911,202	\$ 100,240,204	\$ 89,900,607	\$ 88,017,727
Restricted	2,795,015	1,504,913	1,207,232	743,891	895,157
Unrestricted	16,116,962	15,818,670	17,941,686	25,617,011	26,355,589
<b>Total Primary Government Net Positions</b>	<u>\$ 120,848,598</u>	<u>\$ 119,234,785</u>	<u>\$ 119,389,122</u>	<u>\$ 116,261,509</u>	<u>\$ 115,268,473</u>

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

**Table 2**  
**Page 1 of 4**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General government	\$ 6,210,336	\$ 5,867,654	\$ 6,119,806	\$ 5,912,467	\$ 5,734,611
Public safety	15,655,859	15,645,527	15,501,734	15,134,465	17,538,040
Public works	6,994,042	7,160,229	8,840,113	7,897,373	6,267,824
Engineering	570,098	506,959	434,976	-	-
Community development	1,017,509	1,035,202	1,122,506	1,359,878	945,701
Parks and recreation	4,870,623	4,604,943	4,439,511	4,839,076	4,554,114
Library services	1,283,007	1,221,740	1,214,130	1,257,970	1,210,207
Interest and fiscal charges	1,268,435	1,244,881	1,055,889	923,350	953,509
<b>Total Government Activities Expenses</b>	<u>37,869,909</u>	<u>37,287,135</u>	<u>38,728,665</u>	<u>37,324,579</u>	<u>37,204,006</u>
<b>Business-Type Activities:</b>					
Water and wastewater	11,178,323	11,864,245	12,071,159	11,507,880	9,019,197
Interest and other	1,808,120	1,808,120	1,733,123	1,579,182	1,029,715
<b>Total Business-Type Activities</b>	<u>12,986,443</u>	<u>13,672,365</u>	<u>13,804,282</u>	<u>13,087,062</u>	<u>10,048,912</u>
<b>Total Primary Government Expenses</b>	<u>\$ 50,856,352</u>	<u>\$ 50,959,500</u>	<u>\$ 52,532,947</u>	<u>\$ 50,411,641</u>	<u>\$ 47,252,918</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 974,029	\$ 871,362	\$ 930,686	\$ 751,112	\$ 861,271
Public safety	1,197,570	1,372,432	871,714	811,768	868,761
Public works	234,103	225,419	222,337	236,352	213,042
Community development	1,238	-	9,275	6,841	-
Parks and recreation	441,649	384,489	181,709	341,560	344,064
Library services	-	-	-	-	-
Operating grants and contributions	841,537	3,874,866	3,430,645	1,842,704	4,924,228
Capital grants and contributions	2,620,495	3,864,589	708,306	-	-
<b>Total Governmental Activities Program Revenues:</b>	<u>6,310,621</u>	<u>10,593,157</u>	<u>6,354,672</u>	<u>3,990,337</u>	<u>7,211,366</u>
<b>Business-Type Activities:</b>					
Charges for services:					
Water and wastewater	19,419,622	17,919,751	16,638,758	13,669,552	12,183,711
Operating grants and contributions	289,181	-	22,602	-	-
<b>Total Business-Type activities Program Revenues</b>	<u>19,708,803</u>	<u>17,919,751</u>	<u>16,661,360</u>	<u>13,669,552</u>	<u>12,183,711</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 26,019,424</u>	<u>\$ 28,512,908</u>	<u>\$ 23,016,032</u>	<u>\$ 17,659,889</u>	<u>\$ 19,395,077</u>
<b>Net (Expense) Revenues</b>					
Governmental activities	(31,559,288)	(26,693,978)	(32,373,993)	(33,334,242)	(29,992,640)
Business-type activities	6,722,360	4,247,386	2,857,078	582,490	2,134,799
<b>Total Primary Government Net Expense</b>	<u>\$ (24,836,928)</u>	<u>\$ (22,446,592)</u>	<u>\$ (29,516,915)</u>	<u>\$ (32,751,752)</u>	<u>\$ (27,857,841)</u>

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

**Table 2**  
**Page 2 of 4**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General government	\$ 5,128,399	\$ 4,736,867	\$ 5,410,643	\$ 4,589,795	\$ 4,679,339
Public safety	15,861,719	13,101,691	11,763,659	11,236,402	10,800,130
Public works	4,429,664	4,429,482	3,933,288	3,921,658	4,385,090
Engineering	-	-	-	-	-
Community development	1,495,001	1,577,813	1,406,288	1,097,075	1,207,264
Parks and recreation	3,459,053	3,080,453	2,869,345	3,356,587	3,260,931
Library services	1,215,683	1,134,859	1,026,967	1,093,043	1,002,801
Interest and fiscal charges	953,146	862,654	730,614	630,542	703,275
<b>Total Government Activities Expenses</b>	<u>32,542,665</u>	<u>28,923,819</u>	<u>27,140,804</u>	<u>25,925,102</u>	<u>26,038,830</u>
<b>Business-Type Activities:</b>					
Water and wastewater	8,502,218	7,975,920	7,629,711	7,995,106	7,681,366
Interest and other	1,086,278	1,642,723	1,524,276	1,514,804	1,590,395
<b>Total Business-Type Activities</b>	<u>9,588,496</u>	<u>9,618,643</u>	<u>9,153,987</u>	<u>9,509,910</u>	<u>9,271,761</u>
<b>Total Primary Government Expenses</b>	<u>\$ 42,131,161</u>	<u>\$ 38,542,462</u>	<u>\$ 36,294,791</u>	<u>\$ 35,435,012</u>	<u>\$ 35,310,591</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 1,004,968	\$ 1,002,022	\$ 807,245	\$ 912,910	\$ 989,190
Public safety	35,007	28,760	30,275	31,620	34,944
Public works	242,184	174,568	190,099	193,064	186,504
Community development	1,036,741	949,011	843,648	877,132	825,366
Parks and recreation	387,915	286,727	280,046	315,702	316,047
Library services	30,600	27,532	33,699	36,081	36,686
Operating grants and contributions	2,591,025	800,151	660,633	843,995	644,458
Capital grants and contributions	219,808	318,657	3,225,672	1,202,376	543,763
<b>Total Governmental Activities Program Revenues:</b>	<u>5,548,248</u>	<u>3,587,428</u>	<u>6,071,317</u>	<u>4,412,880</u>	<u>3,576,958</u>
<b>Business-Type Activities:</b>					
Charges for services:					
Water and wastewater	12,295,441	11,319,801	11,020,029	11,117,391	11,462,779
Operating grants and contributions	-	-	-	-	-
<b>Total Business-Type activities Program Revenues</b>	<u>12,295,441</u>	<u>11,319,801</u>	<u>11,020,029</u>	<u>11,117,391</u>	<u>11,462,779</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 17,843,689</u>	<u>\$ 14,907,229</u>	<u>\$ 17,091,346</u>	<u>\$ 15,530,271</u>	<u>\$ 15,039,737</u>
<b>Net (Expense) Revenues</b>					
Governmental activities	(26,994,417)	(25,336,391)	(21,069,487)	(21,502,222)	(22,461,872)
Business-type activities	2,706,945	1,701,158	1,866,042	1,607,481	2,191,018
<b>Total Primary Government Net Expense</b>	<u>\$ (24,287,472)</u>	<u>\$ (23,635,233)</u>	<u>\$ (19,203,445)</u>	<u>\$ (19,894,741)</u>	<u>\$ (20,270,854)</u>

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

**Table 2**  
**Page 3 of 4**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Taxes:					
Property taxes	\$ 20,845,938	\$ 19,163,858	\$ 18,731,549	\$ 18,111,247	\$ 17,608,094
Sales taxes	11,176,190	9,915,046	8,846,359	8,407,249	7,965,662
Franchise and other taxes	2,170,152	2,090,001	2,142,660	2,054,395	1,617,121
Other	-	-	-	-	-
Investment earnings	49,151	50,805	880,606	526,867	321,468
Gain (loss) on disposal of capital assets	-	-	-	-	-
Miscellaneous	638,418	390,533	269,855	351,165	263,245
Transfers	1,795,683	1,541,853	1,434,829	1,456,690	1,554,849
<b>Total Governmental Activities</b>	<u>36,675,532</u>	<u>33,152,096</u>	<u>32,305,858</u>	<u>30,907,613</u>	<u>29,330,439</u>
<b>Business-Type Activities:</b>					
Investment earnings	130,401	43,099	347,518	681,288	200,449
Gain (loss) on disposal of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(1,795,683)	(1,541,853)	(1,434,829)	(1,456,690)	(1,554,849)
<b>Total Business-Type Activities</b>	<u>(1,665,282)</u>	<u>(1,498,754)</u>	<u>(1,087,311)</u>	<u>(775,402)</u>	<u>(1,354,400)</u>
<b>Total Primary Government</b>	<u>35,010,250</u>	<u>31,653,342</u>	<u>31,218,547</u>	<u>30,132,211</u>	<u>27,976,039</u>
<b>Change in Net Position</b>					
Governmental activities	5,116,244	6,458,118	(68,135)	(2,426,629)	(662,201)
Business-type activities	5,057,078	2,748,632	1,769,767	(192,912)	780,399
<b>Total Primary Government</b>	<u>\$ 10,173,322</u>	<u>\$ 9,206,750</u>	<u>\$ 1,701,632</u>	<u>\$ (2,619,541)</u>	<u>\$ 118,198</u>

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

**Table 2**  
**Page 4 of 4**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Taxes:					
Property taxes	\$ 17,270,647	\$ 16,350,101	\$ 15,574,684	\$ 14,864,284	\$ 14,630,961
Sales taxes	6,482,367	5,393,920	5,291,186	4,693,484	4,293,794
Franchise and other taxes	1,661,654	1,779,234	1,726,557	1,673,615	1,583,258
Other	-	-	-	32,799	24,974
Investment earnings	187,001	149,003	79,071	109,849	88,510
Gain (loss) on disposal of capital assets	25,999	19,564	-	34,359	43,788
Miscellaneous	131,639	128,813	108,306	84,275	78,682
Transfers	1,358,744	1,397,065	1,226,205	1,799,344	1,773,982
<b>Total Governmental Activities</b>	<u>27,118,051</u>	<u>25,217,700</u>	<u>24,006,009</u>	<u>23,292,009</u>	<u>22,517,949</u>
<b>Business-Type Activities:</b>					
Investment earnings	141,978	95,825	49,138	40,713	37,565
Gain (loss) on disposal of capital assets	-	7,569	-	-	-
Miscellaneous	-	-	7,839	-	35,790
Transfers	(1,358,744)	(1,397,065)	(1,226,205)	(1,799,344)	(1,773,982)
<b>Total Business-Type Activities</b>	<u>(1,216,766)</u>	<u>(1,293,671)</u>	<u>(1,169,228)</u>	<u>(1,758,631)</u>	<u>(1,700,627)</u>
<b>Total Primary Government</b>	<u>25,901,285</u>	<u>23,924,029</u>	<u>22,836,781</u>	<u>21,533,378</u>	<u>20,817,322</u>
<b>Change in Net Position</b>					
Governmental activities	123,634	(118,691)	2,936,522	1,789,787	56,077
Business-type activities	1,490,179	407,487	696,814	(151,150)	490,391
<b>Total Primary Government</b>	<u>\$ 1,613,813</u>	<u>\$ 288,796</u>	<u>\$ 3,633,336</u>	<u>\$ 1,638,637</u>	<u>\$ 546,468</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**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>General fund</b>					
Nonspendable	\$ 260,066	\$ 355,011	\$ 255,796	\$ 378,736	\$ 371,610
Restricted	460,154	597,908	650,424	727,704	631,971
Committed	-	-	-	-	-
Assigned	4,667,500	4,320,912	2,591,745	2,508,234	4,229,725
Unassigned	11,997,367	11,953,314	13,374,059	10,608,815	9,052,000
<b>Total General Fund</b>	<b>17,385,087</b>	<b>17,227,145</b>	<b>16,872,024</b>	<b>14,223,489</b>	<b>14,285,306</b>
<b>All Other Governmental Funds</b>					
Nonspendable	11,484	11,101	11,070	24,738	24,307
Restricted	12,740,909	18,106,088	4,757,183	5,568,395	9,304,724
Unassigned	(179,413)	(165,886)	(1,826,743)	-	-
<b>Total Other Governmental Funds</b>	<b>12,572,980</b>	<b>17,951,303</b>	<b>2,941,510</b>	<b>5,593,133</b>	<b>9,329,031</b>
<b>Total Fund Balances of Governmental Funds</b>	<b>\$ 29,958,067</b>	<b>\$ 35,178,448</b>	<b>\$ 19,813,534</b>	<b>\$ 19,816,622</b>	<b>\$ 23,614,337</b>

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General fund</b>					
Nonspendable	\$ 434,750	\$ 646,778	\$ 822,226	\$ 143,201	\$ 122,927
Restricted	667,271	626,229	518,119	400,411	281,826
Committed	-	3,612	685,486	-	-
Assigned	2,893,697	2,706,897	2,773,419	1,421,875	487,201
Unassigned	9,547,039	9,776,031	8,760,424	10,554,183	9,714,206
<b>Total General Fund</b>	<u>13,542,757</u>	<u>13,759,547</u>	<u>13,559,674</u>	<u>12,519,670</u>	<u>10,606,160</u>
<b>All Other Governmental Funds</b>					
Nonspendable	31,869	31,721	31,378	31,241	31,137
Restricted	8,464,859	8,165,349	6,539,985	666,317	995,269
Unassigned	-	(193,750)	-	(239,078)	-
<b>Total Other Governmental Funds</b>	<u>8,496,728</u>	<u>8,003,320</u>	<u>6,571,363</u>	<u>458,480</u>	<u>1,026,406</u>
<b>Total Fund Balances of Governmental Funds</b>	<u>\$ 22,039,485</u>	<u>\$ 21,762,867</u>	<u>\$ 20,131,037</u>	<u>\$ 12,978,150</u>	<u>\$ 11,632,566</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**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>					
Taxes	\$ 34,192,280	\$ 30,974,155	\$ 29,712,771	\$ 28,389,651	\$ 27,247,421
Fines and forfeitures	1,052,940	1,219,096	780,717	866,812	957,671
Permits and fees	1,847,985	1,669,033	1,504,555	1,483,554	1,566,656
Intergovernmental	3,215,269	7,495,971	3,828,898	1,576,838	4,398,836
Investment earnings	49,580	48,609	274,405	518,221	313,793
Donations	255,638	264,938	274,945	290,069	396,010
Miscellaneous	345,364	124,627	719,721	18,777	181,017
<b>Total Revenues</b>	<b>40,959,056</b>	<b>41,796,429</b>	<b>37,096,012</b>	<b>33,143,922</b>	<b>35,061,404</b>
<b>Expenditures</b>					
General government	6,040,832	5,591,248	5,690,428	5,336,269	5,440,888
Public safety	15,370,261	14,897,465	14,306,864	13,545,539	16,868,931
Public works	5,765,313	4,612,796	6,021,313	4,127,539	2,157,277
Engineering	571,010	507,933	434,976	-	-
Community development	1,187,413	1,131,498	1,139,566	1,099,154	985,309
Parks and recreation	4,312,856	3,715,517	3,426,521	3,796,589	3,511,146
Library services	1,336,185	1,223,726	1,182,289	1,204,415	1,200,512
Capital outlay	10,277,134	7,037,490	12,865,475	6,219,243	2,615,538
Debt principal payment	2,840,720	2,556,282	2,221,257	2,168,876	2,137,284
Interest and other charges	1,624,891	1,567,472	1,285,807	1,112,127	1,145,400
<b>Total expenditures</b>	<b>49,326,615</b>	<b>42,841,427</b>	<b>48,574,496</b>	<b>38,609,751</b>	<b>36,062,285</b>
Excess of revenues over (under) expenditures	(8,367,559)	(1,044,998)	(11,478,484)	(5,465,829)	(1,000,881)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	32,029	21,270	72,568	6,614	9,135
Insurance recoveries	74,126	175,351	8,548	235,443	725,304
Issuance of capital related debt	-	13,185,000	7,795,000	-	485,305
Issuance of notes payable	1,457,640	-	-	-	-
Issuance of capital lease	-	306,329	1,791,015	-	-
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	-	-
Transfers in	1,708,331	1,751,915	1,584,985	1,473,591	1,402,989
Transfers out	(124,948)	(210,062)	(223,298)	(47,534)	(47,000)
<b>Total other financing sources (uses)</b>	<b>3,147,178</b>	<b>16,409,912</b>	<b>11,475,396</b>	<b>1,668,114</b>	<b>2,575,733</b>
<b>Net change in fund balances</b>	<b>\$ (5,220,381)</b>	<b>\$ 15,364,914</b>	<b>\$ (3,088)</b>	<b>\$ (3,797,715)</b>	<b>\$ 1,574,852</b>
Debt service as a percentage of noncapital expenditures	12.1%	11.7%	9.9%	10.1%	9.8%

**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**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>					
Taxes	\$ 25,509,760	\$ 23,533,294	\$ 22,513,317	\$ 21,335,527	\$ 20,563,848
Fines and forfeitures	1,023,556	873,872	907,557	860,257	939,380
Permits and fees	1,708,357	1,450,939	1,349,264	1,385,898	1,327,918
Intergovernmental	1,763,974	664,427	3,536,980	1,791,451	918,641
Investment earnings	184,127	147,403	77,947	109,117	87,330
Donations	434,164	257,724	349,325	349,166	363,413
Miscellaneous	165,619	79,435	72,837	54,989	84,673
<b>Total Revenues</b>	<b>30,789,557</b>	<b>27,007,094</b>	<b>28,807,227</b>	<b>25,886,405</b>	<b>24,285,203</b>
<b>Expenditures</b>					
General government	4,975,926	4,385,321	5,343,160	4,306,143	4,250,320
Public safety	14,751,381	12,135,956	11,348,346	10,599,575	10,234,811
Public works	2,160,152	2,118,572	2,066,349	1,689,987	2,204,176
Engineering	-	-	-	-	-
Community development	893,663	954,103	925,947	1,092,982	1,207,264
Parks and recreation	3,339,864	3,032,979	2,917,857	2,772,072	2,675,813
Library services	1,172,245	1,096,614	1,036,843	1,083,043	1,002,801
Capital outlay	8,429,200	9,332,400	7,255,229	2,500,254	1,942,746
Debt principal payment	1,813,130	1,570,176	1,272,823	1,668,692	1,721,983
Interest and other charges	1,170,958	921,982	776,340	662,718	712,822
<b>Total expenditures</b>	<b>38,706,519</b>	<b>35,548,103</b>	<b>32,942,894</b>	<b>26,375,466</b>	<b>25,952,736</b>
Excess of revenues over (under) expenditures	(7,916,962)	(8,541,009)	(4,135,667)	(489,061)	(1,667,533)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	12,757	2,743	99	6,325	27,566
Insurance recoveries	25,999	19,564	39,257	28,886	48,132
Issuance of capital related debt	5,605,000	7,345,000	9,595,000	-	-
Issuance of notes payable	-	-	-	-	-
Issuance of capital lease	756,006	-	-	-	147,318
Refunding bonds issued	-	-	2,840,000	-	-
Payment to refunding escrow agent	-	-	(3,058,663)	-	-
Premium on issuance of debt	435,074	1,484,593	646,746	-	-
Transfers in	1,364,399	1,503,442	1,544,662	1,799,344	1,973,106
Transfers out	(5,655)	(182,503)	(318,457)	-	(199,124)
<b>Total other financing sources (uses)</b>	<b>8,193,580</b>	<b>10,172,839</b>	<b>11,288,644</b>	<b>1,834,555</b>	<b>1,996,998</b>
<b>Net change in fund balances</b>	<b>\$ 276,618</b>	<b>\$ 1,631,830</b>	<b>\$ 7,152,977</b>	<b>\$ 1,345,494</b>	<b>\$ 329,465</b>
Debt service as a percentage of noncapital expenditures	9.9%	9.2%	7.5%	9.8%	10.0%

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

*Table 5*  
*Page 1 of 2*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial and Industrial Property</b>	<b>Other Property</b>	<b>Total Assessed Value</b>
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
2022	2021	5,112,738,325	337,329,366	528,637,507	5,978,705,198

**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*  
*Page 2 of 2*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Less: Exemptions and Tax Exempt Property</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate</b>
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
2022	2021	1,735,137,851	4,243,567,347	0.48731

**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
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
2022	0.3851	0.1022	0.4873	1.2394	1.1797	0.1320	0.4149	0.58135

**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	2022			2013		
	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	\$ 30,972,060	1	0.73%	\$17,486,069	1	0.72%
Texas-New Mexico Power Co.	22,712,259	2	0.54%	11,212,150	3	0.46%
Bellevue at Clear Creek LP	20,016,530	3	0.47%	-	-	-
Tannos Land Holding III LLC	14,000,000	4	0.33%	-	-	-
Kroger Co.	13,020,517	5	0.31%	13,606,816	2	0.56%
Bay Meadows LLP	11,254,573	6	0.27%	-	-	-
The Beldon Friendswood LLC	8,500,150	7	0.20%	-	-	-
A-S 108 Friendswood Crossing LP	8,051,620	8	0.19%	5,858,350	9	0.24%
WOJV Friendswood LLC	7,925,690	9	0.19%	-	-	-
Frontier Land V P L L	7,385,000	10	0.17%	-	-	-
Autumn Creek Dev LTD	-	-	-	9,396,550	4	0.39%
G&I VI Sky Hawk LP	-	-	-	8,856,988	5	0.36%
H E Butt Grocery Company	-	-	-	8,149,920	6	0.33%
HCP Friendswood LLC	-	-	-	6,995,240	7	0.29%
HSRE Friendswood LLC	-	-	-	5,995,130	8	0.25%
Buzbee Family LTD Partnership	-	-	-	5,367,560	10	0.22%
<b>Total</b>	<b>143,838,399</b>		<b>3.39%</b>	<b>92,924,773</b>		<b>3.82%</b>
All other taxpayers	<u>4,099,728,948</u>		<u>96.61%</u>	<u>2,340,710,788</u>		<u>96.18%</u>
	<u><u>\$4,243,567,347</u></u>		<u><u>100.00%</u></u>	<u><u>\$2,433,635,561</u></u>		<u><u>100.00%</u></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
2013	\$ 14,454,404	\$ 14,361,379	99.63%	\$ 83,459	\$ 14,444,838	99.93%
2014	14,747,526	14,656,257	99.38%	81,591	14,737,848	99.93%
2015	15,424,948	15,306,943	99.23%	105,530	15,412,473	99.92%
2016	16,431,153	16,264,080	98.98%	155,239	16,419,319	99.93%
2017	17,014,685	16,922,419	99.46%	80,143	17,002,562	99.93%
2018	17,633,192	17,554,220	99.55%	65,329	17,619,549	99.92%
2019	17,952,134	17,756,864	98.91%	177,496	17,934,360	99.90%
2020	18,682,563	18,605,868	99.59%	49,644	18,655,512	99.86%
2021	18,879,840	18,877,842	99.99%	( 37,764)	18,840,078	99.79%
2022	20,843,713	20,793,321	99.76%	-	20,793,321	99.76%

**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	Notes Payable	General Obligation Bonds	Water Revenue Bonds			
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
2022	47,143,902	2,613,729	20,447,609	39,081,427	109,286,667	0.51%	2,588

**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			
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
2022	42,222	4,243,567,347	67,591,511	46,376	67,545,135	1.59%	1,600

**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, 2022**  
**(Unaudited)**

**Table 11**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Friendswood Independent School District	\$196,190,000	100.00%	\$ 196,190,000
Clear Creek Independent School District	1,094,103,696	2.579%	28,216,934
Galveston County	224,931,000	7.672%	17,256,706
Harris County	2,697,314,000	0.149%	4,018,998
Subtotal, overlapping debt			245,682,638
<b>City Direct Debt</b>			49,757,631
<b>Total Direct and Overlapping Debt</b>			\$ 295,440,269

**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, 2022 is \$0.4873 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

**Table 13**

Fiscal Year	Waterworks and Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2022	19,408,330	9,130,574	10,277,756	1,450,000	1,221,488	3.85

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

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

**Table 14**

<b>Calendar Year</b>	<b>Estimated Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2013	38,369	\$ 14,475,816,000	\$ 47,186	4.5%
2014	38,911	14,741,197,000	46,917	3.4%
2015	39,358	14,774,880,000	47,011	3.7%
2016	39,767	15,463,890,000	47,991	4.9%
2017	40,570	15,682,608,000	47,605	4.7%
2018	41,003	16,443,373,000	49,079	4.3%
2019	41,253	17,497,755,000	51,785	3.2%
2020	41,637	18,561,154,000	54,250	5.9% <sup>(1)</sup>
2021	41,916	19,994,969,000	57,941	3.9%
2022	42,222	21,328,914,000	60,071	3.4%

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

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

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

*Table 15*

<u>Employer</u>	<u>2022</u>			<u>2013</u>	
	<u>Estimated Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank</u>	<u>Estimated Employees</u>	<u>Rank</u>
Friendswood ISD	817	4.10%	1	698	1
HEB	500	2.51%	2	370	3
City of Friendswood	248	1.25%	3	233	4
Kroger	219	1.10%	4	413	2
Clear Creek ISD	190	0.95%	5	168	5
Friendship Haven Nursing Home	100	0.50%	6	140	6
McDonalds	102	0.51%	7	69	8
U.S. Post Office	75	0.38%	8	58	9
Morada (formerly Atria )	72	0.36%	9	-	-
UTMB	60	0.30%	10	-	-
Friendswood Healthcare (Autumn Hills)	-	-	-	85	7
Emeritus	-	-	-	69	10
<b>Total</b>	<b>2,383</b>	<b>11.97%</b>		<b>2,303</b>	

**Source:** City Manager's Office

**Note:** Percentage of total employment is based on total City employment of 19,909 for 2022.  
Total City employment for 2013 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*

<b>Function/Program</b>	<b>Full-time Equivalent Employees as of September 30</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
General Government:					
City Attorney	2.15	2.10	2.10	2.10	2.10
City Manager	4.00	6.00	6.00	5.00	5.40
City Secretary	4.00	4.00	4.00	5.00	5.00
Administrative Services	16.60	18.60	18.60	27.60	27.60
Human Resources	5.00	5.00	5.00	-	-
Information Technology	6.00	5.00	5.00	-	-
Public Safety:					
Police	90.38	90.38	90.38	90.38	87.72
Fire marshal and fire	7.38	7.20	7.20	7.20	6.60
Public Works	23.00	23.00	23.00	23.00	27.00
Community Development	11.18	10.70	10.70	10.70	10.70
Engineering	7.45	7.00	7.00	6.00	-
Parks and Recreation	25.30	24.90	24.50	23.10	21.90
Library	15.62	14.97	14.97	14.97	14.97
Water	11.30	9.30	9.30	9.30	9.30
Sewer	11.00	11.00	11.00	11.00	10.00
<b>Total City Employees:</b>	<b>240.36</b>	<b>239.15</b>	<b>238.75</b>	<b>235.35</b>	<b>228.29</b>

**Source: City of Friendswood Budget Documents**

**Notes:**

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

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

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

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

*Table 16*  
*Page 2 of 2*

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of September 30</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Government:					
City Attorney	1.00	1.00	1.00	-	-
City Manager	5.40	5.40	4.55	4.15	4.15
City Secretary	5.00	5.00	5.00	5.00	5.00
Administrative Services	27.70	27.70	28.70	28.70	28.20
Human Resources	-	-	-	-	-
Information Technology	-	-	-	-	-
Public Safety:					
Police	88.72	86.72	85.72	82.40	81.40
Fire marshal and fire	6.60	6.60	6.60	6.50	6.10
Public Works	26.00	29.00	25.33	26.33	20.33
Community Development	11.70	11.70	10.89	10.89	16.89
Engineering	-	-	-	-	-
Parks and Recreation	20.90	19.63	19.63	19.03	19.20
Library	14.97	14.62	14.62	14.37	14.37
Water	8.30	8.30	8.30	9.30	9.30
Sewer	11.00	8.00	8.00	9.00	9.00
Total City Employees:	<u>227.29</u>	<u>223.67</u>	<u>218.34</u>	<u>215.67</u>	<u>213.94</u>

**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*

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Community Development:					
Building permits issued	1,682	1,658	1,605	1,465	2,788
Building inspections conducted	9,325	9,998	9,124	9,251	14,157
Police:					
Physical arrests	1,051	1,368	847	1,190	1,145
Parking violations	11	36	17	26	15
Traffic violations	9,952	11,081	8,807	4,468	6,785
Fire Marshal:					
Inspections	1,315	1,730	1,146	1,448	1,139
Fire:					
Emergency responses	4,458	4,405	3,650	3,655	3,720
Fires extinguished	129	92	65	80	80
Parks and Recreation:					
Recreation participants	36,861	16,907	6,027	19,657	18,299
Facility reservations	5,356	1,033	3,166	3,293	2,123
Library:					
Volumes in collection	95,470	101,061	99,930	101,532	102,852
Total volumes borrowed	349,814	340,478	271,078	342,592	348,554
Water:					
New connections	136	92	185	169	125
Water main breaks	126	49	41	84	116
Average daily consumption (thousands of gallons)	5,714	5,064	5,319	5,129	5,455
Peak daily consumption	11,166	14,041	9,927	9,390	9,475
Sewer:					
Average daily sewage treatment (thousands of gallons)	2,840	3,255	3,113	3,345	3,117
Maximum daily flow (thousands of gallons)	8,369	11,006	10,520	12,491	10,370

**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*

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Community Development:					
Building permits issued	2,177	1,865	1,377	1,395	1,469
Building inspections conducted	12,134	11,026	12,145	10,611	11,470
Police:					
Physical arrests	903	1,464	1,479	1,596	1,601
Parking violations	61	44	63	58	107
Traffic violations	3,669	5,001	4,540	5,815	5,718
Fire Marshal:					
Inspections	1,233	1,354	1,512	1,427	1,673
Fire:					
Emergency responses	3,599	3,303	3,258	3,261	2,993
Fires extinguished	75	76	78	116	86
Parks and Recreation:					
Recreation participants	20,556	21,369	16,153	15,178	18,607
Facility reservations	1,004	1,444	1,443	728	686
Library:					
Volumes in collection	100,678	147,726	133,165	141,383	133,865
Total volumes borrowed	341,048	301,158	350,145	367,452	367,948
Water:					
New connections	137	183	-	193	189
Water main breaks	44	46	57	149	193
Average daily consumption (thousands of gallons)	5,282	4,963	4,970	5,171	5,577
Peak daily consumption	10,110	10,472	12,623	9,917	11,505
Sewer:					
Average daily sewage treatment (thousands of gallons)	3,286	3,382	3,306	2,867	2,956
Maximum daily flow (thousands of gallons)	12,766	12,188	11,237	10,770	10,401

**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*

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Police					
Stations	1	1	1	1	1
Patrol units	29	38	31	33	34
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	221	221	185	176	176
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	320	273	266	266	266
Parks	11	10	10	10	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)	222	222	216	216	216
Fire hydrants	1,755	1,747	1,713	1,707	1,707
Connections	14,328	14,192	14,098	13,913	13,744
Storage capacity (thousands of gallons)	7,850	7,850	7,850	7,850	7,850
Sewer					
Sanitary sewers (miles)	182	182	202	202	202
Connections	13,241	13,132	13,029	12,870	12,721
Storm sewers (miles)	117	117	112	112	112
Treatment capacity (thousands of gallons)	9,250	9,250	9,250	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Police					
Stations	1	1	1	1	1
Patrol units	32	31	29	27	26
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	174	172	169	167	165
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	266	266	232	189	189
Parks	9	9	8	8	8
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	212	209	207	187
Fire hydrants	1,690	1,672	1,631	1,610	1,608
Connections	13,619	13,482	13,289	13,093	12,929
Storage capacity (thousands of gallons)	7,850	7,850	8,100	8,000	7,500
Sewer					
Sanitary sewers (miles)	200	198	195	194	163
Connections	12,588	12,378	12,407	12,236	12,072
Storm sewers (miles)	110	109	106	105	100
Treatment capacity (thousands of gallons)	9,250	9,250	9,250	12,000	4,850

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

