

CITY OF FRIENDSWOOD, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2024



City of
Friendswood
Texas

CITY OF FRIENDSWOOD, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2024**

Officials Issuing Report:

**Morad Kabiri
City Manager**

**Rhonda Bloskas
Director of Finance**

City of
Friendswood
Texas

CITY OF FRIENDSWOOD, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i
Principal Officials	v
GFOA Certificate of Achievement	vi
Organizational Chart	vii
Financial Section	
Independent Auditor's Report	3
Management's Discussion and Analysis	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Notes to the Financial Statements	35
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Coronavirus State Fiscal Recovery Fund	82
Notes to Budgetary Schedule	83
Schedule of Changes in the Net Pension Liability and Related Ratios - Texas Municipal Retirement System	86
Schedule of City Contributions - Texas Municipal Retirement System	88
Notes to Schedule of Contributions	89
Schedule of Changes in the Total OPEB Liability and Related Ratios - Texas Municipal Retirement System Supplemental Death Benefits Fund	90
Schedule of Changes in the Total OPEB Liability and Related Ratios - City of Friendswood Retiree Health Care Plan	91

CITY OF FRIENDSWOOD, TEXAS

TABLE OF CONTENTS (continued)

	<u>Page</u>	
Financial Section (continued)		
Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	97	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	100	
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual:		
Police Investigation	103	
Fire/EMS Donation	104	
Municipal Court	105	
CDBG – DR Harris County	106	
CDBG – DR Galveston County	107	
CDBG – MIT	112	
1776 Park	109	
Sidewalk Installation	110	
Park Land Dedication	111	
Street Improvement	112	
Debt Service	113	
Bond Construction	114	
	<u>Page</u>	<u>Table</u>
Statistical Section (Unaudited)		
Net Position by Component	118	1
Changes in Net Position	120	2
Fund Balances of Governmental Funds	124	3
Changes in Fund Balances of Governmental Funds	126	4
Assessed Value and Taxable Value of Property	128	5
Direct and Overlapping Property Tax Rates	130	6
Principal Property Taxpayers	131	7
Property Tax Levies and Collections	132	8
Ratios of Outstanding Debt by Type	133	9
Ratio of Net General Bonded Debt Outstanding	134	10
Direct and Overlapping Governmental Activities Debt	135	11
Legal Debt Margin Information	136	12
Pledged Revenue Coverage	137	13
Demographic and Economic Statistics	138	14
Principal Employers	139	15
Full-Time Equivalent City Government Employees by Function/Program	140	16
Operating Indicators by Function/Program	142	17
Capital Asset Statistics by Function/Program	144	18

INTRODUCTORY SECTION





CITY OF FRIENDSWOOD

March 24, 2025

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, 2024, 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 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, 2024, 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, 2024, 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 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 43,083. 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 \$167,000, 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 along FM 518, the development of 106 acres on FM 518 near Bay Area Blvd and most recently development west of FM 528 at Friendswood Parkway. City leaders have approved special tools and incentives to revitalize and develop these areas to promote mixed-use, multi-story developments with retail spaces, medical and office buildings, hotels, multi-family residential complexes and single-family subdivisions. The City offers competitive business incentives, including a municipal grant program, tax abatement that includes “green” development, freeport tax exemption, and downtown development fee waivers.

Quality Lifestyle

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

LONG TERM PLANNING

Budgeting Controls

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

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

Multi-Year Financial Planning

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

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

Relevant Financial Policies

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

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

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Friendswood for its annual comprehensive financial report for the fiscal year ended September 30, 2023. This was the thirty-sixth 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 Finance 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,



Rhonda Bloskas
Director of Finance

CITY OF FRIENDSWOOD, TEXAS

PRINCIPAL OFFICIALS

September 30, 2024

Elected Officials	Position	Term Expires
Mike Foreman	Mayor	May 2027
John Ellisor	Council Member - Position No. 1	May 2027
Sally Branson	Council Member - Position No. 2	May 2026
Trish Hanks	Council Member - Position No. 3	May 2027
Robert J. Griffon	Council Member - Position No. 4	May 2025
Joe Matranga	Council Member - Position No. 5	May 2026
Brent Erenwert	Council Member - Position No. 6	May 2025

Key Staff

Position

Morad Kabiri	City Manager
Steven Rhea	Deputy City Manager
Katina Hampton	Assistant City Manager
Leticia Brysch	City Secretary/Assistant City Manager
Karen Horner	City Attorney
Rhonda Bloskas	Director of Finance
Haley Brown	Director of Human Resources
Terry Prindle	Director of Information Technology
Pat Riffel	Director of Municipal Court
Glenda Faulkner	Director of Communications
Christopher Rogers	Chief of Police
Brian Mansfield	Director of Emergency Services
Steve Varrecka	Director of Public Works
Jildardo Arias	Director of Engineering
Aubrey Harbin	Director of Community Development
James Toney	Director of Parks and Recreation
Matt Riley	Library Director
James W. Woltz	Judge – Municipal Court



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Friendswood
Texas**

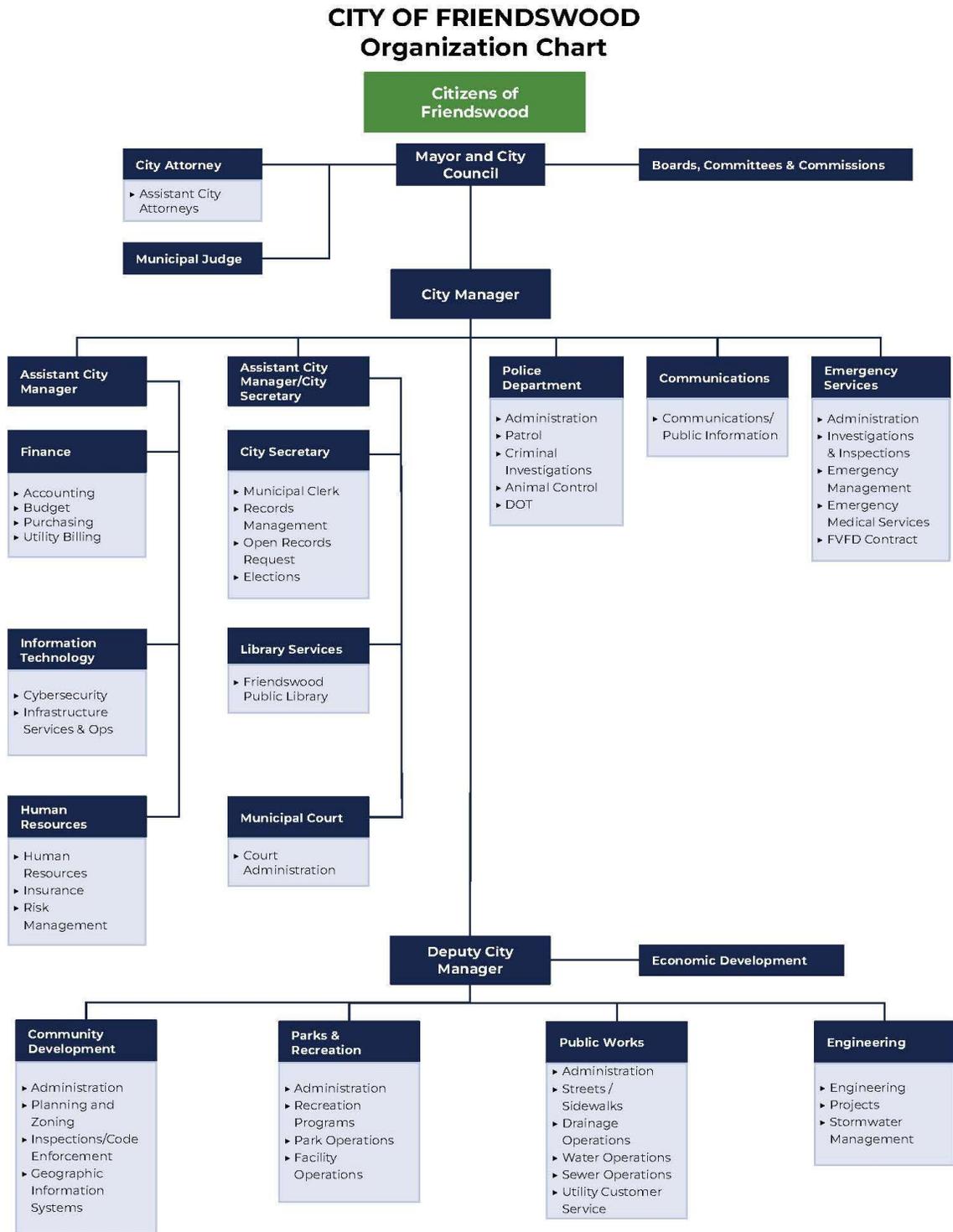
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Merrill

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 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, 2024, 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, 2024, 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 74%, 99%, and 73%, 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.

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 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, 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, coronavirus state fiscal recovery 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, and budgetary comparison 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, flowing style.

Houston, Texas
March 24, 2025



CITY OF FRIENDSWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

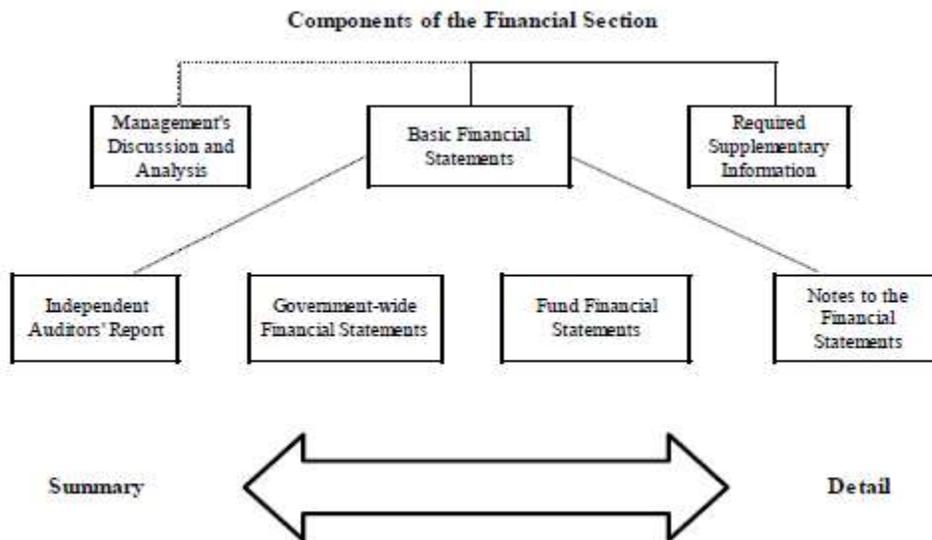
As management of the City of Friendswood, Texas ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. Please read this information in conjunction with the basic financial statements that follow this section.

Financial Highlights

Some of the City's financial highlights for the fiscal year ending September 30, 2024 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 \$159,436,224.
- The City's total net position increased during the year by \$8,421,066. The City's net pension and total OPEB liabilities were \$13.7 million and \$1.7 million, respectively. The net pension liability decreased by \$5.2 million and the total OPEB liability increased by \$139.9 thousand compared to the prior year.
- As of the close of the current fiscal year, the City reported unrestricted net position of \$18,166,905.
- Program revenues of \$25,198,340 reduced the net cost of the City's functions to be financed from the City's general revenues to \$37,042,057.

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, finance, human resources, information technology, city attorney, municipal court and communications); public safety (police and emergency services); engineering (capital projects administration); public works (streets and drainage); community development (building inspection, planning and zoning, and geographic information services); 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 \$159,436,224 as of September 30, 2024 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 (80.2%) reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, right-to-use SBITA assets, 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 63,359,174	\$ 73,574,397	\$ 26,025,611	\$ 39,975,446	\$ 89,384,785	\$ 113,549,843
Capital assets	133,580,475	123,606,676	92,758,574	77,842,844	226,339,049	201,449,520
Total Assets	196,939,649	197,181,073	118,784,185	117,818,290	315,723,834	314,999,363
Deferred Outflows of Resources	5,541,784	9,104,231	1,165,890	1,687,348	6,707,674	10,791,579
Total Assets and Deferred Outflows of Resources	202,481,433	206,285,304	119,950,075	119,505,638	322,431,508	325,790,942
Long-term liabilities	89,574,639	96,996,075	53,958,865	58,213,317	143,533,504	155,209,392
Other Liabilities	14,852,854	14,383,827	2,616,030	3,277,179	17,468,884	17,661,006
Total Liabilities	104,427,493	111,379,902	56,574,895	61,490,496	161,002,388	172,870,398
Deferred Inflows of Resources	1,848,806	1,783,691	144,090	121,695	1,992,896	1,905,386
Net Position:						
Net investment in capital assets	82,579,164	79,714,165	45,357,858	40,075,768	127,937,022	119,789,933
Restricted	9,817,854	7,105,294	3,514,443	2,839,232	13,332,297	9,944,526
Unrestricted	3,808,116	6,302,252	14,358,789	14,978,447	18,166,905	21,280,699
Total Net Position	\$ 96,205,134	\$ 93,121,711	\$ 63,231,090	\$ 57,893,447	\$ 159,436,224	\$ 151,015,158

A portion of the primary government's net position, \$13,332,297 or 8.4%, 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, capital project funds, and funds restricted for debt service. The remaining balance of unrestricted net position, \$18,166,905 or 11.4%, 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.

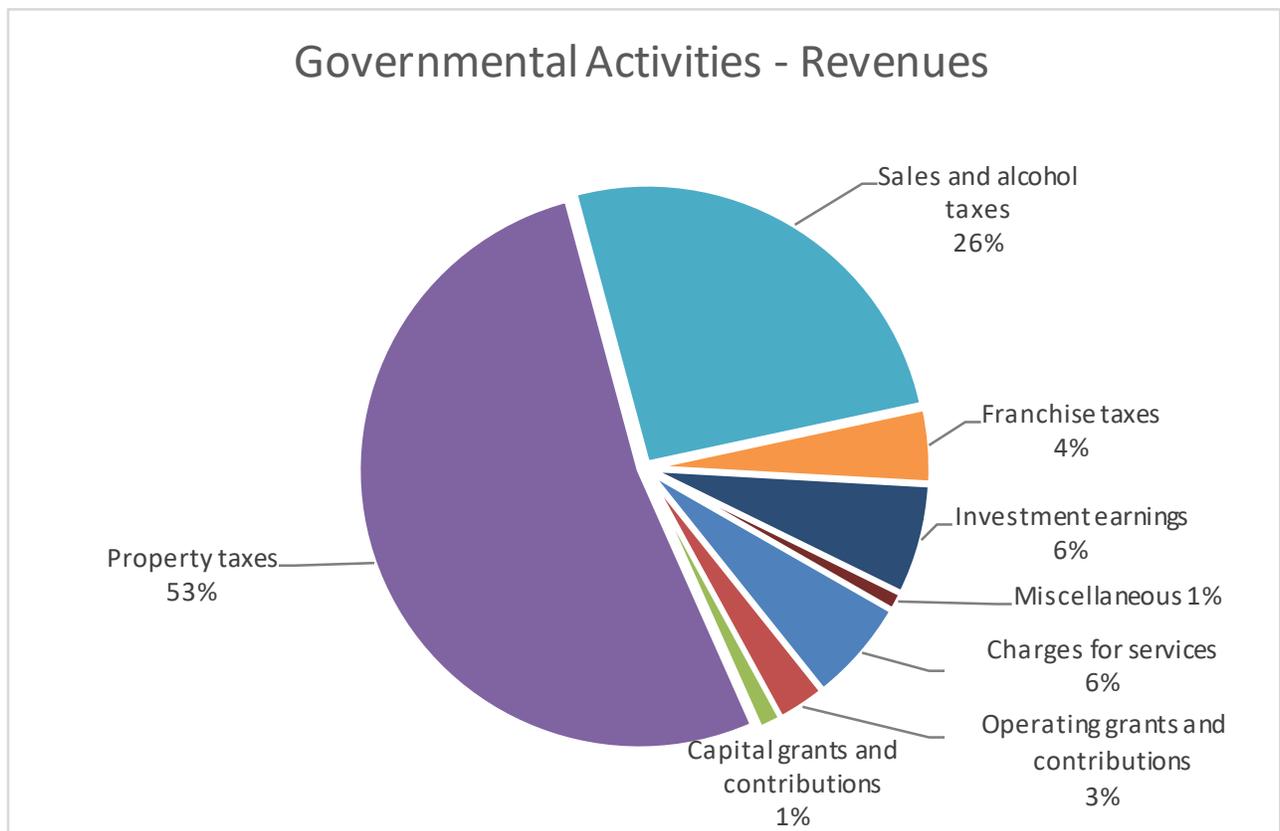
	Governmental Activities		Business Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for services	\$ 2,941,971	\$ 2,680,917	\$ 20,273,185	\$ 21,293,632	\$ 23,215,156	\$ 23,974,549
Operating grants and contributions	1,352,869	2,229,755	-	104,354	1,352,869	2,334,109
Capital grants and contributions	630,315	3,757,860	-	-	630,315	3,757,860
General Revenues:						
Property taxes	25,729,032	22,731,678	-	-	25,729,032	22,731,678
Sales and alcohol taxes	12,628,949	12,126,784	-	-	12,628,949	12,126,784
Franchise taxes	2,105,924	2,235,689	-	-	2,105,924	2,235,689
Investment earnings	3,141,648	1,726,549	1,352,903	1,450,648	4,494,551	3,177,197
Miscellaneous	504,667	285,666	-	-	504,667	285,666
Total Revenues	49,035,375	47,774,898	21,626,088	22,848,634	70,661,463	70,623,532
Expenses						
General government	8,161,621	7,873,719	-	-	8,161,621	7,873,719
Public safety	22,158,023	18,526,954	-	-	22,158,023	18,526,954
Public works	6,252,727	6,990,046	-	-	6,252,727	6,990,046
Engineering	639,828	640,292	-	-	639,828	640,292
Community development	1,339,241	1,406,566	-	-	1,339,241	1,406,566
Parks and recreation	6,117,073	5,608,792	-	-	6,117,073	5,608,792
Library services	1,429,820	1,485,716	-	-	1,429,820	1,485,716
Water and sewer	-	-	11,963,518	12,075,080	11,963,518	12,075,080
Interest on long-term debt	2,553,004	1,659,932	1,625,542	1,750,060	4,178,546	3,409,992
Total Expenses	48,651,337	44,192,017	13,589,060	13,825,140	62,240,397	58,017,157
Increase (decrease) in net position before transfers	384,038	3,582,881	8,037,028	9,023,494	8,421,066	12,606,375
Transfers	2,699,385	1,803,800	(2,699,385)	(1,803,800)	-	-
Change in net position	3,083,423	5,386,681	5,337,643	7,219,694	8,421,066	12,606,375
Net Position - Beginning	93,121,711	87,735,030	57,893,447	50,673,753	151,015,158	138,408,783
Net Position - Ending	\$ 96,205,134	\$ 93,121,711	\$ 63,231,090	\$ 57,893,447	\$ 159,436,224	\$ 151,015,158

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

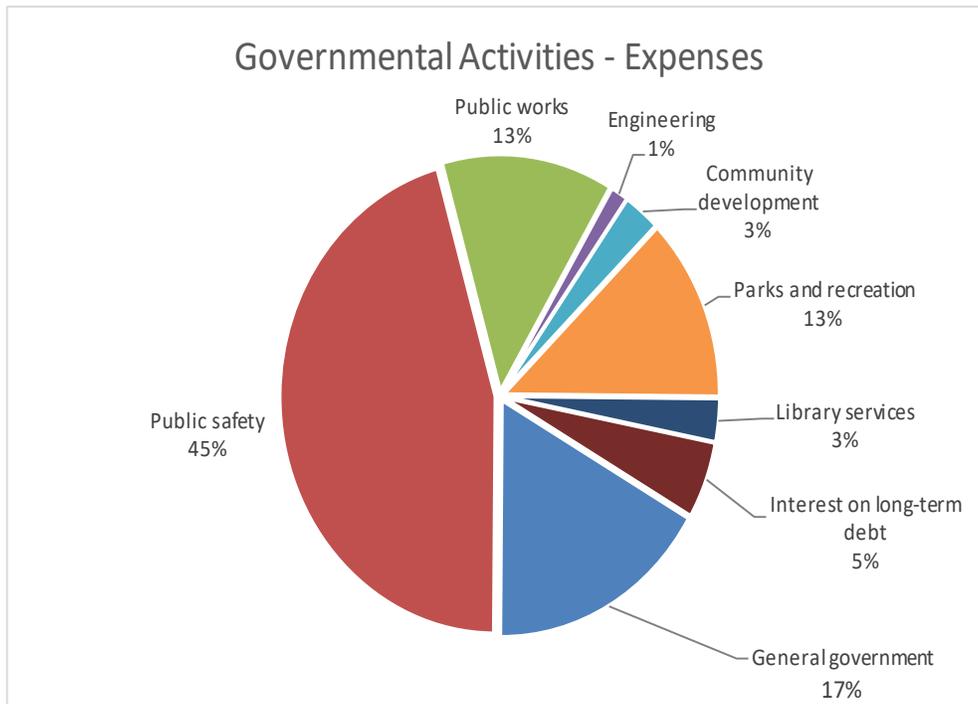
Governmental Activities

Governmental activities increased the City's net position by \$3,083,423. Key elements of this change are as follows:

- Property taxes continue to be the City's largest revenue source. Property tax revenue increased by \$2,997,354 as a result of new construction and property tax increases to cover operating expenses, deferred maintenance costs, and debt service obligations related to the general obligation bonds authorized by voters in 2013 and 2019.
- Sales and alcohol tax revenue remained strong during fiscal year 2024, providing a 4.14% increase for the year, from \$12.1 million to \$12.6 million. This increase is primarily a result of continued consumer spending.
- Overall, total expenses increased \$4.5 million from the prior year. The largest increase of \$3.6 million was in Public Safety which was a result of Hurricane Beryl which costs the City approximately \$3.5 million. In addition, interest income on long – term debt increased \$893,072 primarily as a result of a general obligation bonds being issued for \$29.8 million in the fourth quarter of fiscal year 2023.



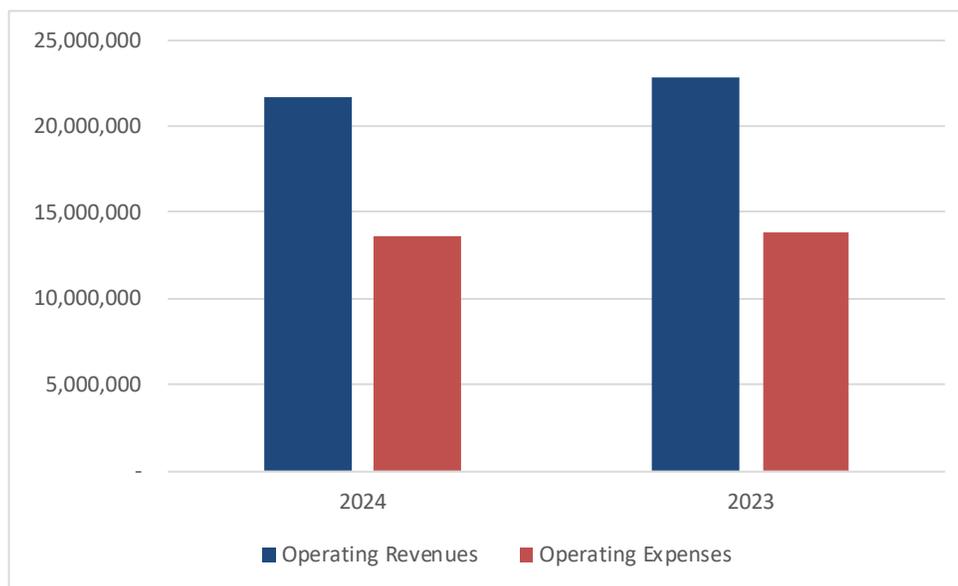
CITY OF FRIENDSWOOD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)



Business-Type Activities

Business-type activities increased the City’s net position by \$5,337,643. Key elements of this change are as follows:

- The City experienced drought like conditions with significant water use in fiscal year 2023. Therefore, in the current fiscal year water consumption and purchased water were both down causing a decrease in revenues of \$1.2 million or 5.4% and a decrease in expenses of \$236 thousand or 1.7%.
- Transfers out increased by \$895,585 as there were more indirect costs recorded in the General Fund related to water and sewer operations.



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 \$45,269,712. Approximately 20.04% of this amount or \$9,074,302 is unassigned fund balance; however, \$8.7 million is set aside for the 90-day operating reserve, as set forth in the City's financial policies.

The remaining \$36,195,410 is nonspendable, restricted, or assigned as follows:

0.99%	Nonspendable		
	Prepaid items	\$	437,344
	Permanent fund		12,006
	Total Nonspendable	\$	<u>449,350</u>
71.91%	Restricted		
	Public education and government channels	\$	592,105
	Debt service		201,449
	Municipal court operations		224,699
	Public safety operations		392,786
	Capital projects		<u>31,142,199</u>
	Total Restricted	\$	<u>32,553,238</u>
7.05%	Assigned		
	Subsequent year's budget appropriation of fund balance	\$	2,604,265
	Capital projects		588,557
	Total Assigned	\$	<u>3,192,822</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$13.3 million of which unassigned fund balance of the General Fund was \$9.1 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 21.0% of total General Fund expenditures, while total fund balance represents 30.8% of that same amount. At year end, the City's operating reserve was \$8.7 million, representing 25% of total prior year General Fund expenditures, excluding capital expenditures and any other one-time expenditures.

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

General Fund revenues increased \$1.0 million compared to the prior year. Key differences include:

- Property tax revenues increased \$1.2 million due to new home construction, increase in total assessed property values and an increase in rate to cover operating and deferred maintenance costs.
- Sales tax revenue increased \$0.4 million due to continued consumer spending.
- In addition, other revenue sources that showed increases were fines and forfeitures, by \$0.2 million, due to the increase in traffic tickets.
- These increases were offset by a decrease in intergovernmental revenues of \$0.9 million primarily resulting from the City receiving \$1.2 million in the previous fiscal year from Harris County for the Blackhawk Boulevard reconstruction.

General Fund expenditures increased \$4.4 million compared to the prior year. Key differences include:

- Public Safety expenditures increased \$4.5 million from the prior year as a result of Hurricane Beryl which resulted in additional expenditures of \$3.5 million. Personnel costs increased \$0.5 million in the patrol division as a result of hiring incentives and increased overtime. In addition, there was a \$0.2 million increase in the contract with the Friendswood Volunteer Fire Department.
- Parks and Recreation expenditures increased \$0.7 million as a result of deferred maintenance.
- General Government expenditures increased \$0.4 million as a result of outside legal services and salary increases due to a leadership reorganization.
- These increases were offset by a decrease of \$1.5 million in capital outlay due to street projects not being completed in fiscal year 2024.

The Coronavirus State and Local Fiscal Recovery Fund has \$10.0 million of unearned revenue that will be expended in fiscal year 2025.

The fund balance of the Bond Construction Fund was \$22,747,390, a decrease of \$10,793,076 compared to the prior year. This decrease is due to the expenditure of funds on drainage improvement projects.

Other non-major governmental funds fund balance increased by \$2,059,928. This increase is primarily a result of a sales tax collections for the Street Improvement fund exceeding improvement cost by \$2.1 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 \$14.4 million for the Water and Sewer Fund. The total increase in the net position of the Water and Sewer Fund was \$5,337,643. 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 \$1,816,998. The net position of the Internal Service Fund increased by \$488,107 resulting from lease revenue from the City's participating funds.

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

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Budgeted revenues increased by \$334,833 or 0.96% and budgeted expenditures were increased by \$10,001,102 or 26.45%.

Total revenues were above budget by \$1,583,479. The more significant variances are detailed below:

- \$892,125 over budget in sales and mixed beverage taxes as a result of increased consumer spending.
- \$250,040 over budget in property taxes as a result of adjustments related to tax ceilings for over age 65 homeowners.
- \$228,696 over budget in investment earnings due to increased interest rates on the City's investments.

Total expenditures of the General Fund were \$4.7 million below the final expenditure budget. The more significant variances are detailed below:

- \$1,909,651 below budget in capital improvements due to projects either not being started or completed in fiscal year 2024. These projects are primarily related to streets improvements.
- \$1,134,770 below budget in public safety due to a decrease in supplies and contracts (i.e. debris removal) not being completed in fiscal year 2024.
- \$514,094 below budget in parks and recreation expenditures as a result of decrease in landscaping services and repair and maintenance work that was not complete at the end of the fiscal year.

Capital Assets

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2024 is \$226.3 million. The investment in capital assets include land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, water rights, right-to-use SBITA assets, and construction in progress.

Major capital events during the year included the following:

- Business-type improvements include the completion of the Automated Water System for \$9.0 million.
- Drainage improvements for the City include the completion of Forest Bend Detention Pond and Whitcomb Property Drainage. The cost of both projects was approximately \$9.0 million.
- Public Safety Projects completed were the Public Safety Building Expansion and the Blackhawk Building Emergency Shelter for a combined cost of approximately \$7.4 million.
- The following major projects are in construction in progress at the end of fiscal year 2024: Fire Station #2, Blackhawk Building Renovation, Blackhawk Boulevard Reconstruction and Friendswood Regional Stormwater Detention Basin for a total approximate cost of \$16.2 million.
- The following major water and sewer projects are in construction in progress as the end of fiscal year 2024: 42" Southeast Transmission Water Line, Lift Station Mitigation Program, 2023 Tank Rehabilitation Project, and the Blackhawk Wastewater Treatment Plant Aeration Project for a total approximate cost of \$21.6 million.

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

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 32,720,334	\$ 32,720,334	\$ 1,152,271	\$ 1,152,271	\$ 33,872,605	\$ 33,872,605
Buildings and improvements	28,520,867	22,057,982	371,335	299,092	28,892,202	22,357,074
Machinery and equipment	8,218,733	9,242,231	11,409,638	2,417,307	19,628,371	11,659,538
Infrastructure	46,771,225	40,696,318	33,394,942	35,250,381	80,166,167	75,946,699
Right-to-use SBITA asset	155,014	88,617	-	-	155,014	88,617
Water rights	-	-	19,716,695	19,716,695	19,716,695	19,716,695
Construction in progress	17,194,302	18,801,194	26,713,693	19,007,098	43,907,995	37,808,292
	<u>\$ 133,580,475</u>	<u>\$ 123,606,676</u>	<u>\$ 92,758,574</u>	<u>\$ 77,842,844</u>	<u>\$ 226,339,049</u>	<u>\$ 201,449,520</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 \$125.9 million.

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 68,840,000	\$ 71,325,000	\$ 15,150,000	\$ 16,920,000	\$ 83,990,000	\$ 88,245,000
Revenue bonds	-	-	32,545,000	34,120,000	32,545,000	34,120,000
Premium on bond issuance	2,998,048	3,366,542	4,459,526	4,861,781	7,457,574	8,228,323
Notes payable	1,752,620	2,645,629	-	-	1,752,620	2,645,629
SBITA liability	152,509	92,494	-	-	152,509	92,494
	<u>\$ 73,743,177</u>	<u>\$ 77,429,665</u>	<u>\$ 52,154,526</u>	<u>\$ 55,901,781</u>	<u>\$ 125,897,703</u>	<u>\$ 133,331,446</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 43,083. 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 as well as commercial and mixed-use development outside of the downtown area. These development projects include medical office buildings, hotels, retail and office spaces as well as multi-family complexes. 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 2025 has a tax rate of \$0.514172 per \$100 taxable value. This rate consists of a maintenance and operation (M&O) tax rate of \$0.404140 and an interest and sinking (debt service) tax rate of \$0.110032. The rate was set based on a net assessed value of \$5,401,437,619. This is an increase of \$195,542,565 above certified values including supplemental rolls for tax year 2023. 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 \$9,150,001 to \$9,291,919. The franchise fees budget decreased from \$2,112,803 to \$2,090,697 and the budget for licenses and permits has increased from \$753,524 to \$846,968. If all projections are accurate, the total General Fund unassigned fund balance net of the 90-day operating requirement (\$9.2 million) is estimated to be approximately \$1.9 million on September 30, 2025.

Water revenues are budgeted at \$10,885,145 which is an increase of \$1,327,824 in revenues, or 13.9 percent. Sewer revenues are budgeted at \$10,112,236 which is an increase of \$543,762 or 5.7 percent. Water and Sewer Fund working capital net of the 90-day operating requirement (\$2.5 million) is projected to be \$9.7 million at the end of fiscal year 2025.

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 Finance Department, P.O. Box 1288, Friendswood, Texas 77549-1288, or call Rhonda Bloskas at 281-996-3216, or email rbloskas@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 Robinson, LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

BASIC FINANCIAL STATEMENTS



CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
Assets					
Cash and cash equivalents	\$ 9,952,184	\$ 4,527,465	\$ 14,479,649	\$ 525,266	\$ 817,069
Investments	47,362,455	11,674,004	59,036,459	5,232,684	2,107,199
Receivables, net of allowances					
Taxes	3,273,149	-	3,273,149	9,771	153,708
Leases	969,430	-	969,430	-	-
Customer accounts	552,599	4,203,530	4,756,129	-	-
Other	319,101	-	319,101	-	-
Accrued interest	57,031	23,998	81,029	144	3,983
Due from other governments	435,881	-	435,881	-	-
Prepaid items	437,344	78,257	515,601	4,655	-
Working capital deposit	-	659,899	659,899	-	-
Restricted investments	-	4,858,458	4,858,458	-	-
Capital Assets:					
Non-depreciable	49,914,636	47,582,659	97,497,295	7,695,748	1,868,603
Depreciable, net	83,665,839	45,175,915	128,841,754	334,694	-
Total Capital Assets	133,580,475	92,758,574	226,339,049	8,030,442	1,868,603
Total Assets	196,939,649	118,784,185	315,723,834	13,802,962	4,950,562
Deferred Outflows of Resources					
Deferred loss on issuance of refunding bonds	41,703	459,540	501,243	259,914	-
Deferred outflow of resources for pensions	5,215,915	664,025	5,879,940	-	-
Deferred outflow of resources for OPEB	284,166	42,325	326,491	-	-
Total Deferred Outflows of Resources	5,541,784	1,165,890	6,707,674	259,914	-
Total Assets and Deferred Outflows of Resources	202,481,433	119,950,075	322,431,508	14,062,876	4,950,562
Liabilities					
Accounts payable	2,805,374	1,512,705	4,318,079	17,248	127,834
Accrued liabilities	1,215,479	143,859	1,359,338	-	-
Retainage payable	432,561	301,777	734,338	-	75,277
Accrued interest	217,602	159,009	376,611	214,672	-
Unearned revenue	10,010,506	-	10,010,506	-	-
Customer deposits	67,178	498,680	565,858	-	-
Due to other governments	104,154	-	104,154	-	-
Noncurrent liabilities:					
Due within one year	3,885,155	3,523,103	7,408,258	930,000	-
Due in more than one year	71,877,936	48,821,938	120,699,874	16,213,660	-
Net pension liability	12,325,473	1,389,573	13,715,046	-	-
Total OPEB liability	1,486,075	224,251	1,710,326	-	-
Total Liabilities	104,427,493	56,574,895	161,002,388	17,375,580	203,111
Deferred Inflows of Resources					
Deferred gain on issuance of refunding bonds	47,227	21,228	68,455	-	-
Deferred inflows of resources for leases	936,383	-	936,383	-	-
Deferred inflows of resources for pensions	280,309	35,685	315,994	-	-
Deferred inflows of resources for OPEB	584,887	87,177	672,064	-	-
Total Deferred Inflows of Resources	1,848,806	144,090	1,992,896	-	-
Net Position					
Net investment in capital assets	82,579,164	45,357,858	127,937,022	7,385,758	-
Restricted for:					
Public education and government channels	592,105	-	592,105	-	-
Debt service	201,449	2,890,495	3,091,944	2,018,896	-
Municipal court operations	224,699	-	224,699	-	-
Economic development	-	-	-	-	4,747,451
Public safety	392,786	-	392,786	-	-
Parks and recreation - nonexpendable	12,006	-	12,006	-	-
Capital projects	8,394,809	623,948	9,018,757	94,369	-
Unrestricted	3,808,116	14,358,789	18,166,905	(12,811,727)	-
Total Net Position	\$ 96,205,134	\$ 63,231,090	\$ 159,436,224	\$ (3,312,704)	\$ 4,747,451

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 8,161,621	\$ 939,295	\$ 16,000	\$ -
Public safety	22,158,023	1,199,635	1,265,749	-
Public works	6,252,727	265,593	-	630,315
Engineering	639,828	-	-	-
Community development	1,339,241	-	-	-
Parks and recreation	6,117,073	537,448	71,120	-
Library services	1,429,820	-	-	-
Interest on long-term debt	2,553,004	-	-	-
Total Governmental Activities	48,651,337	2,941,971	1,352,869	630,315
Business-type Activities:				
Water and sewer	13,589,060	20,273,185	-	-
Total Business-type Activities	13,589,060	20,273,185	-	-
Total Primary Government	\$ 62,240,397	\$ 23,215,156	\$ 1,352,869	\$ 630,315
Component Units				
West Ranch Management District	996,690	-	-	-
Friendswood Downtown EDC	16,000	-	-	-
Total Component Units	\$ 1,012,690	\$ -	\$ -	\$ -

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
Primary Government					
Governmental Activities:					
General government	\$ (7,206,326)	\$ -	\$ (7,206,326)	\$ -	\$ -
Public safety	(19,692,639)	-	(19,692,639)	-	-
Public works	(5,356,819)	-	(5,356,819)	-	-
Engineering	(639,828)	-	(639,828)	-	-
Community development	(1,339,241)	-	(1,339,241)	-	-
Parks and recreation	(5,508,505)	-	(5,508,505)	-	-
Library services	(1,429,820)	-	(1,429,820)	-	-
Interest on long-term debt	(2,553,004)	-	(2,553,004)	-	-
Total Governmental Activities	(43,726,182)	-	(43,726,182)	-	-
Business-type Activities:					
Water and sewer	-	6,684,125	6,684,125	-	-
Total Business-type Activities	-	6,684,125	6,684,125	-	-
Total Primary Government	(43,726,182)	6,684,125	(37,042,057)	-	-
Component Units					
West Ranch Management District				(996,690)	-
Friendswood Downtown EDC				-	(16,000)
Total Component Units				(996,690)	(16,000)
General revenues:					
Taxes:					
Property taxes	25,729,032	-	25,729,032	2,018,922	-
Franchise and other taxes	2,105,924	-	2,105,924	-	-
Sales taxes	12,628,949	-	12,628,949	-	836,484
Interest	3,141,648	1,352,903	4,494,551	241,629	119,132
Miscellaneous	504,667	-	504,667	300,915	-
Transfers	2,699,385	(2,699,385)	-	-	-
Total General Revenues and Transfers	46,809,605	(1,346,482)	45,463,123	2,561,466	955,616
Change in net position	3,083,423	5,337,643	8,421,066	1,564,776	939,616
Net Position - Beginning	93,121,711	57,893,447	151,015,158	(4,877,480)	3,807,835
Net Position - Ending	\$ 96,205,134	\$ 63,231,090	\$ 159,436,224	\$ (3,312,704)	\$ 4,747,451

CITY OF FRIENDSWOOD, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024**

	General Fund	Coronavirus State Fiscal Recovery Fund	Bond Construction	Formerly Nonmajor Fund Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 4,173,310	\$ 3,020,659	\$ -	\$ 61,906	\$ 2,189,257	\$ 9,445,132
Investments	9,321,907	7,790,192	23,139,590	159,653	5,643,440	46,054,782
Receivables, net of allowance:						
Taxes	2,730,824	-	-	81,202	461,123	3,273,149
Leases	969,430	-	-	-	-	969,430
Customer accounts	549,720	-	-	-	2,879	552,599
Other receivables	315,528	-	-	-	3,573	319,101
Accrued interest	26,260	15,557	-	2,358	10,583	54,758
Due from other funds	372,631	-	-	-	-	372,631
Due from other governments	22,103	-	-	-	413,778	435,881
Prepaid items	437,344	-	-	-	-	437,344
Total Assets	\$ 18,919,057	\$ 10,826,408	\$ 23,139,590	\$ 305,119	\$ 8,724,633	\$ 61,914,807
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,654,889	\$ -	\$ 43,265	\$ -	\$ 107,220	\$ 2,805,374
Accrued liabilities	1,215,479	-	-	-	-	1,215,479
Due to other governments	104,154	-	-	-	-	104,154
Customer deposits	67,178	-	-	-	-	67,178
Retainage payable	50,998	-	348,935	-	32,628	432,561
Due to other funds	-	-	-	-	372,631	372,631
Unearned revenue	-	10,003,026	-	-	7,480	10,010,506
Total Liabilities	4,092,698	10,003,026	392,200	-	519,959	15,007,883
Deferred Inflows of Resources:						
Unavailable revenue	593,403	-	-	103,670	3,756	700,829
Leases	936,383	-	-	-	-	936,383
Total Deferred Inflows of Resources	1,529,786	-	-	103,670	3,756	1,637,212
Fund Balances:						
Nonspendable:						
Prepaid items	437,344	-	-	-	-	437,344
Permanent fund	-	-	-	-	12,006	12,006
Restricted:						
Public education and government channels	592,105	-	-	-	-	592,105
Municipal court operations	-	-	-	-	224,699	224,699
Debt service	-	-	-	201,449	-	201,449
Public safety	-	-	-	-	392,786	392,786
Capital projects	-	823,382	22,747,390	-	7,571,427	31,142,199
Assigned:						
Subsequent year's budget appropriation of fund balance	2,604,265	-	-	-	-	2,604,265
Capital projects	588,557	-	-	-	-	588,557
Unassigned	9,074,302	-	-	-	-	9,074,302
Total Fund Balances	13,296,573	823,382	22,747,390	201,449	8,200,918	45,269,712
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,919,057	\$ 10,826,408	\$ 23,139,590	\$ 305,119	\$ 8,724,633	\$ 61,914,807

CITY OF FRIENDSWOOD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total Fund Balance, Governmental Funds \$ 45,269,712

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. 131,240,160

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. 4,157,313

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	(68,840,000)
Notes payable	(1,752,620)
SBITA payable	(152,509)
Compensated absences	(2,019,914)
Accrued interest payable	(217,602)
Unamortized premium on bonds	(2,998,048)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 700,829

Deferred gain on refunding	(47,227)
Deferred loss on refunding	41,703

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	(12,325,473)
Total OPEB liability	(1,486,075)
Deferred outflows and inflows of resources related to the net pension liability	4,935,606
Deferred outflows and inflows of resources related to the total OPEB liability	<u>(300,721)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 96,205,134

CITY OF FRIENDSWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General Fund	Coronavirus State Fiscal Recovery Fund	Bond Construction	Formerly Nonmajor Fund Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 19,361,116	\$ -	\$ -	\$ 6,185,194	\$ -	\$ 25,546,310
Sales taxes	10,119,498	-	-	-	2,509,451	12,628,949
Franchise fees and other	2,105,924	-	-	-	-	2,105,924
Fines and forfeitures	1,011,248	-	-	-	74,254	1,085,502
Permits and fees	1,882,151	-	-	-	64,800	1,946,951
Intergovernmental	1,102,449	-	-	-	630,315	1,732,764
Investment income (loss)	769,971	455,612	1,491,401	75,582	289,770	3,082,336
Donations	83,700	-	-	-	172,111	255,811
Miscellaneous	283,582	-	-	-	12,687	296,269
Total Revenues	36,719,639	455,612	1,491,401	6,260,776	3,753,388	48,680,816
Expenditures						
Current:						
General government	7,312,155	-	-	-	53,037	7,365,192
Public safety	21,107,806	-	-	-	13,287	21,121,093
Public works	2,742,022	-	-	-	107,790	2,849,812
Engineering	639,828	-	-	-	-	639,828
Community development	1,387,457	-	-	-	-	1,387,457
Parks and recreation	5,642,966	-	-	-	3,500	5,646,466
Library services	1,443,794	-	-	-	-	1,443,794
Debt service:						
Principal	152,984	-	-	3,177,228	200,781	3,530,993
Interest and other charges	3,006	-	-	2,912,892	22,953	2,938,851
Capital outlay	2,715,713	-	12,284,477	-	1,292,112	16,292,302
Total Expenditures	43,147,731	-	12,284,477	6,090,120	1,693,460	63,215,788
Excess (deficiency) of revenues over (under) expenditures	(6,428,092)	455,612	(10,793,076)	170,656	2,059,928	(14,534,972)
Other Financing Sources (Uses)						
Issuance of SBITAs	212,999	-	-	-	-	212,999
Insurance recoveries	71,342	-	-	-	-	71,342
Transfers in	2,682,431	-	-	-	-	2,682,431
Sale of capital assets	19,040	-	-	-	-	19,040
Total Other Financing Sources (Uses)	2,985,812	-	-	-	-	2,985,812
Net change in fund balances	(3,442,280)	455,612	(10,793,076)	170,656	2,059,928	(11,549,160)
Fund Balances - Beginning, as Previously Reported	16,738,853	367,770	33,540,466	-	6,171,783	56,818,872
Change within financial reporting entity (nonmajor to major fund)	-	-	-	30,793	(30,793)	-
Fund Balances - Ending	\$ 13,296,573	\$ 823,382	\$ 22,747,390	\$ 201,449	\$ 8,200,918	\$ 45,269,712

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, 2024

Net Change in Fund Balances - Total Governmental Funds \$ (11,549,160)

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/amortization expense for the period.

Capital outlay	16,292,302
Depreciation/amortization expense	(6,064,128)

Governmental funds only report the proceeds from the disposal of capital assets and not the difference between the carrying value and the accumulated depreciation of the asset. This is the amount by which the carrying value exceeded the accumulated depreciation. (8,979)

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	149,495
---	---------

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	3,378,009
SBITA principal	152,984
Proceeds from SBITAs	(212,999)

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	873,705
OPEB	(32,386)

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	19,565
(Increase) decrease in compensated absences	(769,374)
Amortization of deferred loss on refunding	(6,506)
Amortization of deferred gain on refunding	4,294
Amortization of premium on bonds	368,494

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.

	488,107
Change in Net Position of Governmental Activities	<u>\$ 3,083,423</u>

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-Type Activities		Governmental Activities	
	Enterprise Fund		Internal Service	
	Water and Sewer			
Assets				
Current Assets				
Cash and cash equivalents	\$	4,525,465	\$	507,052
Investments		11,676,004		1,307,673
Accounts receivable, net of allowance:				
Customer accounts		4,203,530		-
Accrued interest		23,998		2,273
Prepays and other assets		78,257		-
Restricted investments		4,858,458		-
Total Current Assets		25,365,712		1,816,998
Non-current Assets				
Working capital deposit		659,899		-
Capital Assets:				
Land		1,152,271		-
Construction in progress		26,713,693		-
Water rights		19,716,695		-
Buildings and improvements		775,906		-
Machinery and equipment		17,177,742		6,201,601
Water and sewer systems		76,058,499		-
Accumulated depreciation		(48,836,232)		(3,861,286)
Total Capital Assets		92,758,574		2,340,315
Total Non-current Assets		93,418,473		2,340,315
Total Assets		118,784,185		4,157,313
Deferred Outflows of Resources				
Deferred loss on bond refunding		459,540		-
Deferred outflows - pension related		664,025		-
Deferred outflows - OPEB related		42,325		-
Total Deferred Outflows of Resources		1,165,890		-
Total Assets and Deferred Outflows of Resources	\$	119,950,075	\$	4,157,313

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-Type Activities		Governmental Activities
	Enterprise Fund		
	Water and Sewer		Internal Service
Liabilities			
Current Liabilities			
Accounts payable	\$	1,512,705	\$ -
Accrued liabilities		143,859	-
Accrued interest		159,009	-
Customer deposits		498,680	-
Retainage payable		301,777	-
Compensated absences		38,103	-
Bonds and other long-term debt payable		3,485,000	-
Total Current Liabilities		6,139,133	-
Non-Current Liabilities			
Compensated absences		152,412	-
Net Pension liability		1,389,573	-
Total OPEB liability		224,251	-
Bonds and other long-term debt payable		48,669,526	-
Total Non-Current Liabilities		50,435,762	-
Total Liabilities		56,574,895	-
Deferred Inflows of Resources			
Deferred gain on issuance of refunding bonds		21,228	-
Deferred inflows - pension related		35,685	-
Deferred inflows of resources for OPEB		87,177	-
Total Deferred Inflows of Resources		144,090	-
Total Liabilities and Deferred Inflows of Resources		56,718,985	-
Net Position			
Net investment in capital assets		45,357,858	2,340,315
Restricted for capital projects		623,948	-
Restricted for debt service		2,890,495	-
Unrestricted		14,358,789	1,816,998
Total Net Position	\$	63,231,090	\$ 4,157,313



CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-Type	
	Activities Enterprise	Governmental
	Fund	Activities
	Water and Sewer	Internal Service
Operating Revenues		
Charges for services	\$ 20,049,092	\$ 1,112,395
Miscellaneous	224,093	20,625
Total Operating Revenues	<u>20,273,185</u>	<u>1,133,020</u>
Operating Expenses		
Personnel services	3,170,289	-
Sewer operations	2,250,967	-
Water purchases	2,075,936	-
Repairs and maintenance	943,327	-
Supplies	232,741	-
Other services and charges	1,164,420	-
Depreciation	2,125,838	785,528
Total Operating Expenses	<u>11,963,518</u>	<u>785,528</u>
Operating income	<u>8,309,667</u>	<u>347,492</u>
Non-Operating Revenues (Expenses)		
Investment income	1,352,903	59,312
Gain on disposal of capital assets	-	64,349
Interest expense	(1,625,542)	-
Total Non-Operating Revenues (Expenses)	<u>(272,639)</u>	<u>123,661</u>
Income before transfers	8,037,028	471,153
Transfers in	-	16,954
Transfers out	<u>(2,699,385)</u>	<u>-</u>
Change in net position	5,337,643	488,107
Net Position - Beginning	<u>57,893,447</u>	<u>3,669,206</u>
Total Net Position - Ending	<u>\$ 63,231,090</u>	<u>\$ 4,157,313</u>

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-Type	
	Activities Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service
Cash Flows from Operating Activities		
Cash received from customers	\$ 20,952,785	\$ -
Receipts from interfund charges for fleet management	-	1,133,020
Cash payments to suppliers for goods and services	(7,479,081)	-
Cash payments to employees for services	(3,194,540)	-
Net Cash Provided by Operating Activities	10,279,164	1,133,020
Cash Flows from Noncapital Financing Activities		
Transfer in from other funds	-	16,954
Transfers out to other funds	(2,699,385)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,699,385)	16,954
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of property, plant and equipment	(16,907,672)	(540,132)
Disposal of capital assets	-	64,349
Repayment of debt	(3,345,000)	-
Interest paid on debt	(1,977,752)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,230,424)	(475,783)
Cash Flows from Investing Activities		
Sale (purchase) of investments	1,475,101	(456,698)
Investment income	1,342,959	57,896
Net Cash Provided (Used) by Investing Activities	2,818,060	(398,802)
Net increase (decrease) in cash and cash equivalents	(11,832,585)	275,389
Cash and Cash Equivalents, Beginning	21,216,508	231,663
Cash and Cash Equivalents, Ending	\$ 9,383,923	\$ 507,052
Reconciliation of Total Cash and Cash Equivalents		
Current assets - cash and cash equivalents	\$ 4,525,465	\$ 507,052
Restricted assets - cash and cash equivalents	4,858,458	-
	\$ 9,383,923	\$ 507,052

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-type	
	Activities - Enterprise	Governmental
	Funds	Activities
	<u>Water and Sewer</u>	<u>Internal Service</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ 8,309,667	\$ 347,492
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,125,838	785,528
Change in assets, deferred inflows and outflows, and liabilities:		
Decrease (increase) in customer receivable	722,950	-
Decrease (increase) in prepaids and other assets	17,158	-
Decrease (increase) in working capital deposit	(88,015)	-
Decrease (increase) in deferred outflow for pensions	458,246	-
Decrease (increase) in deferred outflow for OPEB	(727)	-
Increase (decrease) in accounts payable	(765,046)	-
Increase (decrease) in accrued liabilities	24,213	-
Increase (decrease) in customer deposits	(43,350)	-
Increase (decrease) in deferred inflows for pensions	30,038	-
Increase (decrease) in deferred inflows for OPEB	(4,611)	-
Increase (decrease) in total OPEB liability	17,703	-
Increase (decrease) in net pension liability	(588,989)	-
Increase (decrease) in compensated absences	64,089	-
Total Adjustments	<u>1,969,497</u>	<u>785,528</u>
Net Cash Provided by Operating Activities	<u>\$ 10,279,164</u>	<u>\$ 1,133,020</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 79th Legislature of the State of Texas, effective June 17, 2005, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 3837, Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code and Chapter 375 of the Texas Local Government Code, and is subject to the continuing supervision of the Texas Commission on Environmental Quality. The District was created to promote and encourage employment and the public welfare within the District. The affairs of the District are managed by a Board of Directors composed of persons appointed by the City Council. The City is financially accountable for the District because City Council must approve any debt issuances. Complete financial statements from the component may be obtained at the District’s administrative office.

The Friendswood Downtown Economic Development Corporation (“FDEDC”) was incorporated August 1, 2016 as a nonprofit economic development corporation under the Development Corporation Act. The citizens of Friendswood voted to pass a one- half cent sales tax dedicated to support and enhance the welfare and prosperity of the citizens of the City and of this State by promotion of economic development and growth by encouraging the development of new business enterprises and the retention or expansion of existing business enterprises.

CITY OF FRIENDSWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

To serve this purpose, the Corporation shall have the authority and power of a Type B corporation to undertake projects as described in Subchapter C of Chapter 501 of the Local Government Code and Chapter 505 of the Local Government Code, including undertaking projects as authorized by law, including but not limited to projects to promote new or expanded business enterprises in the downtown area as defined by the City of Friendswood Downtown District Map, including but not limited to streets, targeted infrastructure, paved sidewalks, pedestrian amenities including lighting, benches, signage, and other related public improvements, and the maintenance and operations expenses for any of the above-described projects. A separate governing board oversees FDEDC, which is appointed by Friendswood City Council, and consists of members of City Council, City's management, and individuals from the community. The City can remove appointed board members and approves the FDEDC's budget. The FDEDC is reported as a discretely presented component unit because the governing body is not identical to the governing body of the City, the FDEDC does not solely serve the City, and the City has the ability to impose its will on FDEDC. Complete financial statements of the FDEDC may be obtained by contacting FDEDC's administration office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary 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, including subscription-based technology arrangements (SBITA) liabilities, 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 \$0.500728 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.379450 and \$0.121278, respectively. The resulting tax levies were approximately \$19.5 and \$6.2 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$5.1 billion for the 2023 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, 2024, the District levied an ad valorem tax at the rate of \$0.1450 per \$100 of assessed valuation, which resulted in tax levy of \$1.2 million on the taxable valuation of approximately \$820.3 million for the 2023 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. West Ranch Management District's fiscal year ended July 31, 2024.

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. The City has established a SBITA recognition threshold of \$100,000. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The City's water rights have an indefinite life.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

The City’s property, plant, equipment, and right-to-use SBITA assets are depreciated/amortized using the straight-line method over the following useful lives:

Right-to-use SBITA asset	Subscription Term
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.

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.

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.

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.

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)

Bonds Payable

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.

Subscription-Based Information Technology Arrangements

The City is under a contract for SBITA for governmental software. The agreement/contract is noncancellable and the City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$100,000 or more.

At the commencement of the SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

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.

CITY OF FRIENDSWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for 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.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from changes in actuarial assumptions. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for gain on issuance of refunding bonds - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences from the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for OPEB - Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plans.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

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

Fund Balance

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items 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, 2024, the City's assigned fund balance included amounts assigned for encumbrances and capital projects.

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 (continued)

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

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

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

Net Position

Government-Wide Financial Statements:

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

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

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

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

Use of Estimates

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

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

Note 1. Summary of Significant Accounting Policies (continued)

E. Implementation of New Accounting Standards

The following GASB pronouncements were effective during fiscal year 2024.

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, *Leases*, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement do not apply and therefore do not have a material impact on the financial statements.

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 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, 2024, the carrying amount of the City and Friendswood Downtown Economic Development Corporation’s deposits was \$15,296,718 and the bank balance of \$15,536,787.

As of September 30, 2024, the City and Friendswood Downtown Economic Development Corporation held the following investments.

	<u>Reported Value of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Investment Pools:		
TexPool	\$ 7,586,747	26
Texas CLASS	1,492,261	36
Texas CLASS Government	47,999,316	12
Total Investment Pools	<u>57,078,324</u>	
Debt Securities:		
Federal Farm Credit Bank	2,495,775	83
Federal Home Loan Bank	3,501,465	292
Federal Home Loan Mortgage Corporation	476,954	437
Federal National Mortgage Association	989,257	109
United States Treasury Note	1,460,341	360
Total Debt Securities	<u>8,923,792</u>	
Total Investments	<u>\$ 66,002,116</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, 2024:

	Fair Value /			
	Amortized Cost	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment Securities:				
Federal Farm Credit Bank	\$ 2,495,775	\$ -	\$ 2,495,775	\$ -
Federal Home Loan Bank	3,501,465	-	3,501,465	-
Federal Home Loan Mortgage Corp.	476,954	-	476,954	-
Federal National Mortgage Assoc.	989,257	-	989,257	-
United States Treasury Note	1,460,341	-	1,460,341	-
Total Investment Securities	\$ 8,923,792	\$ -	\$ 8,923,792	\$ -

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, 2024, 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, 2024, were rated as follows:

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

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

Note 3. Receivables and Deferred Inflows of Resources

Receivables as of September 30, 2024 for the City’s individual major funds and nonmajor funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Proprietary Fund</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Water and Sewer</u>	
Receivables:					
Property taxes	\$ 318,511	\$ 82,134	\$ -	\$ -	\$ 400,645
Penalties and interest	166,571	34,150	-	-	200,721
Sales tax	1,858,045	-	461,123	-	2,319,168
Franchise taxes	534,038	-	-	-	534,038
Customer accounts	437,217	-	2,879	4,482,689	4,922,785
Court fines	798,405	-	-	-	798,405
Leases	969,430	-	-	-	969,430
Other	315,528	-	3,573	-	319,101
Gross receivables	5,397,745	116,284	467,575	4,482,689	10,464,293
Less: allowance for uncollectibles	(832,243)	(35,082)	-	(279,159)	(1,146,484)
Net Total Receivables	<u>\$ 4,565,502</u>	<u>\$ 81,202</u>	<u>\$ 467,575</u>	<u>\$ 4,203,530</u>	<u>\$ 9,317,809</u>

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

	<u>Deferred Inflows of Resources</u>
General Fund:	
Delinquent property taxes	\$ 311,786
Property tax penalties and interest	100,990
Court fines	159,681
Grants	12,780
Leases	936,383
Miscellaneous	8,166
Total General Fund	<u>1,529,786</u>
Nonmajor Funds:	
Delinquent property taxes	88,039
Property tax penalties and interest	15,631
Court fines	3,756
Total Nonmajor Funds	<u>107,426</u>
Total Governmental Funds	<u>\$ 1,637,212</u>

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

Note 4. Capital Assets

Capital assets activity for the primary government for the fiscal year ended September 30, 2024, is as follows:

Governmental Activities	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 32,720,334	\$ -	\$ -	\$ 32,720,334
Construction in progress	18,801,194	10,054,016	(11,660,908)	17,194,302
Total Capital Assets, Not Being Depreciated/Amortized	51,521,528	10,054,016	(11,660,908)	49,914,636
Capital Assets, Being Depreciated/Amortized:				
Buildings and improvements	46,853,189	150,286	7,705,576	54,709,051
Machinery and equipment	24,483,767	1,371,468	(233,703)	25,621,532
Infrastructure	105,214,782	5,059,121	3,955,332	114,229,235
Right-to-use SBITA asset	176,744	212,999	(176,744)	212,999
Total Capital Assets, Being Depreciated/Amortized	176,728,482	6,793,874	11,250,461	194,772,817
Less Accumulated Depreciation/Amortization for:				
Buildings & improvements	(24,795,207)	(1,392,977)	-	(26,188,184)
Machinery and equipment	(15,241,536)	(2,370,532)	209,269	(17,402,799)
Infrastructure	(64,518,464)	(2,939,546)	-	(67,458,010)
Right-to-use SBITA asset	(88,127)	(146,602)	176,744	(57,985)
Total Accumulated Depreciation/Amortization	(104,643,334)	(6,849,657)	386,013	(111,106,978)
Total Capital Assets - Being Depreciated/Amortized	72,085,148	(55,783)	11,636,474	83,665,839
Governmental Capital Assets, Net	\$ 123,606,676	\$ 9,998,233	\$ (24,434)	\$ 133,580,475
Business-type Activities	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 1,152,271	\$ -	\$ -	\$ 1,152,271
Water rights	19,716,695	-	-	19,716,695
Construction in progress	19,007,098	16,886,734	(9,180,139)	26,713,693
Total Capital Assets, Not Being Depreciated	39,876,064	16,886,734	(9,180,139)	47,582,659
Capital Assets, Being Depreciated:				
Buildings and improvements	683,906	-	92,000	775,906
Machinery and equipment	7,934,769	154,834	9,088,139	17,177,742
Water and sewer system	76,058,499	-	-	76,058,499
Total Capital Assets, Being Depreciated	84,677,174	154,834	9,180,139	94,012,147
Less Accumulated Depreciation for:				
Buildings and improvements	(384,814)	(19,757)	-	(404,571)
Machinery and equipment	(5,517,462)	(250,642)	-	(5,768,104)
Water and sewer system	(40,808,118)	(1,855,439)	-	(42,663,557)
Total Accumulated Depreciation	(46,710,394)	(2,125,838)	-	(48,836,232)
Total Capital Assets - Being Depreciated	37,966,780	(1,971,004)	9,180,139	45,175,915
Business-type Capital Assets, Net	\$ 77,842,844	\$ 14,915,730	\$ -	\$ 92,758,574

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, 2024, is as follows:

Component Unit	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 7,695,748	\$ -	\$ -	\$ 7,695,748
Construction in progress	505,174	1,363,429	-	1,868,603
Total Capital Assets, Not Being Depreciated	8,200,922	1,363,429	-	9,564,351
Capital Assets, Being Depreciated:				
Water production and distribution facilities	483,467	-	-	483,467
Total Capital Assets, Being Depreciated	483,467	-	-	483,467
Less Accumulated Depreciation for:				
Water production and distribution facilities	(138,028)	(10,745)	-	(148,773)
Total Accumulated Depreciation	(138,028)	(10,745)	-	(148,773)
Total Capital Assets - Being Depreciated	345,439	(10,745)	-	334,694
Component Unit Capital Assets, Net	\$ 8,546,361	\$ 1,352,684	\$ -	\$ 9,899,045

Depreciation/Amortization

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

	Depreciation/ Amortization Expense
Primary Government	
Governmental activities:	
General government	\$ 818,593
Public safety	1,342,433
Public works	3,275,220
Community development	20,562
Parks and recreation	607,321
Capital assets held by the City's internal service fund are charged to the various functions based on their usage	785,528
Total Governmental activities	6,849,657
Business-type activities:	
Water and sewer	2,125,838
Total Business-type activities:	2,125,838
Total Primary Government	\$ 8,975,495

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, 2024. At year end, the City’s commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
Governmental funds:			
Parks Master Plan	\$ 146,200	\$ 132,902	\$ 13,298
Blackhawk Building Renovation	2,518,013	2,518,013	-
Blackhawk Blvd Reconstruction	2,140,672	1,044,850	1,095,822
Fire Station #2	4,653,868	4,651,309	2,559
Utility Relocation at Clear Creek Utility Bridge	224,200	224,200	-
Deepwood Flood Control	251,369	214,737	36,632
Friendswood Regional Detention Basin	8,000,000	8,000,000	-
Access Control Project	87,574	43,787	43,787
Ambulance Chassis- 2024 Ford F 450 Diesel	318,451	94,751	223,700
Annalea Neighborhood IMP CDBG-MIT	117,858	37,373	80,485
Ground Water Storage Tank @WP#4 CDBT-MIT	116,266	36,866	79,400
Blackhawk Phase II Pkg C	379,983	189,644	190,339
Council Chamber Upgrade	62,895	5,870	57,025
	<u>19,017,349</u>	<u>17,194,302</u>	<u>1,823,047</u>
Enterprise funds:			
Southeast Transmission Water Line Settlement	\$ 20,489,888	\$ 8,654,072	\$ 11,835,816
Lift Station Mitigation Program	4,907,124	4,689,790	217,334
Lift Station Improvement Program	264,272	231,460	32,812
Water Systems Improvements	1,962,358	1,733,898	228,460
2023 Tank Rehabilitation Project	1,918,376	1,290,938	627,438
Fire Station #2	126,483	126,483	-
Blackhawk WWTP Aeration	6,997,920	6,997,920	-
Blackhawk Building Construction	2,837,098	2,604,412	232,686
Blackhawk Boulevard	311,647	311,647	-
Blackhawk Phase II Pkg C	130,767	73,073	57,694
	<u>39,945,933</u>	<u>26,713,693</u>	<u>13,232,240</u>
Component unit:			
FEDC FM 518 Illumination	\$ 2,583,127	\$ 1,868,603	\$ 714,524
	<u>2,583,127</u>	<u>1,868,603</u>	<u>714,524</u>
Total Commitments	<u>\$ 61,546,409</u>	<u>\$ 45,776,598</u>	<u>\$ 15,769,811</u>

The remaining commitment amounts were encumbered at year end. The encumbrances and related appropriation lapse at the end of the fiscal year, but they are re-appropriated and become a part of the subsequent year’s budget because performance under the executory contract is expected in the next year. At year end, the amount of significant encumbrances expected to be honored upon performance by the vendors in the next year were \$2,604,265 for General Fund.

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

Note 4. Capital Assets (continued)

The calculation of Net Investment in Capital Assets is as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Capital Assets, Net of Depreciation/Amortization	\$ 133,580,475	\$ 92,758,574	\$ 226,339,049
Less:			
General obligation bonds	(68,840,000)	(32,545,000)	(101,385,000)
Certificates of obligation	-	(15,150,000)	(15,150,000)
Bond issuance premiums/discounts	(2,998,048)	(4,459,526)	(7,457,574)
Deferred gain on refunding	(47,227)	(21,228)	(68,455)
Notes payable	(1,752,620)	-	(1,752,620)
Subscriptions payable	(152,509)	-	(152,509)
Capital-related payables	(392,200)	(542,960)	(935,160)
Plus:			
Deferred loss on refunding	41,703	459,540	501,243
Unspent bond funds	23,139,590	4,858,458	27,998,048
Net Investment in Capital Assets	<u>\$ 82,579,164</u>	<u>\$ 45,357,858</u>	<u>\$ 127,937,022</u>

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.

Federal Arbitrage

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

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

Note 5. Long-term Debt (continued)

Bonds Payable and Certificates of Obligation

The following schedule summarizes the terms of the City’s general obligation bonds, combination tax and revenue bonds, and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2024:

General Obligation Bonds:	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Business-Type Activities
2014 General Obligation Refunding	\$ 8,805,000	2028	2.0% - 4.0%	\$ 950,000	\$ 3,075,000
2015 General Obligation Refunding	9,595,000	2030	2.0% - 3.0%	5,425,000	-
2016 General Obligation Permanent Improvement and Refunding	19,095,000	2031	2.0% - 5.0%	6,380,000	5,860,000
2016A General Obligation Refunding	9,765,000	2034	2.0% - 4.0%	-	6,215,000
2017 General Obligation Bonds	5,605,000	2031	2.0% - 4.0%	3,465,000	-
2020 General Obligation and Refunding Bonds	10,465,000	2050	2.0% - 4.0%	8,985,000	-
2021 General Obligation and Refunding Bonds	16,235,000	2051	2.375% - 4.0%	13,860,000	-
2023 General Obligation Bonds	29,775,000	2053	4.0% - 5.0%	29,775,000	-
Total General Obligation Bonds				68,840,000	15,150,000
Revenue Bonds:					
2016 Waterworks and Sewer System	5,735,000	2036	2.0% - 4.0%	-	3,855,000
2018 Waterworks and Sewer System	20,170,000	2038	4.0% - 5.0%	-	16,470,000
2021 Waterworks and Sewer System	13,690,000	2041	3.0% - 4.0%	-	12,220,000
Total Revenue Bonds				-	32,545,000
Total				\$ 68,840,000	\$ 47,695,000

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	
2025	\$ 2,840,000	\$ 2,663,788	\$ 3,485,000	\$ 1,837,125	\$ 10,825,913
2026	2,965,000	2,555,988	3,685,000	1,687,950	10,893,938
2027	3,085,000	2,438,997	3,760,000	1,528,000	10,811,997
2028	3,210,000	2,312,388	3,930,000	1,362,225	10,814,613
2029	3,345,000	2,179,613	4,220,000	1,180,400	10,925,013
2030-2034	13,420,000	8,888,095	16,240,000	3,629,500	42,177,595
2035-2039	10,835,000	6,507,020	10,570,000	1,083,975	28,995,995
2040-2044	9,905,000	4,581,336	1,805,000	54,525	16,345,861
2045-2049	11,165,000	2,695,927	-	-	13,860,927
2050-2054	8,070,000	619,377	-	-	8,689,377
	<u>\$ 68,840,000</u>	<u>\$ 35,442,529</u>	<u>\$ 47,695,000</u>	<u>\$ 12,363,700</u>	<u>\$ 164,341,229</u>

Changes in the City’s long-term liability activity for the year ended September 30, 2024, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds	\$ 71,325,000	\$ -	\$ (2,485,000)	\$ 68,840,000	\$ 2,840,000
Premium on bond issuance	3,366,542	-	(368,494)	2,998,048	-
Notes payable	2,645,629	-	(893,009)	1,752,620	585,639
SBITA payable	92,494	212,999	(152,984)	152,509	55,533
Compensated absences	1,250,540	7,165,767	(6,396,393)	2,019,914	403,983
Governmental Activity Long-term Liabilities	<u>\$ 78,680,205</u>	<u>\$ 7,378,766</u>	<u>\$ (10,295,880)</u>	<u>\$ 75,763,091</u>	<u>\$ 3,885,155</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Revenue bonds	34,120,000	\$ -	\$ (1,575,000)	\$ 32,545,000	\$ 1,645,000
General obligation bonds	16,920,000	-	(1,770,000)	15,150,000	1,840,000
Premium on bond issuance	4,861,781	-	(402,255)	4,459,526	-
Compensated absences	126,426	394,584	(330,495)	190,515	38,103
Business-type Activity Long-term Liabilities	<u>\$ 56,028,207</u>	<u>\$ 394,584</u>	<u>\$ (4,077,750)</u>	<u>\$ 52,345,041</u>	<u>\$ 3,523,103</u>
Total Primary Government	<u>\$ 134,708,412</u>	<u>\$ 7,773,350</u>	<u>\$ (14,373,630)</u>	<u>\$ 128,108,132</u>	<u>\$ 7,408,258</u>

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

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

Note 5. Long-term Debt (continued)

West Ranch Management District

The following schedule summarizes the terms of the West Ranch Management District’s general obligation bonds at July 31, 2024:

General Obligation Bonds:	Amounts Outstanding	Interest Rates	Range of Maturities	Callable Date *
Road Series 2014	\$ 1,710,000	2.50% - 3.75%	2023-2040	September 1, 2022
Series 2015	3,145,000	2.950% - 4.125%	2023-2030	September 1, 2023
Series 2016	2,080,000	3.00% - 4.00%	2031-2040	September 1, 2024
Refunding Series 2016	410,000	2.00% - 4.00%	2023-2026	September 1, 2024
Series 2020	8,485,000	2.00% - 4.00%	2023-2040	September 1, 2025
Refunding Series 2016	1,455,000	2.00% - 4.00%	2023-2040	September 1, 2025
Total General Obligation Bonds	\$ 17,285,000			

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

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

Fiscal Year	Principal	Interest	Total
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	1,065,000	393,396	1,458,396
2029	1,110,000	361,152	1,471,152
2030-2034	5,020,000	1,338,149	6,358,149
2035-2039	4,990,000	683,265	5,673,265
2040-2041	2,195,000	65,143	2,260,143
	\$ 17,285,000	\$ 4,226,912	\$ 21,511,912

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.

Changes in the discretely presented component units’ long-term liabilities for the year end July 31, 2024, are as follows:

West Ranch Management District	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Component Unit					
General obligation bonds	\$ 18,185,000	\$ -	\$ (900,000)	\$ 17,285,000	\$ 930,000
Discount on bonds	(201,126)	-	11,364	(189,762)	-
Premium on bonds	58,047	-	(9,625)	48,422	-
Total	\$ 18,041,921	\$ -	\$ (898,261)	\$ 17,143,660	\$ 930,000

At July 31, 2024, 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.

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

Note 5. Long-term Debt (continued)

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, 2024, the City has no bonds considered defeased that were outstanding.

Notes Payable

The City has multiple agreements for the acquisition and use of various machinery and equipment.

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>
2025	\$ 585,639	\$ 58,242
2026	573,838	39,093
2027	593,143	19,888
Total	<u>\$ 1,752,620</u>	<u>\$ 117,223</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, 2024, the remaining principal on the series 2016, 2018 and 2021 bonds was \$3,855,000, \$16,470,000, and \$12,220,000, respectively. Principal and interest payments for the fiscal year were \$1,575,000 and \$1,307,575 respectively. Net pledged revenue in 2024 produced 390 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, 2024 as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	2017 CDBG- DR Harvey - Harris County	\$ 190,375	Expenditures funded by General Fund pending grant reimbursement.
General Fund	2017 CDBG- DR Harvey - Galveston County	182,256	Expenditures funded by General Fund pending grant reimbursement.
		<u>\$ 372,631</u>	

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2024, were as follows:

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water and Sewer Fund	\$ 2,682,431	Budgeted annual transfers for indirect water and sewer costs by the General Fund
Internal Service Fund	Water and Sewer Fund	16,954	To fund new vehicle for Public Works
		<u>\$ 2,699,385</u>	

Note 7. Leases

Lease Receivable

The City leases real property to third parties for the placement of their telecommunication towers. The City recognized \$37,653 in lease revenue and \$28,515 in interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the City's receivable for lease payments was \$969,430. 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, 2024, the balance of the deferred inflow of resources was \$936,383.

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

Note 8. SBITA Liabilities

The City is under contract for noncancellable SBITAs that convey control of the right-to-use software. The SBITA liabilities outstanding as of September 30, 2024, are as follows:

Subscription Software Type	Start Date	End Date	Interest Rate	Subscription Liability		Subscription Asset		
				Original Amount	Liability as of September 30, 2024	Original Amount	Accumulated Amortization	
							September 30, 2024	September 30, 2024
Governmental	10/1/2023	9/30/2026	3.25%	\$ 115,390	\$ 75,690	\$ 115,390	\$ (38,463)	\$ 76,927
Governmental	10/1/2023	9/30/2028	3.25%	97,609	76,819	97,609	(19,522)	78,087
				<u>\$ 212,999</u>	<u>\$ 152,509</u>	<u>\$ 212,999</u>	<u>\$ (57,985)</u>	<u>\$ 155,014</u>

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

The future principal and interest SBITA payments as of September 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 55,533	\$ 4,957	\$ 60,490
2026	57,338	3,152	60,490
2027	19,502	1,288	20,790
2028	20,136	654	20,790
	<u>\$ 152,509</u>	<u>\$ 10,051</u>	<u>\$ 162,560</u>

Note 9. Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 934 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.tmr.com.

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

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

Note 9. Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

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

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	179
Inactive employees entitled to but not yet receiving benefits	144
Active employees	<u>235</u>
Total	<u>558</u>

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

Note 9. Employee Retirement System (continued)

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 16.33% and 17.06% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$3,247,842 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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:	22 years (longest amortization ladder)
Asset valuation method:	10 year smoothed market; 12% soft corridor
Inflation:	2.50%
Salary increases:	3.60% to 11.85% including inflation
Investment rate of return:	6.75%

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.

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

Note 9. Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Actuarial Assumptions (continued)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study completed in 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 2024 are summarized in the table below:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

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 9. Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2022	\$ 103,973,933	\$ 85,043,388	\$ 18,930,545
Changes for the Year:			
Service Cost	3,411,163	-	3,411,163
Interest (on the Total Pension Liability)	6,902,765	-	6,902,765
Changes of benefit terms	(1,146,762)	-	(1,146,762)
Difference between expected and actual experience	230,086	-	230,086
Changes of assumptions	(390,479)	-	(390,479)
Benefit payments, including refunds of employee contributions	(4,539,143)	(4,539,143)	-
Contributions – employer	-	3,106,763	(3,106,763)
Contributions – employee	-	1,331,742	(1,331,742)
Net investment income	-	9,846,822	(9,846,822)
Administrative Expense	-	(62,618)	62,618
Other	-	(437)	437
Balance at 12/31/2023	<u>\$ 108,441,563</u>	<u>\$ 94,726,517</u>	<u>\$ 13,715,046</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 28,400,782	\$ 13,715,046	\$ 1,594,676

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.

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

Note 9. 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, 2024, the City recognized a pension expense of \$2,273,432.

At September 30, 2024, 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	\$ 1,235,465	\$ (17,177)
Changes in actuarial assumptions	-	(298,817)
Difference between projected and actual investment earnings	2,271,912	-
Contributions subsequent to the measurement date	2,372,563	-
Total	<u>\$ 5,879,940</u>	<u>\$ (315,994)</u>

The \$2,372,563 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, 2025. 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>
2025	\$ 1,073,092
2026	1,123,674
2027	1,825,682
2028	(831,065)
Thereafter	-
Total	<u>\$ 3,191,383</u>

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

Note 10. 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, 2023 was as follows:

Inactive employees currently receiving benefits	124
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>235</u>
Total	<u>389</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 0.31% 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 3.77% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.

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

Note 10. 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, 2023 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2023

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.60% to 11.85%, including inflation
Discount rate *:	3.77%
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 by most recent Scale MP-2021 (with immediate convergence).
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 MP-2021 (with immediate convergence) 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 31,2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Changes in the Total OPEB Liability

Service cost	\$	24,732
Interest		25,773
Changes of benefit terms		-
Difference between expected and actual experience		2,419
Changes of assumptions		33,836
Benefit payments		(17,122)
Net change in total OPEB liability		69,638
Total OPEB Liability - Beginning		632,558
Total OPEB Liability - Ending	\$	702,196

Ending total OPEB liability is \$702,196 as of December 31, 2023. Changes of assumptions reflect a change in the discount rate from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023.

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

Note 10. 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 3.77%, 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 (2.77%) or 1 percentage point higher (4.77%) 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 2.77%</u>	<u>Current Discount Rate Assumption 3.77%</u>	<u>1% Increase to 4.77%</u>
	\$ 837,782	\$ 702,196	\$ 595,949

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$20,441 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$76,661 related to the City’s retiree healthcare plan for total OPEB expense of \$97,102. As of September 30, 2024, 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	\$ 2,099	\$ (34,962)
Changes in assumptions and other inputs	108,798	(221,212)
Contributions made subsequent to the measurement date	14,493	-
Total	<u>\$ 125,390</u>	<u>\$ (256,174)</u>

The \$14,493 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, 2025. 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>
2025	\$ (26,909)
2026	(31,022)
2027	(42,191)
2028	(46,626)
2029	1,174
Thereafter	297
Total	<u>\$ (145,277)</u>

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

Note 10. 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, 2023, the following employees were covered by the benefit terms:

Retirees and beneficiaries	5
Inactive, nonretired members	0
Active members	<u>219</u>
Total	<u>224</u>

Total OPEB Liability

The City’s total OPEB liability of \$1,008,130 is based on an actuarial valuation performed as of December 31, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date of December 31, 2023.

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

Note 10. 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, 2022. The total OPEB liability in the December 31, 2022 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, 2022

Measurement Date: December 31, 2023

Methods and Assumptions:

Actuarial Cost Method:	Individual Entry-Age Normal
Discount Rate:	3.77% as of December 31, 2023
Inflation:	2.50%
Salary Increases:	3.60% to 11.85%, including inflation
Demographic Assumptions:	Based on the December 31, 2022 experience study 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-2021 table to account for future mortality improvement.
Health Care Trend Rates:	Initial rate of 7.00% 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 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS experience study.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.77% (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 4.05% 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 10. Post Employee Benefits Other Than Pensions (continued)

Retiree Health Care Plan (RHCP) (continued)

Changes in the Total OPEB Liability

Service cost	\$	73,690
Interest		38,719
Changes of benefit terms		-
Difference between expected and actual experience		12,216
Changes of assumptions		(16,953)
Benefit payments		(37,419)
Net change in total OPEB liability		<u>70,253</u>
Total OPEB Liability - Beginning		<u>937,877</u>
Total OPEB Liability - Ending	\$	<u>1,008,130</u>

The ending Total OPEB Liability was \$1,008,130 as of December 31, 2023.

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 3.77%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

Current Discount Rate		
<u>1% Decrease to 2.77%</u>	<u>Assumption 3.77%</u>	<u>1% Increase to 4.77%</u>
\$ 1,107,653	\$ 1,008,130	\$ 918,298

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

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

Current Healthcare Cost Trend Rate		
<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
\$ 891,691	\$ 1,008,130	\$ 1,145,202

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

Note 10. 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, 2024, the City recognized OPEB expense of \$20,441 related to the TMRS Supplemental Death Benefit Fund and OPEB expense of \$76,661 related to the City’s retiree healthcare plan for total OPEB expense of \$97,102. As of September 30, 2024, 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	\$ 83,804	\$ (140,494)
Changes assumptions	102,599	(275,396)
Contributions subsequent to the measurement date	14,698	-
Total	<u>\$ 201,101</u>	<u>\$ (415,890)</u>

The \$14,698 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, 2025. 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>
2025	\$ (35,748)
2026	(35,748)
2027	(37,390)
2028	(31,589)
2029	(24,439)
Thereafter	(64,573)
Total	<u>\$ (229,487)</u>

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

Note 11. 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 production costs is 6 percent. Due to the fact that the City is responsible for its pro rata share of maintaining the water purification plant, the City capitalizes its pro rata share of capital improvements.

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 fiscal year, the City of Houston computes the total operation and maintenance expenses for the fiscal year 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 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 59.45% or 5.499 MGD of its capacity.

As a part of the contract with Gulf Coast 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 59.45% 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 and various deductibles. During the year ended September 30, 2024, the City paid premiums to TML for provision of various liability, property and casualty insurance. In addition, the City purchased windstorm insurance from a highly rated private carrier to cover city property for that specific loss.

CITY OF FRIENDSWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11. 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, 2024, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2024, 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 12. Subsequent Events

In November 2024, \$36,907,000 of City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) were issued and sold for the purpose of paying a portion of the costs of authorized improvements within such district, and paying the costs of issuance of the bonds.

In March 2025, \$20,395,000 of City of Friendswood, Texas, Waterworks and Sewer System Revenue Bonds, Series 2025, were issued and sold for the purpose of making certain extensions and improvements to the System, to fund a deposit to the Reserve Fund, and to pay the costs of issuance of the Bonds.

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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 19,111,076	\$ 19,111,076	\$ 19,361,116	\$ 250,040
Sales and alcohol taxes	9,227,373	9,227,373	10,119,498	892,125
Franchise taxes	2,112,803	2,112,803	2,105,924	(6,879)
Fines and forfeitures	920,878	920,878	1,011,248	90,370
Permits and fees	1,944,221	1,835,844	1,882,151	46,307
Intergovernmental	887,823	1,111,997	1,102,449	(9,548)
Investment earnings	540,066	541,275	769,971	228,696
Donations	25,000	82,048	83,700	1,652
Miscellaneous	32,087	192,866	283,582	90,716
Total Revenues	34,801,327	35,136,160	36,719,639	1,583,479
Expenditures				
General Government:				
Mayor and Council - Governing Body:				
Supplies and maintenance	12,680	12,680	4,050	8,630
Other services and charges	73,839	74,839	61,891	12,948
Total Governing Body	86,519	87,519	65,941	21,578
City Attorney:				
Personnel services	359,059	364,043	396,446	(32,403)
Supplies	1,411	1,433	1,113	320
Other services and charges	100,518	281,259	204,165	77,094
Total City Attorney	460,988	646,735	601,724	45,011
City Manager - Administration:				
Personnel services	812,356	923,542	916,826	6,716
Supplies	21,780	18,181	12,779	5,402
Other services and charges	38,350	20,488	19,380	1,108
Total Administration	872,486	962,211	948,985	13,226
City Manager - Economic Development:				
Supplies	5,000	1,000	809	191
Other services and charges	59,820	241,676	233,353	8,323
Total Economic Development	64,820	242,676	234,162	8,514
City Secretary - Municipal Clerk:				
Personnel services	493,128	429,967	410,795	19,172
Supplies	6,950	8,381	7,572	809
Other services and charges	135,876	165,861	157,526	8,335
Total Municipal Clerk	635,954	604,209	575,893	28,316

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
General Government (continued):				
Finance:				
Personnel services	\$ 1,084,443	\$ 1,041,919	\$ 1,021,634	\$ 20,285
Supplies	7,930	12,358	10,722	1,636
Other services and charges	326,648	356,004	284,277	71,727
Total Finance	1,419,021	1,410,281	1,316,633	93,648
Municipal Court:				
Personnel services	477,508	483,069	454,269	28,800
Supplies	10,180	8,440	6,864	1,576
Other services and charges	29,525	31,265	30,013	1,252
Total Municipal Court	517,213	522,774	491,146	31,628
Human Resources - Administration:				
Personnel services	388,482	388,482	387,278	1,204
Supplies	11,700	13,428	6,893	6,535
Other services and charges	91,412	162,684	73,658	89,026
Total Administration	491,594	564,594	467,829	96,765
Human Resources - Insurance:				
Other services and charges	349,845	350,145	348,494	1,651
Total Insurance	349,845	350,145	348,494	1,651
Human resources - Risk Management:				
Personnel services	161,690	161,690	161,501	189
Supplies	15,285	15,285	8,864	6,421
Other services and charges	40,865	40,565	17,408	23,157
Total Risk Management	217,840	217,540	187,773	29,767
Information Technology - Administration:				
Personnel services	958,231	958,231	925,020	33,211
Supplies	83,730	61,093	46,997	14,096
Repairs and maintenance	65,630	65,630	42,567	23,063
Other services and charges	1,057,088	1,143,144	889,444	253,700
Total Administration	2,164,679	2,228,098	1,904,028	324,070
Communication - Administration:				
Personnel services	-	169,071	161,992	7,079
Supplies	-	13,000	7,154	5,846
Other services and charges	-	8,080	401	7,679
Total Administration	-	190,151	169,547	20,604
Total General Government	7,280,959	8,026,933	7,312,155	714,778

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Public Safety:				
Police Department - Administration:				
Personnel services	\$ 1,008,414	\$ 1,008,414	\$ 1,010,771	\$ (2,357)
Supplies	30,510	50,850	43,922	6,928
Repairs and maintenance	81,707	86,707	16,948	69,759
Other services and charges	92,475	220,804	143,616	77,188
Total Administration	<u>1,213,106</u>	<u>1,366,775</u>	<u>1,215,257</u>	<u>151,518</u>
Police Department - Communications:				
Personnel services	1,339,054	1,339,054	1,275,300	63,754
Supplies	12,300	18,668	11,629	7,039
Repairs and maintenance	25,000	66,100	62,196	3,904
Other services and charges	24,985	25,026	11,637	13,389
Total Communications	<u>1,401,339</u>	<u>1,448,848</u>	<u>1,360,762</u>	<u>88,086</u>
Police Department - Patrol:				
Personnel services	7,187,846	7,140,261	7,204,271	(64,010)
Supplies	382,680	378,491	269,377	109,114
Repairs and maintenance	351,400	320,878	269,582	51,296
Other services and charges	740,435	768,456	725,923	42,533
Total Patrol	<u>8,662,361</u>	<u>8,608,086</u>	<u>8,469,153</u>	<u>138,933</u>
Police Department - Patrol - DOT Program:				
Personnel services	115,122	115,122	132,100	(16,978)
Supplies	10,310	10,310	6,433	3,877
Repairs and maintenance	4,850	4,850	1,333	3,517
Other services and charges	13,260	15,044	10,325	4,719
Total Patrol - DOT Program	<u>143,542</u>	<u>145,326</u>	<u>150,191</u>	<u>(4,865)</u>
Police Department - Criminal Investigation:				
Personnel services	1,984,972	1,944,643	1,776,137	168,506
Supplies	68,300	68,300	45,637	22,663
Repairs and maintenance	58,500	53,500	24,356	29,144
Other services and charges	257,114	268,769	252,411	16,358
Total Criminal Investigation	<u>2,368,886</u>	<u>2,335,212</u>	<u>2,098,541</u>	<u>236,671</u>
Police Department - Animal Control:				
Personnel services	387,040	387,040	408,684	(21,644)
Supplies	33,750	39,160	34,446	4,714
Repairs and maintenance	12,000	8,000	2,806	5,194
Other services and charges	75,509	74,509	58,463	16,046
Total Animal Services	<u>508,299</u>	<u>508,709</u>	<u>504,399</u>	<u>4,310</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Public Safety (continued):				
Fire Marshal - Administration:				
Personnel services	\$ 1,233,457	\$ 1,233,457	\$ 1,211,623	\$ 21,834
Supplies	39,000	39,190	36,497	2,693
Repairs and maintenance	13,000	11,500	9,246	2,254
Other services and charges	111,282	110,358	104,051	6,307
Total Administration	1,396,739	1,394,505	1,361,417	33,088
Fire Marshal - Emergency Management:				
Personnel services	109,739	109,739	114,732	(4,993)
Supplies	21,300	24,960	20,150	4,810
Repairs and maintenance	6,500	6,500	1,248	5,252
Other services and charges	60,125	60,125	42,204	17,921
Total Emergency Management	197,664	201,324	178,334	22,990
Fire Marshal - Fire/EMS Administration:				
Other services and charges	2,320,143	2,320,143	2,243,827	76,316
Total Fire/EMS Administration	2,320,143	2,320,143	2,243,827	76,316
Fire Marshal - Storm:				
Personnel services	-	114,635	114,635	-
Supplies	-	-	8,387	(8,387)
Other services and charges	-	3,799,013	3,402,903	396,110
Total Storm	-	3,913,648	3,525,925	387,723
Total Public Safety	18,212,079	22,242,576	21,107,806	1,134,770
Public Works:				
Administration:				
Personnel services	276,357	276,357	294,349	(17,992)
Supplies	6,680	9,880	8,138	1,742
Other services and charges	13,365	10,365	1,791	8,574
Total Administration	296,402	296,602	304,278	(7,676)
Streets:				
Personnel services	965,924	965,924	1,014,767	(48,843)
Supplies	152,230	156,277	143,445	12,832
Repairs and maintenance	176,830	275,857	254,638	21,219
Other services and charges	887,746	888,301	627,251	261,050
Total Streets	2,182,730	2,286,359	2,040,101	246,258

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Public Works (continued):				
Drainage:				
Personnel services	\$ 333,710	\$ 333,710	\$ 297,311	\$ 36,399
Supplies	17,820	17,820	13,859	3,961
Repairs and maintenance	66,000	78,500	72,979	5,521
Other services and charges	16,794	14,794	13,494	1,300
Total Drainage	<u>434,324</u>	<u>444,824</u>	<u>397,643</u>	<u>47,181</u>
Total Public Works	<u>2,913,456</u>	<u>3,027,785</u>	<u>2,742,022</u>	<u>285,763</u>
Engineering:				
Capital Projects Administration:				
Personnel services	543,862	543,862	556,889	(13,027)
Supplies	15,409	32,096	30,799	1,297
Repairs and maintenance	2,200	2,200	1,346	854
Other services and charges	84,873	114,818	50,794	64,024
Total Capital Projects Administration:	<u>646,344</u>	<u>692,976</u>	<u>639,828</u>	<u>53,148</u>
Total Engineering	<u>646,344</u>	<u>692,976</u>	<u>639,828</u>	<u>53,148</u>
Community Development:				
Administration:				
Personnel services	437,667	437,667	432,282	5,385
Supplies	8,890	8,890	7,478	1,412
Other services and charges	35,110	26,960	11,472	15,488
Total Administration	<u>481,667</u>	<u>473,517</u>	<u>451,232</u>	<u>22,285</u>
Planning and Zoning:				
Personnel services	281,987	281,987	233,422	48,565
Supplies	2,925	3,625	3,299	326
Other services and charges	45,785	45,085	28,602	16,483
Total Planning and Zoning	<u>330,697</u>	<u>330,697</u>	<u>265,323</u>	<u>65,374</u>
Inspection and Code Enforcement:				
Personnel services	455,402	455,402	419,610	35,792
Supplies	11,540	13,340	12,129	1,211
Repairs and maintenance	3,650	4,790	3,048	1,742
Other services and charges	82,063	87,513	67,216	20,297
Total Inspection and Code Enforcement	<u>552,655</u>	<u>561,045</u>	<u>502,003</u>	<u>59,042</u>
Geographic Information System:				
Personnel services	162,120	162,120	161,928	192
Supplies	240	240	99	141
Other services and charges	12,565	12,565	6,872	5,693
Total Geographic Information System	<u>174,925</u>	<u>174,925</u>	<u>168,899</u>	<u>6,026</u>
Total Community Development	<u>1,539,944</u>	<u>1,540,184</u>	<u>1,387,457</u>	<u>152,727</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Parks and Recreation:				
Administration:				
Personnel services	\$ 373,530	\$ 373,530	\$ 316,627	\$ 56,903
Supplies	4,950	3,757	2,957	800
Repairs and maintenance	38,760	37,107	32,566	4,541
Total Administration	<u>417,240</u>	<u>414,394</u>	<u>352,150</u>	<u>62,244</u>
Recreation Programs:				
Personnel services	343,868	343,868	421,737	(77,869)
Supplies	25,675	27,011	24,162	2,849
Other services and charges	149,365	205,384	175,032	30,352
Total Recreation programs	<u>518,908</u>	<u>576,263</u>	<u>620,931</u>	<u>(44,668)</u>
July 4th Program:				
Personnel services	33,311	33,311	47,861	(14,550)
Supplies	6,500	2,106	3,126	(1,020)
Other services and charges	105,227	114,621	119,212	(4,591)
Total July 4th Program	<u>145,038</u>	<u>150,038</u>	<u>170,199</u>	<u>(20,161)</u>
Summer Day Camp Program:				
Personnel services	223,335	111,851	93,782	18,069
Supplies	36,000	19,351	18,146	1,205
Other services and charges	100,674	53,723	50,745	2,978
Total Summer Day Camp Program	<u>360,009</u>	<u>184,925</u>	<u>162,673</u>	<u>22,252</u>
Keep Friendswood Beautiful committee:				
Supplies	13,200	18,418	18,430	(12)
Repairs and maintenance	2,500	1,659	261	1,398
Other services and charges	38,514	37,749	37,496	253
Total Keep Friendswood Beautiful committee	<u>54,214</u>	<u>57,826</u>	<u>56,187</u>	<u>1,639</u>
Stevenson Park pool:				
Personnel services	68,855	68,855	73,957	(5,102)
Supplies	35,800	28,656	25,891	2,765
Repairs and maintenance	9,000	11,390	10,612	778
Other services and charges	25,676	24,846	20,060	4,786
Total Stevenson park pool	<u>139,331</u>	<u>133,747</u>	<u>130,520</u>	<u>3,227</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Parks and Recreation (continued):				
Senior Activity Center:				
Personnel services	\$ 200,754	\$ 208,254	\$ 205,909	\$ 2,345
Supplies	10,960	9,960	8,102	1,858
Repairs and maintenance	4,000	500	365	135
Other services and charges	47,076	57,444	57,436	8
Total Senior Activity Center	262,790	276,158	271,812	4,346
Park Operations:				
Personnel services	932,919	929,919	883,017	46,902
Supplies	137,870	151,543	122,254	29,289
Repairs and maintenance	329,250	423,919	392,142	31,777
Other services and charges	1,057,758	1,109,617	962,511	147,106
Total Park Operations	2,457,797	2,614,998	2,359,924	255,074
Facility Operations:				
Supplies	45,000	45,000	42,702	2,298
Repairs and maintenance	482,051	764,262	574,051	190,211
Other services and charges	833,139	939,449	901,817	37,632
Total Facility Operations	1,360,190	1,748,711	1,518,570	230,141
Total Parks and Recreation	5,715,517	6,157,060	5,642,966	514,094
Library:				
Administration:				
Personnel services	1,289,401	1,289,401	1,256,835	32,566
Supplies	161,915	170,321	149,615	20,706
Repairs and maintenance	2,482	2,482	291	2,191
Other services and charges	31,030	38,147	37,053	1,094
Total Administration	1,484,828	1,500,351	1,443,794	56,557
Total Library	1,484,828	1,500,351	1,443,794	56,557

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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Capital Improvements:				
Capital outlay	\$ 19,000	\$ 4,625,364	\$ 2,715,713	\$ 1,909,651
Total Capital Improvements	<u>19,000</u>	<u>4,625,364</u>	<u>2,715,713</u>	<u>1,909,651</u>
Debt Service:				
Principal on long-term debt	-	-	152,984	(152,984)
Interest and other charges	-	-	3,006	(3,006)
Total Debt Service	<u>-</u>	<u>-</u>	<u>155,990</u>	<u>(155,990)</u>
Total Expenditures	<u>37,812,127</u>	<u>47,813,229</u>	<u>43,147,731</u>	<u>4,665,498</u>
Excess (deficiency) of revenues over expenditures	<u>(3,010,800)</u>	<u>(12,677,069)</u>	<u>(6,428,092)</u>	<u>6,248,977</u>
Other Financing Sources (Uses)				
Issuance of SBITAs	-	-	212,999	212,999
Insurance recoveries	-	45,354	71,342	25,988
Transfers in	2,682,431	2,682,431	2,682,431	-
Sale of capital assets	-	-	19,040	19,040
Total Other Financing Sources (Uses)	<u>2,682,431</u>	<u>2,727,785</u>	<u>2,985,812</u>	<u>258,027</u>
Net change in fund balances	(328,369)	(9,949,284)	(3,442,280)	6,507,004
Fund Balances - Beginning	<u>16,738,853</u>	<u>16,738,853</u>	<u>16,738,853</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,410,484</u>	<u>\$ 6,789,569</u>	<u>\$ 13,296,573</u>	<u>\$ 6,507,004</u>

CITY OF FRIENDSWOOD, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (WITH VARIANCES)
 CORONAVIRUS STATE FISCAL RECOVERY FUND
 For the Year Ended September 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Investment earnings	\$ 156,979	\$ 156,979	\$ 455,612	\$ 298,633
Total Revenues	<u>156,979</u>	<u>156,979</u>	<u>455,612</u>	<u>298,633</u>
Expenditures				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	156,979	156,979	455,612	298,633
Fund Balances - Beginning	<u>367,770</u>	<u>367,770</u>	<u>367,770</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 524,749</u>	<u>\$ 524,749</u>	<u>\$ 823,382</u>	<u>\$ 298,633</u>

Budgetary Basis of Accounting

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

Budgetary Information

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

Content

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

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

Submission

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

Public Notice and Hearing

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

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

Amendment Before Adoption

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

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

Amendments After Adoption

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

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

Excess of Expenditures over Appropriations

For the year ended September 30, 2024, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

General Fund	
Debt service	\$155,990
CDBG - DR Harris County	
Capital outlay	\$23,575
CDBG - DR Galveston County	
Capital outlay	\$650
CDBG - MIT	
Capital outlay	\$74,240
Street Improvements Fund	
Capital outlay	\$19,084

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Measurement Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
A. Total Pension Liability					
1. Service Cost	\$ 3,411,163	\$ 3,205,331	\$ 3,032,100	\$ 2,979,569	\$ 2,738,906
2. Interest (on the Total Pension Liability)	6,902,765	6,508,227	6,110,807	5,780,980	5,345,140
3. Change in benefit terms including substantively automatic status	(1,146,762)	-	-	-	-
4. Difference between expected and actual experience	230,086	1,493,003	788,166	(146,825)	1,150,459
5. Changes of assumptions	(390,479)	-	-	-	378,973
6. Benefit payments, including refunds of employee contributions	(4,539,143)	(4,096,292)	(4,163,654)	(3,343,679)	(3,210,157)
7. Net change in total pension liability	4,467,630	7,110,269	5,767,419	5,270,045	6,403,321
8. Total pension liability – beginning	103,973,933	96,863,664	91,096,245	85,826,200	79,422,879
9. Total pension liability – ending	<u>108,441,563</u>	<u>103,973,933</u>	<u>96,863,664</u>	<u>91,096,245</u>	<u>85,826,200</u>
B. Plan Fiduciary Net Position					
1. Contributions – employer	3,106,763	2,879,665	2,777,049	2,620,564	2,395,398
2. Contributions – employee	1,331,742	1,238,946	1,174,582	1,158,078	1,068,692
3. Net investment income	9,846,822	(6,696,002)	10,611,017	5,713,369	10,053,454
4. Benefit payments, including refunds of employee contributions	(4,539,143)	(4,096,292)	(4,163,654)	(3,343,679)	(3,210,157)
5. Administrative Expense	(62,618)	(57,928)	(49,073)	(36,958)	(56,778)
6. Other	(437)	69,125	337	(1,442)	(1,704)
7. Net change in plan fiduciary net position	9,683,129	(6,662,486)	10,350,258	6,109,932	10,248,905
8. Plan fiduciary net position – beginning	85,043,388	91,705,874	81,355,616	75,245,684	64,996,779
9. Plan fiduciary net position – ending	<u>94,726,517</u>	<u>85,043,388</u>	<u>91,705,874</u>	<u>81,355,616</u>	<u>75,245,684</u>
C. Net Pension Liability (A.9 – B.9)	<u>\$ 13,715,046</u>	<u>\$ 18,930,545</u>	<u>\$ 5,157,790</u>	<u>\$ 9,740,629</u>	<u>\$ 10,580,516</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.35%	81.79%	94.68%	89.31%	87.67%
E. Covered Payroll	\$ 19,024,889	\$ 17,699,233	\$ 16,779,748	\$ 16,543,970	\$ 15,267,034
F. Net Position Liability as a Percentage of Covered Payroll	72.09%	106.96%	30.74%	58.88%	69.30%

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Measurement Years**

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially required contributions	\$ 3,247,842	\$ 3,039,855	\$ 2,844,852	\$ 2,721,688	\$ 2,485,117
Contributions in relation to the actuarially required contributions	<u>3,247,842</u>	<u>3,039,855</u>	<u>2,844,852</u>	<u>2,721,688</u>	<u>2,485,117</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
City's Covered Payroll	\$ 19,853,304	\$ 18,633,414	\$ 17,404,825	\$ 16,639,755	\$ 15,724,041
Contributions as a Percentage of Covered Payroll	16.36%	16.31%	16.35%	16.36%	15.80%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contributions	\$ 2,376,185	\$ 2,255,270	\$ 2,161,617	\$ 2,100,698	\$ 1,960,652
Contributions in relation to the actuarially required contributions	<u>2,376,185</u>	<u>2,255,270</u>	<u>2,161,617</u>	<u>2,100,698</u>	<u>1,960,652</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
City's Covered Payroll	\$ 15,133,171	\$ 14,385,208	\$ 13,986,135	\$ 13,525,613	\$ 12,423,310
Contributions as a Percentage of Covered Payroll	15.70%	15.68%	15.46%	15.53%	15.78%

CITY OF FRIENDSWOOD, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
For the Year Ended September 30, 2024

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	22 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study for the period ending 2022.
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>

Other Information: Adopted 50% non-retroactive repeating COLA.

CITY OF FRIENDSWOOD, TEXAS

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

	2023	2022	2021	2020
Service cost	\$ 24,732	\$ 51,328	\$ 45,305	\$ 36,397
Interest	25,773	16,968	17,025	20,150
Difference between expected and actual experience	2,419	122	(9,842)	(48,181)
Changes of assumptions	33,836	(326,179)	29,168	115,737
Benefit payments **	(17,122)	(12,389)	(15,102)	(4,963)
Net change in total OPEB liability	69,638	(270,150)	66,554	119,140
Total OPEB Liability - Beginning	632,558	902,708	836,154	717,014
Total OPEB Liability - Ending	\$ 702,196	\$ 632,558	\$ 902,708	\$ 836,154
Covered-Employee Payroll	\$ 19,024,889	\$ 17,699,233	\$ 16,779,748	\$ 16,543,970
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.69%	3.57%	5.38%	5.05%

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

2023	3.77%
2022	4.05%
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 Seven Measurement Years

	2023	2022	2021	2020
Service cost	\$ 73,690	\$ 89,471	\$ 60,759	\$ 60,972
Interest	38,719	19,387	22,218	30,484
Difference between expected and actual experience	12,216	74,496	11,967	(104,038)
Changes of assumptions	(16,953)	(230,413)	(111,991)	75,401
Benefit payments	(37,419)	(47,887)	(61,339)	(59,267)
Net change in total OPEB liability	70,253	(94,946)	(78,386)	3,552
Total OPEB Liability - Beginning	937,877	1,032,823	1,111,209	1,107,657
Total OPEB Liability - Ending	\$ 1,008,130	\$ 937,877	\$ 1,032,823	\$ 1,111,209
Covered-Employee Payroll	\$ 19,029,976	\$ 17,701,249	\$ 16,779,752	\$ 16,543,973
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.30%	5.30%	6.16%	6.72%

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

CITY OF FRIENDSWOOD, TEXAS

NOTES TO CITY OF FRIENDSWOOD RETIREE HEALTH CARE PLAN

For the Year Ended September 30, 2024

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, 2022 as conducted for the Texas Municipal Retirement System (TMRS).

Changes of assumptions:

2023 – The demographic and salary increase assumptions were updated to reflect the 2023 TMRS experience study.

2022 – The spousal coverage and health care trend assumptions were modified.

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:

2023	3.77%
2022	4.05%
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.

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.

Community Development Block Grant (CDBG) – Mitigation – This fund is used to account for revenues that are restricted to assist areas impacted by recent disasters to carry out strategic and high-impact activities to mitigate disaster risks and reduce future losses.

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.

	Special Revenue Funds			
	Police Investigation	Fires/EMS Donation	Municipal Court	CDBG - DR Harris County
Assets				
Cash and cash equivalents	\$ 42,735	\$ 71,137	\$ 62,747	\$ -
Investments	107,630	183,458	161,821	-
Receivables, net of allowance:				
Taxes	-	-	-	-
Customer accounts	-	2,879	-	-
Other receivables	-	-	3,573	-
Accrued interest	213	420	314	-
Due from other governments	-	-	-	190,375
Total Assets	\$ 150,578	\$ 257,894	\$ 228,455	\$ 190,375
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,686	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-
Due to other funds	-	-	-	190,375
Unearned revenues	-	-	-	-
Total Liabilities	15,686	-	-	190,375
Deferred Inflows of Resources:				
Unavailable revenue	-	-	3,756	-
Total Deferred Inflows	-	-	3,756	-
Fund Balances:				
 Nonspendable:				
Permanent fund	-	-	-	-
 Restricted:				
Municipal court operations	-	-	224,699	-
Public safety	134,892	257,894	-	-
Capital projects	-	-	-	-
Total Fund Balances	134,892	257,894	224,699	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 150,578	\$ 257,894	\$ 228,455	\$ 190,375

CITY OF FRIENDSWOOD, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds		Permanent	Formerly Nonmajor Fund Debt Service Fund
	CDBG - DR Galveston County	CDBG - MIT	1776 Park Fund	
Assets				
Cash and cash equivalents	\$ 16,359	\$ -	\$ 3,350	\$ -
Investments	42,188	-	8,639	-
Receivables, net of allowance:				
Taxes	-	-	-	-
Customer accounts	-	-	-	-
Other receivables	-	-	-	-
Accrued interest	-	-	17	-
Due from other governments	149,163	74,240	-	-
Total Assets	\$ 207,710	\$ 74,240	\$ 12,006	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 74,240	\$ -	\$ -
Retainage payable	-	-	-	-
Due to other funds	182,256	-	-	-
Unearned revenues	7,480	-	-	-
Total Liabilities	189,736	74,240	-	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows	-	-	-	-
Fund Balances:				
Nonspendable:				
Permanent fund	-	-	12,006	-
Restricted:				
Municipal court operations	-	-	-	-
Public safety	-	-	-	-
Capital projects	17,974	-	-	-
Total Fund Balances	17,974	-	12,006	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 207,710	\$ 74,240	\$ 12,006	\$ -

	<u>Capital Projects Funds</u>			
	<u>Sidewalk Install</u>	<u>Park Land</u>	<u>Street</u>	<u>Total Nonmajor</u>
	<u>Fund</u>	<u>Dedication Funds</u>	<u>Improvements</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Funds</u>
Assets				
Cash and cash equivalents	\$ 1,782	\$ 30,495	\$ 1,960,652	\$ 2,189,257
Investments	4,593	78,646	5,056,465	5,643,440
Receivables, net of allowance:				
Taxes	-	-	461,123	461,123
Customer accounts	-	-	-	2,879
Other receivables	-	-	-	3,573
Accrued interest	9	141	9,469	10,583
Due from other governments	-	-	-	413,778
Total Assets	<u>\$ 6,384</u>	<u>\$ 109,282</u>	<u>\$ 7,487,709</u>	<u>\$ 8,724,633</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 17,294	\$ 107,220
Retainage payable	-	-	32,628	32,628
Due to other funds	-	-	-	372,631
Unearned revenues	-	-	-	7,480
Total Liabilities	<u>-</u>	<u>-</u>	<u>49,922</u>	<u>519,959</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	3,756
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,756</u>
Fund Balances:				
 Nonspendable:				
Permanent fund	-	-	-	12,006
 Restricted:				
Municipal court operations	-	-	-	224,699
Public safety	-	-	-	392,786
Capital projects	6,384	109,282	7,437,787	7,571,427
Total Fund Balances	<u>6,384</u>	<u>109,282</u>	<u>7,437,787</u>	<u>8,200,918</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,384</u>	<u>\$ 109,282</u>	<u>\$ 7,487,709</u>	<u>\$ 8,724,633</u>

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	Special Revenue Funds			
	Police Investigation	Fires/EMS Donation	Municipal Court	CDBG - DR Harris County
Revenues				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	7,189	-	67,065	-
Permits and fees	-	-	-	-
Intergovernmental	-	-	-	477,022
Miscellaneous	-	-	-	-
Donations	-	172,111	-	-
Investment income (loss)	5,021	14,396	8,803	-
Total Revenues	12,210	186,507	75,868	477,022
Expenditures				
Current:				
General government	-	-	53,037	-
Public safety	1,185	12,102	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Debt Service:				
Principal	-	200,781	-	-
Interest and other charges	-	22,953	-	-
Capital Outlay	6,297	63,161	-	477,022
Total Expenditures	7,482	298,997	53,037	477,022
Net change in fund balances	4,728	(112,490)	22,831	-
Fund Balances - Beginning, as Previously Reported	130,164	370,384	201,868	-
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-
Fund Balances - Ending	\$ 134,892	\$ 257,894	\$ 224,699	\$ -

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	Special Revenue Funds		Permanent	Formerly
	CDBG - DR Galveston County	CDBG - MIT	1776 Park Fund	Nonmajor Fund Debt Service Fund
Revenues				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Permits and fees	-	-	-	-
Intergovernmental	79,053	74,240	-	-
Miscellaneous	12,687	-	-	-
Donations	-	-	-	-
Investment income (loss)	-	-	505	-
Total Revenues	91,740	74,240	505	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	91,090	-	-	-
Parks and recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	650	74,240	-	-
Total Expenditures	91,740	74,240	-	-
Net change in fund balances	-	-	505	-
Fund Balances - Beginning, as Previously Reported	17,974	-	11,501	30,793
Change within financial reporting entity (nonmajor to major fund)	-	-	-	(30,793)
Fund Balances - Ending	\$ 17,974	\$ -	\$ 12,006	\$ -

CITY OF FRIENDSWOOD, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Sidewalk Install	Park Land	Street	
	Fund	Dedication Funds	Improvements Fund	
Revenues				
Sales taxes	\$ -	\$ -	\$ 2,509,451	\$ 2,509,451
Fines and forfeitures	-	-	-	74,254
Permits and fees	-	64,800	-	64,800
Intergovernmental	-	-	-	630,315
Miscellaneous	-	-	-	12,687
Donations	-	-	-	172,111
Investment income (loss)	269	3,699	257,077	289,770
Total Revenues	269	68,499	2,766,528	3,753,388
Expenditures				
Current:				
General government	-	-	-	53,037
Public safety	-	-	-	13,287
Public works	-	-	16,700	107,790
Parks and recreation	-	3,500	-	3,500
Debt Service:				
Principal	-	-	-	200,781
Interest and other charges	-	-	-	22,953
Capital Outlay	-	28,000	642,742	1,292,112
Total Expenditures	-	31,500	659,442	1,693,460
Net change in fund balances	269	36,999	2,107,086	2,059,928
Fund Balances - Beginning, as previously reported	6,115	72,283	5,330,701	6,171,783
Change within financial reporting entity (nonmajor to major fund)	-	-	-	(30,793)
Fund Balances - Ending	\$ 6,384	\$ 109,282	\$ 7,437,787	\$ 8,200,918

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

POLICE INVESTIGATION

For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 7,189	\$ 7,189
Investment earnings	4,876	4,876	5,021	145
Total Revenues	<u>4,876</u>	<u>4,876</u>	<u>12,210</u>	<u>7,334</u>
Expenditures				
Current:				
Public safety	-	1,185	1,185	-
Capital outlay	-	6,297	6,297	-
Total Expenditures	<u>-</u>	<u>7,482</u>	<u>7,482</u>	<u>-</u>
Net change in fund balances	4,876	(2,606)	4,728	7,334
Fund Balances - Beginning	130,164	130,164	130,164	-
Fund Balances - Ending	<u>\$ 135,040</u>	<u>\$ 127,558</u>	<u>\$ 134,892</u>	<u>\$ 7,334</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Donations	\$ 190,000	\$ 190,000	\$ 172,111	\$ (17,889)
Investment earnings	15,282	15,282	14,396	(886)
Total Revenues	<u>205,282</u>	<u>205,282</u>	<u>186,507</u>	<u>(18,775)</u>
Expenditures				
Current:				
Public safety	-	12,102	12,102	-
Debt service:				
Principal	200,782	200,782	200,781	1
Interest and other charges	22,956	22,956	22,953	3
Capital outlay	140,000	149,471	63,161	86,310
Total Expenditures	<u>363,738</u>	<u>385,311</u>	<u>298,997</u>	<u>86,314</u>
Net change in fund balances	(158,456)	(180,029)	(112,490)	67,539
Fund Balances - Beginning	<u>370,384</u>	<u>370,384</u>	<u>370,384</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 211,928</u>	<u>\$ 190,355</u>	<u>\$ 257,894</u>	<u>\$ 67,539</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Fines and forfeitures	\$ 49,000	\$ 49,000	\$ 67,065	\$ 18,065
Investment earnings	6,259	6,259	8,803	2,544
Total Revenues	<u>55,259</u>	<u>55,259</u>	<u>75,868</u>	<u>20,609</u>
Expenditures				
Current:				
General government	58,603	70,880	53,037	17,843
Total Expenditures	<u>58,603</u>	<u>70,880</u>	<u>53,037</u>	<u>17,843</u>
Net change in fund balances	(3,344)	(15,621)	22,831	38,452
Fund Balances - Beginning	201,868	201,868	201,868	-
Fund Balances - Ending	<u>\$ 198,524</u>	<u>\$ 186,247</u>	<u>\$ 224,699</u>	<u>\$ 38,452</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	\$ 453,447	\$ 477,022	\$ 23,575
Total Revenues	<u>-</u>	<u>453,447</u>	<u>477,022</u>	<u>23,575</u>
Expenditures				
Capital outlay	-	453,447	477,022	(23,575)
Total Expenditures	<u>-</u>	<u>453,447</u>	<u>477,022</u>	<u>(23,575)</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

CDBG - DR GALVESTON COUNTY

For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	\$ 78,403	\$ 79,053	\$ 650
Miscellaneous revenue	-	12,687	12,687	-
Total Revenues	<u>-</u>	<u>91,090</u>	<u>91,740</u>	<u>650</u>
Expenditures				
Current:				
Public works	-	91,090	91,090	-
Capital outlay	-	-	650	(650)
Total Expenditures	<u>-</u>	<u>91,090</u>	<u>91,740</u>	<u>(650)</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning	<u>17,974</u>	<u>17,974</u>	<u>17,974</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 17,974</u>	<u>\$ 17,974</u>	<u>\$ 17,974</u>	<u>\$ -</u>

CITY OF FRIENDSWOOD, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

CDBG - MIT

For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ 74,240	\$ 74,240
Total Revenues	<u>-</u>	<u>-</u>	<u>74,240</u>	<u>74,240</u>
Expenditures				
Capital outlay	-	-	74,240	(74,240)
Total Expenditures	<u>-</u>	<u>-</u>	<u>74,240</u>	<u>(74,240)</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FRIENDSWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

1776 PARK

For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Investment earnings	\$ 348	\$ 348	\$ 505	\$ 157
Total Revenues	<u>348</u>	<u>348</u>	<u>505</u>	<u>157</u>
Expenditures				
Current	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	348	348	505	157
Fund Balances - Beginning	<u>11,501</u>	<u>11,501</u>	<u>11,501</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 11,849</u>	<u>\$ 11,849</u>	<u>\$ 12,006</u>	<u>\$ 157</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Investment earnings	\$ 11	\$ 11	\$ 269	\$ 258
Total Revenues	<u>11</u>	<u>11</u>	<u>269</u>	<u>258</u>
Expenditures				
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11	11	269	258
Fund Balances - Beginning	<u>6,115</u>	<u>6,115</u>	<u>6,115</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 6,126</u>	<u>\$ 6,126</u>	<u>\$ 6,384</u>	<u>\$ 258</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Permit and fees	\$ 50,000	\$ 50,000	\$ 64,800	\$ 14,800
Investment earnings	1,003	1,003	3,699	2,696
Total Revenues	<u>51,003</u>	<u>51,003</u>	<u>68,499</u>	<u>17,496</u>
Expenditures				
Current:				
Parks and recreation	-	3,500	3,500	-
Capital outlay	-	31,000	28,000	3,000
Total Expenditures	<u>-</u>	<u>34,500</u>	<u>31,500</u>	<u>3,000</u>
Net change in fund balances	51,003	16,503	36,999	20,496
Fund Balances - Beginning	<u>72,283</u>	<u>72,283</u>	<u>72,283</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 123,286</u>	<u>\$ 88,786</u>	<u>\$ 109,282</u>	<u>\$ 20,496</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Sales taxes	\$ 2,287,500	\$ 2,287,500	\$ 2,509,451	\$ 221,951
Investment earnings	122,250	122,250	257,077	134,827
Total Revenues	<u>2,409,750</u>	<u>2,409,750</u>	<u>2,766,528</u>	<u>356,778</u>
Expenditures				
Current:				
Public works	-	249,014	16,700	232,314
Capital outlay	-	623,658	642,742	(19,084)
Total Expenditures	<u>-</u>	<u>872,672</u>	<u>659,442</u>	<u>213,230</u>
Net change in fund balances	2,409,750	1,537,078	2,107,086	570,008
Fund Balances - Beginning	<u>5,330,701</u>	<u>5,330,701</u>	<u>5,330,701</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,740,451</u>	<u>\$ 6,867,779</u>	<u>\$ 7,437,787</u>	<u>\$ 570,008</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Property taxes	\$ 6,107,175	\$ 6,107,175	\$ 6,185,194	\$ 78,019
Investment earnings	42,556	42,556	75,582	33,026
Total Revenues	<u>6,149,731</u>	<u>6,149,731</u>	<u>6,260,776</u>	<u>111,045</u>
Expenditures				
Debt service:				
Principal	3,177,230	3,177,230	3,177,228	2
Interest and other charges	2,914,945	2,914,945	2,912,892	2,053
Total Expenditures	<u>6,092,175</u>	<u>6,092,175</u>	<u>6,090,120</u>	<u>2,055</u>
Net change in fund balances	57,556	57,556	170,656	113,100
Fund Balances - Beginning	30,793	30,793	30,793	-
Fund Balances - Ending	<u>\$ 88,349</u>	<u>\$ 88,349</u>	<u>\$ 201,449</u>	<u>\$ 113,100</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Investment earnings	\$ 950,000	\$ 950,000	\$ 1,491,401	\$ 541,401
Total Revenues	<u>950,000</u>	<u>950,000</u>	<u>1,491,401</u>	<u>541,401</u>
Expenditures				
Capital outlay	-	14,650,773	12,284,477	2,366,296
Total Expenditures	<u>-</u>	<u>14,650,773</u>	<u>12,284,477</u>	<u>2,366,296</u>
Net change in fund balances	950,000	(13,700,773)	(10,793,076)	2,907,697
Fund Balances - Beginning	<u>33,540,466</u>	<u>33,540,466</u>	<u>33,540,466</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 34,490,466</u>	<u>\$ 19,839,693</u>	<u>\$ 22,747,390</u>	<u>\$ 2,907,697</u>

**STATISTICAL SECTION
(Unaudited)**



**STATISTICAL SECTION
(Unaudited)**

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

Contents Pages

<i>Financial Trends</i>	118
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	128
These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	133
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	138
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<i>Operating Information</i>	142
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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental Activities					
Net investment in capital assets	\$ 82,579,164	\$ 79,714,165	\$ 74,006,329	\$ 72,240,727	\$ 68,990,597
Restricted	9,817,854	7,105,294	5,059,835	3,491,974	4,606,124
Unrestricted	3,808,116	6,302,252	8,668,866	6,886,085	2,563,947
Total Governmental Activities Net Position	<u>\$ 96,205,134</u>	<u>\$ 93,121,711</u>	<u>\$ 87,735,030</u>	<u>\$ 82,618,786</u>	<u>\$ 76,160,668</u>
Business-Type Activities					
Net investment in capital assets	\$ 45,357,858	\$ 40,075,768	\$ 35,999,342	\$ 32,910,959	\$ 32,242,803
Restricted	3,514,443	2,839,232	2,897,578	2,721,465	2,186,731
Unrestricted	14,358,789	14,978,447	11,776,833	9,984,251	8,438,509
Total Business-Type Activities Net Position	<u>\$ 63,231,090</u>	<u>\$ 57,893,447</u>	<u>\$ 50,673,753</u>	<u>\$ 45,616,675</u>	<u>\$ 42,868,043</u>
Primary Government					
Net investment in capital assets	\$ 127,937,022	\$ 119,789,933	\$ 110,005,671	\$ 105,151,686	\$ 101,233,400
Restricted	13,332,297	9,944,526	7,957,413	6,213,439	6,792,855
Unrestricted	18,166,905	21,280,699	20,445,699	16,870,336	11,002,456
Total Primary Government Net Positions	<u>\$ 159,436,224</u>	<u>\$ 151,015,158</u>	<u>\$ 138,408,783</u>	<u>\$ 128,235,461</u>	<u>\$ 119,028,711</u>

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

Table 1
Page 2 of 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities					
Net investment in capital assets	\$ 66,823,023	\$ 68,320,682	\$ 72,631,192	\$ 73,588,484	\$ 73,611,490
Restricted	4,003,468	4,085,999	2,534,312	1,405,907	1,179,764
Unrestricted	5,402,312	6,248,751	5,532,198	5,579,677	5,901,505
Total Governmental Activities Net Position	<u>\$ 76,228,803</u>	<u>\$ 78,655,432</u>	<u>\$ 80,697,702</u>	<u>\$ 80,574,068</u>	<u>\$ 80,692,759</u>
Business-Type Activities					
Net investment in capital assets	\$ 27,038,046	\$ 27,088,280	\$ 29,305,429	\$ 28,322,718	\$ 26,628,714
Restricted	1,982,666	582,697	260,703	99,006	27,468
Unrestricted	12,077,564	13,620,211	10,584,764	10,238,993	12,040,181
Total Business-Type Activities Net Position	<u>\$ 41,098,276</u>	<u>\$ 41,291,188</u>	<u>\$ 40,150,896</u>	<u>\$ 38,660,717</u>	<u>\$ 38,696,363</u>
Primary Government					
Net investment in capital assets	\$ 93,861,069	\$ 95,408,962	\$ 101,936,621	\$ 101,911,202	\$ 100,240,204
Restricted	5,986,134	4,668,696	2,795,015	1,504,913	1,207,232
Unrestricted	17,479,876	19,868,962	16,116,962	15,818,670	17,941,686
Total Primary Government Net Positions	<u>\$ 117,327,079</u>	<u>\$ 119,946,620</u>	<u>\$ 120,848,598</u>	<u>\$ 119,234,785</u>	<u>\$ 119,389,122</u>

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

Table 2
Page 1 of 4

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Expenses					
Governmental Activities:					
General government	\$ 8,161,621	\$ 7,873,719	\$ 6,210,336	\$ 5,867,654	\$ 6,119,806
Public safety	22,158,023	18,526,954	15,655,859	15,645,527	15,501,734
Public works	6,252,727	6,990,046	6,994,042	7,160,229	8,840,113
Engineering	639,828	640,292	570,098	506,959	434,976
Community development	1,339,241	1,406,566	1,017,509	1,035,202	1,122,506
Parks and recreation	6,117,073	5,608,792	4,870,623	4,604,943	4,439,511
Library services	1,429,820	1,485,716	1,283,007	1,221,740	1,214,130
Interest and fiscal charges	2,553,004	1,659,932	1,268,435	1,244,881	1,055,889
Total Government Activities Expenses	<u>48,651,337</u>	<u>44,192,017</u>	<u>37,869,909</u>	<u>37,287,135</u>	<u>38,728,665</u>
Business-Type Activities:					
Water and wastewater	11,963,518	12,075,080	11,124,562	11,864,245	12,071,159
Interest and other	1,625,542	1,750,060	1,861,881	1,808,120	1,733,123
Total Business-Type Activities	<u>13,589,060</u>	<u>13,825,140</u>	<u>12,986,443</u>	<u>13,672,365</u>	<u>13,804,282</u>
Total Primary Government Expenses	<u>\$ 62,240,397</u>	<u>\$ 58,017,157</u>	<u>\$ 50,856,352</u>	<u>\$ 50,959,500</u>	<u>\$ 52,532,947</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 939,295	\$ 921,752	\$ 974,029	\$ 871,362	\$ 930,686
Public safety	1,199,635	1,023,874	1,197,570	1,372,432	871,714
Public works	265,593	241,445	234,103	225,419	222,337
Community development	-	-	1,238	-	9,275
Parks and recreation	537,448	493,846	441,649	384,489	181,709
Library services	-	-	-	-	-
Operating grants and contributions	1,352,869	2,229,755	841,537	3,874,866	3,430,645
Capital grants and contributions	630,315	3,757,860	2,620,495	3,864,589	708,306
Total Governmental Activities	<u>4,925,155</u>	<u>8,668,532</u>	<u>6,310,621</u>	<u>10,593,157</u>	<u>6,354,672</u>
Program Revenues:	<u>4,925,155</u>	<u>8,668,532</u>	<u>6,310,621</u>	<u>10,593,157</u>	<u>6,354,672</u>
Business-Type Activities:					
Charges for services:					
Water and wastewater	20,273,185	21,293,632	19,419,622	17,919,751	16,638,758
Operating grants and contributions	-	104,354	289,181	-	22,602
Total Business-Type activities Program Revenues	<u>20,273,185</u>	<u>21,397,986</u>	<u>19,708,803</u>	<u>17,919,751</u>	<u>16,661,360</u>
Total Primary Government					
Program Revenues	<u>\$ 25,198,340</u>	<u>\$ 30,066,518</u>	<u>\$ 26,019,424</u>	<u>\$ 28,512,908</u>	<u>\$ 23,016,032</u>
Net (Expense) Revenues					
Governmental activities	(43,726,182)	(35,523,485)	(31,559,288)	(26,693,978)	(32,373,993)
Business-type activities	6,684,125	7,572,846	6,722,360	4,247,386	2,857,078
Total Primary Government Net Expense	<u>\$ (37,042,057)</u>	<u>\$ (27,950,639)</u>	<u>\$ (24,836,928)</u>	<u>\$ (22,446,592)</u>	<u>\$ (29,516,915)</u>

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

Table 2
Page 2 of 4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expenses					
Governmental Activities:					
General government	\$ 5,912,467	\$ 5,734,611	\$ 5,128,399	\$ 4,736,867	\$ 5,410,643
Public safety	15,134,465	17,538,040	15,861,719	13,101,691	11,763,659
Public works	7,897,373	6,267,824	4,429,664	4,429,482	3,933,288
Engineering	-	-	-	-	-
Community development	1,359,878	945,701	1,495,001	1,577,813	1,406,288
Parks and recreation	4,839,076	4,554,114	3,459,053	3,080,453	2,869,345
Library services	1,257,970	1,210,207	1,215,683	1,134,859	1,026,967
Interest and fiscal charges	923,350	953,509	953,146	862,654	730,614
Total Government Activities Expenses	<u>37,324,579</u>	<u>37,204,006</u>	<u>32,542,665</u>	<u>28,923,819</u>	<u>27,140,804</u>
Business-Type Activities:					
Water and wastewater	11,507,880	9,019,197	8,502,218	7,975,920	7,629,711
Interest and other	1,579,182	1,029,715	1,086,278	1,642,723	1,524,276
Total Business-Type Activities	<u>13,087,062</u>	<u>10,048,912</u>	<u>9,588,496</u>	<u>9,618,643</u>	<u>9,153,987</u>
Total Primary Government Expenses	<u>\$ 50,411,641</u>	<u>\$ 47,252,918</u>	<u>\$ 42,131,161</u>	<u>\$ 38,542,462</u>	<u>\$ 36,294,791</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 751,112	\$ 861,271	\$ 1,004,968	\$ 1,002,022	\$ 807,245
Public safety	811,768	868,761	35,007	28,760	30,275
Public works	236,352	213,042	242,184	174,568	190,099
Community development	6,841	-	1,036,741	949,011	843,648
Parks and recreation	341,560	344,064	387,915	286,727	280,046
Library services	-	-	30,600	27,532	33,699
Operating grants and contributions	1,842,704	4,924,228	2,591,025	800,151	660,633
Capital grants and contributions	-	-	219,808	318,657	3,225,672
Total Governmental Activities	<u>3,990,337</u>	<u>7,211,366</u>	<u>5,548,248</u>	<u>3,587,428</u>	<u>6,071,317</u>
Program Revenues:	<u>3,990,337</u>	<u>7,211,366</u>	<u>5,548,248</u>	<u>3,587,428</u>	<u>6,071,317</u>
Business-Type Activities:					
Charges for services:					
Water and wastewater	13,669,552	12,183,711	12,295,441	11,319,801	11,020,029
Operating grants and contributions	-	-	-	-	-
Total Business-Type activities Program Revenues	<u>13,669,552</u>	<u>12,183,711</u>	<u>12,295,441</u>	<u>11,319,801</u>	<u>11,020,029</u>
Total Primary Government					
Program Revenues	<u>\$ 17,659,889</u>	<u>\$ 19,395,077</u>	<u>\$ 17,843,689</u>	<u>\$ 14,907,229</u>	<u>\$ 17,091,346</u>
Net (Expense) Revenues					
Governmental activities	(33,334,242)	(29,992,640)	(26,994,417)	(25,336,391)	(21,069,487)
Business-type activities	582,490	2,134,799	2,706,945	1,701,158	1,866,042
Total Primary Government Net Expense	<u>\$ (32,751,752)</u>	<u>\$ (27,857,841)</u>	<u>\$ (24,287,472)</u>	<u>\$ (23,635,233)</u>	<u>\$ (19,203,445)</u>

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

Table 2
Page 3 of 4

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property taxes	\$ 25,729,032	\$ 22,731,678	\$ 20,845,938	\$ 19,163,858	\$ 18,731,549
Sales taxes	12,628,949	12,126,784	11,176,190	9,915,046	8,846,359
Franchise and other taxes	2,105,924	2,235,689	2,170,152	2,090,001	2,142,660
Investment earnings	3,141,648	1,726,549	49,151	50,805	880,606
Gain (loss) on disposal of capital assets	-	-	-	-	-
Miscellaneous	504,667	285,666	638,418	390,533	269,855
Transfers	2,699,385	1,803,800	1,795,683	1,541,853	1,434,829
Total Governmental Activities	<u>46,809,605</u>	<u>40,910,166</u>	<u>36,675,532</u>	<u>33,152,096</u>	<u>32,305,858</u>
Business-Type Activities:					
Investment earnings	1,352,903	1,450,648	130,401	43,099	347,518
Gain (loss) on disposal of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(2,699,385)	(1,803,800)	(1,795,683)	(1,541,853)	(1,434,829)
Total Business-Type Activities	<u>(1,346,482)</u>	<u>(353,152)</u>	<u>(1,665,282)</u>	<u>(1,498,754)</u>	<u>(1,087,311)</u>
Total Primary Government	<u>45,463,123</u>	<u>40,557,014</u>	<u>35,010,250</u>	<u>31,653,342</u>	<u>31,218,547</u>
Change in Net Position					
Governmental activities	3,083,423	5,386,681	5,116,244	6,458,118	(68,135)
Business-type activities	5,337,643	7,219,694	5,057,078	2,748,632	1,769,767
Total Primary Government	<u>\$ 8,421,066</u>	<u>\$ 12,606,375</u>	<u>\$ 10,173,322</u>	<u>\$ 9,206,750</u>	<u>\$ 1,701,632</u>

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

Table 2
Page 4 of 4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property taxes	\$ 18,111,247	\$ 17,608,094	\$ 17,270,647	\$ 16,350,101	\$ 15,574,684
Sales taxes	8,407,249	7,965,662	6,482,367	5,393,920	5,291,186
Franchise and other taxes	2,054,395	1,617,121	1,661,654	1,779,234	1,726,557
Investment earnings	526,867	321,468	187,001	149,003	79,071
Gain (loss) on disposal of capital assets	-	-	25,999	19,564	-
Miscellaneous	351,165	263,245	131,639	128,813	108,306
Transfers	1,456,690	1,554,849	1,358,744	1,397,065	1,226,205
Total Governmental Activities	<u>30,907,613</u>	<u>29,330,439</u>	<u>27,118,051</u>	<u>25,217,700</u>	<u>24,006,009</u>
Business-Type Activities:					
Investment earnings	681,288	200,449	141,978	95,825	49,138
Gain (loss) on disposal of capital assets	-	-	-	7,569	-
Miscellaneous	-	-	-	-	7,839
Transfers	(1,456,690)	(1,554,849)	(1,358,744)	(1,397,065)	(1,226,205)
Total Business-Type Activities	<u>(775,402)</u>	<u>(1,354,400)</u>	<u>(1,216,766)</u>	<u>(1,293,671)</u>	<u>(1,169,228)</u>
Total Primary Government	<u>30,132,211</u>	<u>27,976,039</u>	<u>25,901,285</u>	<u>23,924,029</u>	<u>22,836,781</u>
Change in Net Position					
Governmental activities	(2,426,629)	(662,201)	123,634	(118,691)	2,936,522
Business-type activities	(192,912)	780,399	1,490,179	407,487	696,814
Total Primary Government	<u>\$ (2,619,541)</u>	<u>\$ 118,198</u>	<u>\$ 1,613,813</u>	<u>\$ 288,796</u>	<u>\$ 3,633,336</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

	2024	2023	2022	2021	2020
General Fund					
Nonspendable	437,344	430,134	260,066	355,011	255,796
Restricted	592,105	566,041	460,154	597,908	650,424
Committed	-	-	-	-	-
Assigned	3,192,822	4,630,982	4,667,500	4,320,912	2,591,745
Unassigned	9,074,302	11,111,696	11,997,367	11,953,314	13,374,059
Total General Fund	13,296,573	16,738,853	17,385,087	17,227,145	16,872,024
All Other Governmental Funds					
Nonspendable	12,006	11,801	11,484	11,101	11,070
Restricted	31,961,133	40,068,218	12,740,909	18,106,088	4,757,183
Unassigned	-	-	(179,413)	(165,886)	(1,826,743)
Total Other Governmental Funds	31,973,139	40,080,019	12,572,980	17,951,303	2,941,510
Total Fund Balances of Governmental Funds	\$ 45,269,712	\$ 56,818,872	\$ 29,958,067	\$ 35,178,448	\$ 19,813,534

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund					
Nonspendable	378,736	371,610	434,750	646,778	822,226
Restricted	727,704	631,971	667,271	626,229	518,119
Committed	-	-	-	3,612	685,486
Assigned	2,508,234	4,229,725	2,893,697	2,706,897	2,773,419
Unassigned	10,608,815	9,052,000	9,547,039	9,776,031	8,760,424
Total General Fund	<u>14,223,489</u>	<u>14,285,306</u>	<u>13,542,757</u>	<u>13,759,547</u>	<u>13,559,674</u>
All Other Governmental Funds					
Nonspendable	24,738	24,307	31,869	31,721	31,378
Restricted	5,568,395	9,304,724	8,464,859	8,165,349	6,539,985
Unassigned	-	-	-	(193,750)	-
Total Other Governmental Funds	<u>5,593,133</u>	<u>9,329,031</u>	<u>8,496,728</u>	<u>8,003,320</u>	<u>6,571,363</u>
Total Fund Balances of Governmental Funds	<u>\$ 19,816,622</u>	<u>\$ 23,614,337</u>	<u>\$ 22,039,485</u>	<u>\$ 21,762,867</u>	<u>\$ 20,131,037</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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Taxes	\$ 40,281,183	\$ 37,087,960	\$ 34,192,280	\$ 30,974,155	\$ 29,712,771
Fines and forfeitures	1,085,502	895,577	1,052,940	1,219,096	780,717
Permits and fees	1,946,951	1,861,325	1,847,985	1,669,033	1,504,555
Intergovernmental	1,732,764	5,730,985	3,215,269	7,495,971	3,828,898
Investment earnings	3,082,336	1,691,972	49,580	48,609	274,405
Donations	255,811	295,968	255,638	264,938	274,945
Miscellaneous	296,269	350,095	345,364	124,627	719,721
Total Revenues	<u>48,680,816</u>	<u>47,913,882</u>	<u>40,959,056</u>	<u>41,796,429</u>	<u>37,096,012</u>
Expenditures					
General government	7,365,192	6,936,378	6,040,832	5,591,248	5,690,428
Public safety	21,121,093	16,640,299	15,370,261	14,897,465	14,306,864
Public works	2,849,812	3,572,326	5,765,313	4,612,796	6,021,313
Engineering	639,828	641,204	571,010	507,933	434,976
Community development	1,387,457	1,293,280	1,187,413	1,131,498	1,139,566
Parks and recreation	5,646,466	4,918,338	4,312,856	3,715,517	3,426,521
Library services	1,443,794	1,401,299	1,336,185	1,223,726	1,182,289
Capital outlay	16,292,302	13,487,123	10,277,134	7,037,490	12,865,475
Debt principal payment	3,530,993	3,377,350	2,840,720	2,556,282	2,221,257
Interest and other charges	2,938,851	1,908,811	1,624,891	1,567,472	1,285,807
Total Expenditures	<u>63,215,788</u>	<u>54,176,408</u>	<u>49,326,615</u>	<u>42,841,427</u>	<u>48,574,496</u>
Excess of revenues over (under) expenditures	(14,534,972)	(6,262,526)	(8,367,559)	(1,044,998)	(11,478,484)
Other Financing Sources (Uses)					
Sale of capital assets	19,040	18,181	32,029	21,270	72,568
Insurance recoveries	71,342	69,683	74,126	175,351	8,548
Issuance of capital related debt	-	29,775,000	-	13,185,000	7,795,000
Issuance of notes payable	-	925,000	1,457,640	-	-
Issuance of capital lease	-	-	-	306,329	1,791,015
Issuance of SBITAs	212,999	-	-	-	-
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	-	541,134	-	1,451,456	753,840
Transfers in	2,682,431	1,810,668	1,708,331	1,751,915	1,584,985
Transfers out	-	(16,335)	(124,948)	(210,062)	(223,298)
Total Other Financing Sources (Uses)	<u>2,985,812</u>	<u>33,123,331</u>	<u>3,147,178</u>	<u>16,409,912</u>	<u>11,475,396</u>
Net Change in Fund Balances	<u>\$ (11,549,160)</u>	<u>\$ 26,860,805</u>	<u>\$ (5,220,381)</u>	<u>\$ 15,364,914</u>	<u>\$ (3,088)</u>
Debt service as a percentage of noncapital expenditures	13.8%	13.0%	12.1%	11.7%	9.9%

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

Table 4
Page 2 of 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues					
Taxes	\$ 28,389,651	\$ 27,247,421	\$ 25,509,760	\$ 23,533,294	\$ 22,513,317
Fines and forfeitures	866,812	957,671	1,023,556	873,872	907,557
Permits and fees	1,483,554	1,566,656	1,708,357	1,450,939	1,349,264
Intergovernmental	1,576,838	4,398,836	1,763,974	664,427	3,536,980
Investment earnings	518,221	313,793	184,127	147,403	77,947
Donations	290,069	396,010	434,164	257,724	349,325
Miscellaneous	18,777	181,017	165,619	79,435	72,837
Total Revenues	<u>33,143,922</u>	<u>35,061,404</u>	<u>30,789,557</u>	<u>27,007,094</u>	<u>28,807,227</u>
Expenditures					
General government	5,336,269	5,440,888	4,975,926	4,385,321	5,343,160
Public safety	13,545,539	16,868,931	14,751,381	12,135,956	11,348,346
Public works	4,127,539	2,157,277	2,160,152	2,118,572	2,066,349
Engineering	-	-	-	-	-
Community development	1,099,154	985,309	893,663	954,103	925,947
Parks and recreation	3,796,589	3,511,146	3,339,864	3,032,979	2,917,857
Library services	1,204,415	1,200,512	1,172,245	1,096,614	1,036,843
Capital outlay	6,219,243	2,615,538	8,429,200	9,332,400	7,255,229
Debt principal payment	2,168,876	2,137,284	1,813,130	1,570,176	1,272,823
Interest and other charges	1,112,127	1,145,400	1,170,958	921,982	776,340
Total Expenditures	<u>38,609,751</u>	<u>36,062,285</u>	<u>38,706,519</u>	<u>35,548,103</u>	<u>32,942,894</u>
Excess of revenues over (under) expenditures	(5,465,829)	(1,000,881)	(7,916,962)	(8,541,009)	(4,135,667)
Other Financing Sources (Uses)					
Sale of capital assets	6,614	9,135	12,757	2,743	99
Insurance recoveries	235,443	725,304	25,999	19,564	39,257
Issuance of capital related debt	-	485,305	5,605,000	7,345,000	9,595,000
Issuance of notes payable	-	-	-	-	-
Issuance of capital lease	-	-	756,006	-	-
Issuance of SBITAs	-	-	-	-	-
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	1,473,591	1,402,989	1,364,399	1,503,442	1,544,662
Transfers out	(47,534)	(47,000)	(5,655)	(182,503)	(318,457)
Total Other Financing Sources (Uses)	<u>1,668,114</u>	<u>2,575,733</u>	<u>8,193,580</u>	<u>10,172,839</u>	<u>11,288,644</u>
Net Change in Fund Balances	<u>\$ (3,797,715)</u>	<u>\$ 1,574,852</u>	<u>\$ 276,618</u>	<u>\$ 1,631,830</u>	<u>\$ 7,152,977</u>
Debt service as a percentage of noncapital expenditures	10.1%	9.8%	9.9%	9.2%	7.5%

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

Fiscal Year	Tax Year	Residential Property	Commercial and Industrial Property	Other Property	Total Assessed Value
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
2023	2022	5,591,194,518	379,247,117	591,110,272	6,561,551,907
2024	2023	6,205,039,336	443,706,520	649,954,492	7,298,700,348

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

Fiscal Year	Tax Year	Less: Exemptions and Tax Exempt Property	Total Taxable Value	Total Direct Tax Rate
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
2023	2022	1,947,407,979	4,614,143,928	0.48731
2024	2023	2,275,365,672	5,023,334,676	0.50073

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
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	0.4321	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
2023	0.3885	0.0988	0.4873	1.2094	1.1146	0.1298	0.3676	0.53548
2024	0.3794	0.1213	0.5007	1.0800	0.9746	0.1186	0.3341	0.53509

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 TAXPAYERS
CURRENT AND NINE YEARS AGO
(Unaudited)

Table 7

Taxpayer	2024			2015		
	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	\$ 42,707,455	1	0.85%	\$ 21,110,108	1	0.80%
Texas-New Mexico Power Co.	30,625,410	2	0.61%	14,801,749	2	0.56%
Bellevue at Clear Creek LP	26,000,950	3	0.52%	-	-	-
Kroger Co.	15,313,050	4	0.30%	13,641,468	3	0.52%
Bay Meadows LLP	13,566,891	5	0.27%	-	-	-
A-S 108 Friendswood Crossing LP	11,982,460	6	0.24%	6,796,870	9	0.00%
Frontier Land V P L L	11,246,960	7	0.22%	-	-	-
The Beldon Friendswood LLC	10,770,390	8	0.21%	-	-	-
Confidential Owner	10,657,912	9	0.21%	-	-	-
Taylor Morrison of Texas Inc	10,251,130	10	0.20%	-	-	-
G&I VI Sky Hawk LP	-	-	-	9,683,100	4	0.37%
H E Butt Grocery Company	-	-	-	8,039,600	5	0.31%
HSRE Friendswood LLC	-	-	-	7,535,390	6	0.29%
Autumn Creek Dev LTD	-	-	-	7,189,780	7	0.27%
HCP Friendswood LLC	-	-	-	6,995,240	8	0.27%
Denbury Onshore LLC	-	-	-	6,397,460	10	0.24%
Total	<u>183,122,608</u>		<u>3.65%</u>	<u>102,190,765</u>		<u>3.89%</u>
All other taxpayers	<u>4,840,212,068</u>		<u>96.35%</u>	<u>2,524,331,950</u>		<u>96.11%</u>
	<u>\$ 5,023,334,676</u>		<u>100.00%</u>	<u>\$ 2,626,522,715</u>		<u>100.00%</u>

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

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

Table 8

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections (adjustments) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 15,424,948	\$ 15,306,943	99.23%	\$ 106,971	\$ 15,413,914	99.93%
2016	16,431,153	16,264,080	98.98%	157,150	16,421,230	99.94%
2017	17,014,685	16,922,419	99.46%	82,066	17,004,485	99.94%
2018	17,633,192	17,554,220	99.55%	67,221	17,621,441	99.93%
2019	17,952,134	17,756,864	98.91%	182,365	17,939,229	99.93%
2020	18,682,563	18,605,868	99.59%	60,714	18,666,582	99.91%
2021	18,879,840	18,877,842	99.99%	(19,179)	18,858,663	99.89%
2022	20,843,713	20,793,321	99.76%	18,796	20,812,117	99.85%
2023	22,761,758	22,713,172	99.79%	(1,392)	22,711,780	99.78%
2024	25,695,130	25,591,518	99.60%	-	25,591,518	99.60%

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	SBITAs Payable	General Obligation Bonds	Water Revenue Bonds			
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%	2,173
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
2023	74,691,542	2,645,629	92,494	18,534,984	37,366,797	133,331,446	0.61%	3,118
2024	71,838,048	1,752,620	152,509	16,792,283	35,362,243	125,897,703	0.54%	2,922

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			
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
2023	42,757	4,614,143,928	93,226,526	30,793	93,195,733	2.02%	2,180
2024	43,083	5,023,334,676	88,630,331	87,517	88,542,814	1.76%	2,055

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, 2024
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Friendswood Independent School District	\$187,375,000	100.00%	\$ 187,375,000
Clear Creek Independent School District	1,176,243,063	3.166%	37,237,621
Galveston County	181,569,000	6.369%	11,564,649
Harris County	4,316,306,000	0.144%	6,197,266
Subtotal, overlapping debt			242,374,535
City Direct Debt			73,743,177
Total Direct and Overlapping Debt			\$ 316,117,712

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, 2024 is \$0.5007 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

Table 13

Fiscal Year	Waterworks and Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2023	21,293,632	10,055,068	11,238,564	1,510,000	1,162,374	4.21	
2024	20,273,185	9,837,680	10,435,505	1,575,000	1,097,433	3.90	

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

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

Table 14

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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	41,637	17,497,755,000	51,785	3.2%
2020	41,637	18,561,154,000	54,250	5.9% ⁽¹⁾
2021	41,916	19,994,969,000	57,941	3.9%
2022	42,222	21,328,914,000	60,071	3.4%
2023	42,757	21,872,079,000	61,246	3.2%
2024	43,083	23,359,344,000	64,574	3.6%

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

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

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

Table 15

<u>Employer</u>	<u>2024</u>			<u>2015</u>	
	<u>Estimated Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank</u>	<u>Estimated Employees</u>	<u>Rank</u>
Friendswood ISD	798	3.78%	1	700	1
HEB	505	2.39%	2	317	2
City of Friendswood	246	1.17%	3	232	4
Kroger	224	1.06%	4	292	3
Clear Creek ISD	193	0.91%	5	155	5
Friendship Haven Nursing Home	123	0.58%	6	140	6
McDonalds	104	0.49%	7	75	7
U.S. Post Office	73	0.35%	8	62	10
Morada (formerly Brookdale)	74	0.35%	9	69	8
UTMB	60	0.28%	10	-	
Friendswood Healthcare (Autumn Hills)	-	-		65	9
Total	<u>2,400</u>	<u>11.37%</u>		<u>2,107</u>	

Source: City Manager's Office

Note: Percentage of total employment is based on total City employed 16+ of 21,103 for 2024. Total City employment for 2015 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

<u>Function/Program</u>	Full-time Equivalent Employees as of September 30				
	2024	2023	2022	2021	2020
General Government:					
City Attorney	3.20	2.15	2.15	2.10	2.10
City Manager	4.00	4.00	4.00	6.00	6.00
City Secretary	3.00	4.00	4.00	4.00	4.00
Administrative Services	-	16.60	16.60	18.60	18.60
Finance	5.00	-	-	-	-
Human Resources	11.00	5.00	5.00	5.00	5.00
Information Technology	7.50	6.00	6.00	5.00	5.00
Municipal Court	4.60	-	-	-	-
Communications	3.00	-	-	-	-
Public Safety:					
Police	91.00	90.40	90.38	90.38	90.38
Fire marshal	8.45	7.38	7.38	7.20	7.20
Public Works	25.00	24.00	23.00	23.00	23.00
Community Development	12.50	11.70	11.18	10.70	10.70
Engineering	9.45	8.45	7.45	7.00	7.00
Parks and Recreation	25.60	25.30	25.30	24.90	24.50
Library	15.32	15.62	15.62	14.97	14.97
Water	12.00	11.30	11.30	9.30	9.30
Sewer	10.00	11.00	11.00	11.00	11.00
Total City Employees:	250.62	242.90	240.36	239.15	238.75

Source: City of Friendswood Budget Documents

Notes:

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.

In fiscal year 2024, Administrative Services was renamed to Finance and Municipal Court became its own department. In addition, a Communication department was added and the Fire Marshal's Office was renamed to Emergency 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>	Full-time Equivalent Employees as of September 30				
	2019	2018	2017	2016	2015
General Government:					
City Attorney	2.10	2.10	1.00	1.00	1.00
City Manager	5.00	5.40	5.40	5.40	4.55
City Secretary	5.00	5.00	5.00	5.00	5.00
Administrative Services	27.60	27.60	27.70	27.70	28.70
Finance	-	-	-	-	-
Human Resources	-	-	-	-	-
Information Technology	-	-	-	-	-
Municipal Court	-	-	-	-	-
Communications	-	-	-	-	-
Public Safety:					
Police	90.38	87.72	88.72	86.72	85.72
Fire marshal	7.20	6.60	6.60	6.60	6.60
Public Works	23.00	27.00	26.00	29.00	25.33
Community Development	10.70	10.70	11.70	11.70	10.89
Engineering	6.00	-	-	-	-
Parks and Recreation	23.10	21.90	20.90	19.63	19.63
Library	14.97	14.97	14.97	14.62	14.62
Water	9.30	9.30	8.30	8.30	8.30
Sewer	11.00	10.00	11.00	8.00	8.00
Total City Employees:	235.35	228.29	227.29	223.67	218.34

Source: City of Friendswood Budget Documents

Notes:

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.

In fiscal year 2024, Administrative Services was renamed to Finance and Municipal Court became its own department. In addition, a Communication department was added and the Fire Marshal's Office was renamed to Emergency 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Community Development:					
Building permits issued	1,779	1,582	1,682	1,658	1,605
Building inspections conducted	10,254	9,297	9,325	9,998	9,124
Police:					
Physical arrests	1,153	100	1,051	1,368	847
Parking violations	4	6	11	36	17
Traffic violations	6,080	4,856	9,952	11,081	8,807
Fire Marshal:					
Inspections	1,060	983	1,315	1,730	1,146
Fire:					
Emergency responses	4,625	4,199	4,458	4,405	3,650
Fires extinguished	66	82	129	92	65
Parks and Recreation:					
Recreation participants	21,354	20,356	36,861	16,907	6,027
Facility reservations	6,597	3,060	5,356	1,033	3,166
Library:					
Volumes in collection	94,998	94,162	95,470	101,061	99,930
Total volumes borrowed	333,029	350,419	349,814	340,478	271,078
Water:					
New connections	119	87	136	92	185
Water main breaks	90	201	126	49	41
Average daily consumption (thousands of gallons)	4,831	6,217	5,714	5,064	5,319
Peak daily consumption	9,294	12,801	11,166	14,041	9,927
Sewer:					
Average daily sewage treatment (thousands of gallons)	2,940	3,072	2,840	3,255	3,113
Maximum daily flow (thousands of gallons)	9,854	11,558	8,369	11,006	10,520

Source: Various City departments and prior year ACFRs

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

Table 17
Page 2 of 2

Function/Program	Fiscal Year				
	2019	2018	2017	2016	2015
Community Development:					
Building permits issued	1,465	2,788	2,177	1,865	1,377
Building inspections conducted	9,251	14,157	12,134	11,026	12,145
Police:					
Physical arrests	1,190	1,145	903	1,464	1,479
Parking violations	26	15	61	44	63
Traffic violations	4,468	6,785	3,669	5,001	4,540
Fire Marshal:					
	1,448	1,139	1,233	1,354	1,512
Fire:					
Emergency responses	3,655	3,720	3,599	3,303	3,258
Fires extinguished	80	80	75	76	78
Parks and Recreation:					
Recreation participants	19,657	18,299	20,556	21,369	16,153
Facility reservations	3,293	2,123	1,004	1,444	1,443
Library:					
Volumes in collection	101,532	102,852	100,678	147,726	133,165
Total volumes borrowed	342,592	348,554	341,048	301,158	350,145
Water:					
New connections	169	125	137	183	-
Water main breaks	84	116	44	46	57
Average daily consumption (thousands of gallons)	5,129	5,455	5,282	4,963	4,970
Peak daily consumption	9,390	9,475	10,110	10,472	12,623
Sewer:					
Average daily sewage treatment (thousands of gallons)	3,345	3,117	3,286	3,382	3,306
Maximum daily flow (thousands of gallons)	12,491	10,370	12,766	12,188	11,237

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Police					
Stations	1	1	1	1	1
Patrol units	41	48	29	38	31
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	225	223	221	221	185
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	343	343	320	273	266
Parks	11	11	11	10	10
Swimming pool	1	1	1	1	1
Tennis courts	4	4	4	4	4
Library	1	1	1	1	1
Water					
Water mains (miles)	285	227	222	222	216
Fire hydrants	1,847	1,821	1,755	1,747	1,713
Connections	14,534	14,415	14,328	14,192	14,098
Storage capacity (thousands of gallons)	7,850	7,850	7,850	7,850	7,850
Sewer					
Sanitary sewers (miles)	185	184	182	182	202
Connections	13,435	13,324	13,241	13,132	13,029
Storm sewers (miles)	123	120	117	117	112
Treatment capacity (thousands of gallons)	5,499	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Police					
Stations	1	1	1	1	1
Patrol units	33	34	32	31	29
Fire					
Stations	4	4	4	4	4
Public Works					
Streets - paved (miles)	176	176	174	172	169
Streets - unpaved (miles)	2	2	2	2	2
Traffic signals	3	3	3	3	3
Parks and Recreation					
Acreage	266	266	266	266	232
Parks	10	9	9	9	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)	216	216	214	212	209
Fire hydrants	1,707	1,707	1,690	1,672	1,631
Connections	13,913	13,744	13,619	13,482	13,289
Storage capacity (thousands of gallons)	7,850	7,850	7,850	7,850	8,100
Sewer					
Sanitary sewers (miles)	202	202	200	198	195
Connections	12,870	12,721	12,588	12,378	12,407
Storm sewers (miles)	112	112	110	109	106
Treatment capacity (thousands of gallons)	9,250	9,250	9,250	9,250	9,250

Source: Various City departments and prior year ACFRs.

