

# FRIENDSWOOD™



# STRONG

**CITY OF FRIENDSWOOD**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR 2018-2019



City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**

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

**September 30, 2019**

**Officials Issuing Report:**

**Morad Kabiri  
City Manager**

**Katina Hampton  
Director of Administrative Services**

City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**  
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City of  
Friendswood  
Texas

## **INTRODUCTORY SECTION**

City of  
Friendswood  
Texas



# CITY OF FRIENDSWOOD

February 26, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Friendswood for the fiscal year ended September 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City Charter requires an annual audit of the financial statements of all of the various funds of the City by independent certified public accountants. The accounting firm of Whitley Penn LLP has performed such an audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2019 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, 2019, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report

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

## **PROFILE OF THE CITY**

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Location**

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

### **Community**

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

### **Business**

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

incentives, including a municipal grant program, tax abatement that includes “green” development, freeport tax exemption, and downtown development fee waivers.

### **Quality Lifestyle**

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

## **LONG TERM PLANNING**

### **Budgeting Controls**

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

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

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

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

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

### **Relevant Financial Policies**

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

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

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

### ***Awards***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Friendswood for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the thirty-first 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 comprehensive annual 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 comprehensive annual 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 comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Administrative Services Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

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

Sincerely,

A handwritten signature in cursive script that reads "Katina Hampton". The signature is written in black ink and is positioned below the word "Sincerely,".

Katina Hampton  
Director of Administrative Services

**CITY OF FRIENDSWOOD, TEXAS****PRINCIPAL OFFICIALS***September 30, 2019*

<b>Elected Officials</b>	<b>Position</b>	<b>Term Expires</b>
Mike Foreman	Mayor	May 2021
Steve Rockey	Council Member - Position No. 1	May 2021
Sally Branson	Council Member - Position No. 2	May 2020
Trish Hanks	Council Member - Position No. 3	May 2021
Robert J. Griffon	Council Member - Position No. 4	May 2022
John H. Scott	Council Member - Position No. 5	May 2020
Brent Erenwert	Council Member - Position No. 6	May 2022

<b>Key Staff</b>	<b>Position</b>
Morad Kabiri	City Manager
Steven Rhea	Assistant City Manager
Katina Hampton	Director of Administrative Services
Aubrey Harbin	Director of Community Development
Jildardo Arias	Director of Engineering
Matt Riley	Library Director
Karen Capps	Economic Development Coordinator
Brian Mansfield	Fire Marshal/Emergency Management Coordinator
Rene Ibarra	Director of Public Works
Melinda Welsh	City Secretary
James Toney	Director of Parks and Recreation
Robert B. Wieners	Police Chief
Mary K. Fischer	City Attorney
James W. Woltz	Judge - Municipal Court



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Friendswood  
Texas**

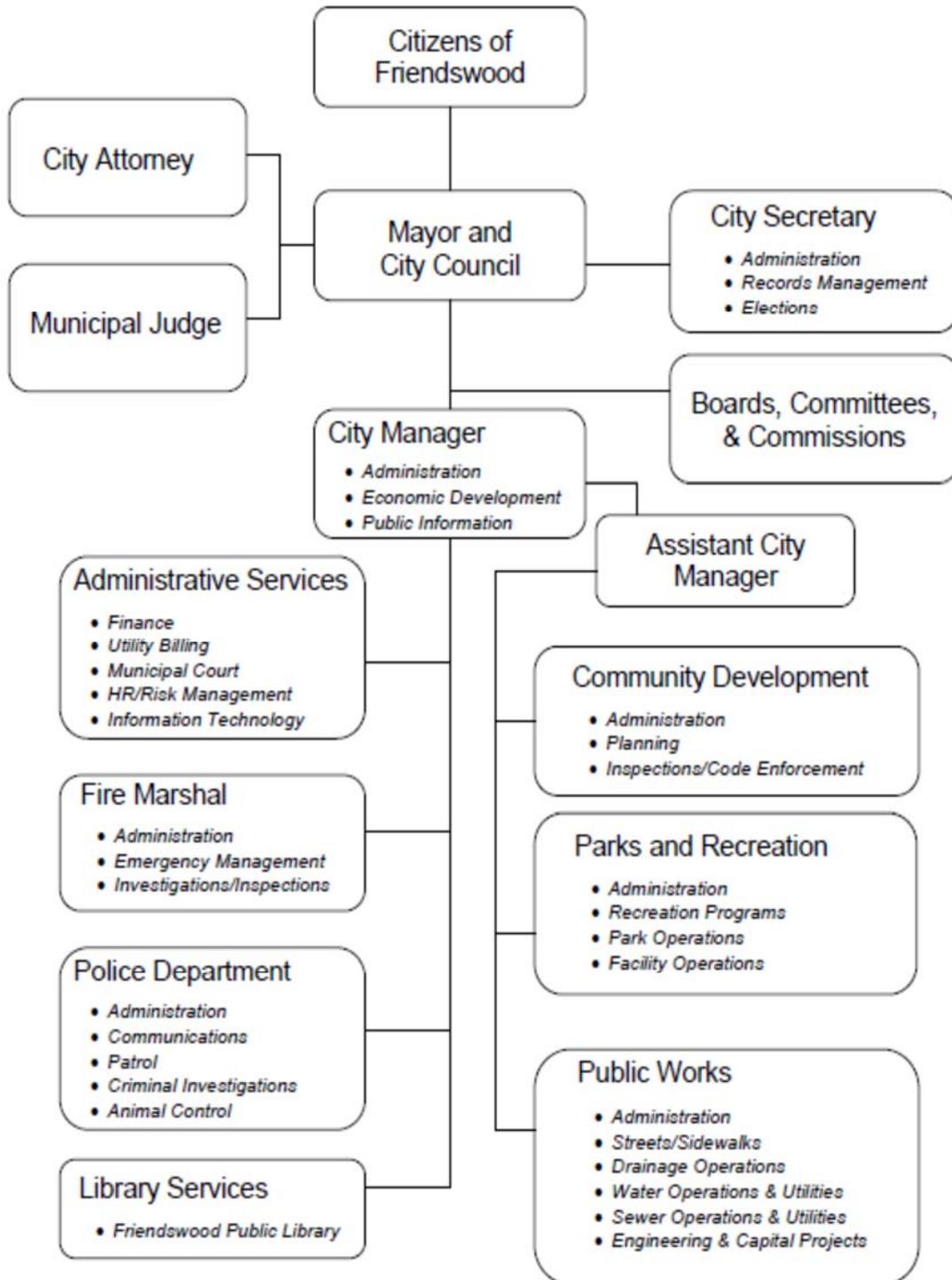
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

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



City of  
Friendswood  
Texas

## **FINANCIAL SECTION**

City of  
Friendswood  
Texas

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Friendswood, Texas (the “City”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

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

### Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of West Ranch Management District, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the West Ranch Management District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 19, budgetary comparison information on pages 74 through 83, pension system supplementary information and other post-employment benefit supplementary information on pages 84 through 88, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and has been issued under separate cover.

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

Houston, Texas  
February 26, 2020

City of  
Friendswood  
Texas

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

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

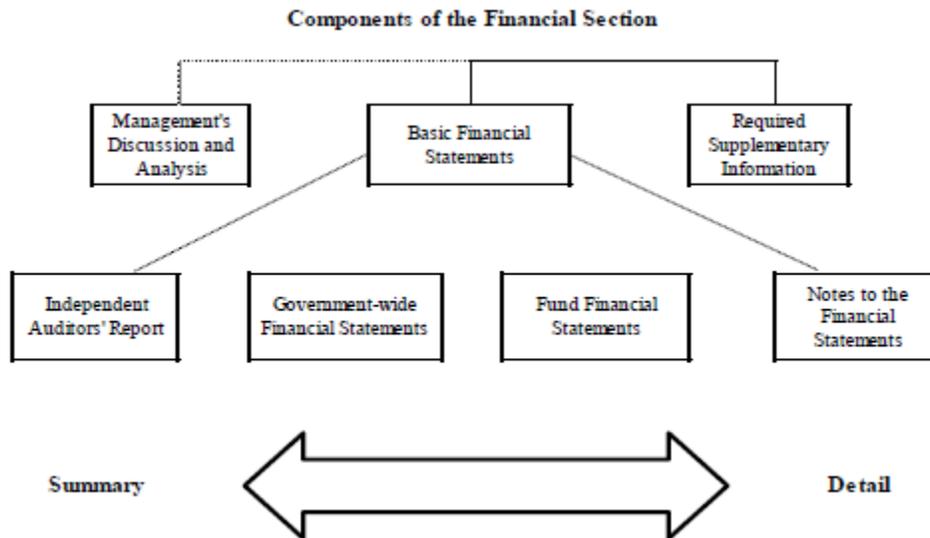
As management of the City of Friendswood, Texas (“the City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. Please read this information in conjunction with the basic financial statements that follow this section.

**Financial Highlights**

Some of the City’s financial highlights for the fiscal year ending September 30, 2019 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 \$117,327,079.
- The City’s total net position decreased during the year by \$2,619,541. The City’s net pension and total OPEB liabilities were \$14.4 million and \$1.6 million, respectively. The net pension liability increased by \$6.5 million and the total OPEB liability decreased by \$159 thousand compared to the prior year.
- As of the close of the current fiscal year, the City reported unrestricted net position of \$17,479,876.
- Program revenues of \$17,659,889 reduced the net cost of the City’s functions to be financed from the City’s general revenues to \$32,751,752.

**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, and administrative services); public safety (police, volunteer fire department and fire marshal); public works (streets and drainage); community development (engineering, building inspection and planning and zoning); community services (parks, facility operations and community activities) and library. Interest payments on the City's debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines and permit fees finance most of the activities.
- Business-type activities – Services involving a fee for those services, which include the City's water and sewer system are reported here.

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

**Fund Financial Statements**

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

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

***Governmental Funds***

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

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

The City maintains ten 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, which is considered to be a major fund. The other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in this report.

***Proprietary Funds***

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

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

**Notes to the Financial Statements**

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

**Other Information**

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

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

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

**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 \$117,327,079 as of September 30, 2019 in the primary government, which is a decrease in the City's overall financial position compared to the prior year.

The largest portion of the City's net position (80.0%) reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, construction in progress and water rights); less any debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position.

**City of Friendswood's Net Position**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 23,878,061	\$ 26,380,091	\$ 37,757,920	\$ 16,558,162	\$ 61,635,981	\$ 42,938,253
Capital assets	98,039,901	98,051,133	59,766,588	60,852,047	157,806,489	158,903,180
Total assets	121,917,962	124,431,224	97,524,508	77,410,209	219,442,470	201,841,433
Deferred outflows of resources	5,468,313	2,526,225	1,389,888	1,131,793	6,858,201	3,658,018
Total assets and deferred outflows of resources	127,386,275	126,957,449	98,914,396	78,542,002	226,300,671	205,499,451
Long-term liabilities	47,625,985	44,331,338	55,624,449	35,757,863	103,250,434	80,089,201
Other Liabilities	3,092,062	1,832,500	2,101,516	1,212,658	5,193,578	3,045,158
Total Liabilities	50,718,047	46,163,838	57,725,965	36,970,521	108,444,012	83,134,359
Deferred inflows of resources	439,425	2,138,179	90,155	280,293	529,580	2,418,472
Net position:						
Net investment in capital assets	66,823,023	68,320,682	27,038,046	27,088,280	93,861,069	95,408,962
Restricted	4,003,468	4,085,999	1,982,666	582,697	5,986,134	4,668,696
Unrestricted	5,402,312	6,248,751	12,077,564	13,620,211	17,479,876	19,868,962
Total net position	\$ 76,228,803	\$ 78,655,432	\$ 41,098,276	\$ 41,291,188	\$ 117,327,079	\$ 119,946,620

A portion of the primary government's net position, \$5,986,134 or 5.1%, represents resources that are subject to external restrictions on how they may be used. These restrictions include monies accounted for in special revenue funds for which the use is legally restricted and capital project funds. The remaining balance of unrestricted net position, \$17,479,876 or 14.9%, 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.

**City of Friendswood's Changes in Net Position**

	Governmental Activities		Business Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 2,147,633	\$ 2,287,138	\$ 13,669,552	\$ 12,183,711	\$ 15,817,185	\$ 14,470,849
Operating grants and contributions	1,842,704	4,924,228	-	-	1,842,704	4,924,228
General Revenues:						
Property taxes	18,111,247	17,608,094	-	-	18,111,247	17,608,094
Sales and alcohol taxes	8,407,249	7,965,662	-	-	8,407,249	7,965,662
Franchise taxes	2,054,395	1,617,121	-	-	2,054,395	1,617,121
Investment earnings	526,867	321,468	681,288	200,449	1,208,155	521,917
Miscellaneous	351,165	263,245	-	-	351,165	263,245
<b>Total revenues</b>	<b>33,441,260</b>	<b>34,986,956</b>	<b>14,350,840</b>	<b>12,384,160</b>	<b>47,792,100</b>	<b>47,371,116</b>
<b>Expenses</b>						
General government	5,912,467	5,734,611	-	-	5,912,467	5,734,611
Public safety	15,134,465	17,538,040	-	-	15,134,465	17,538,040
Public works	7,897,373	6,267,824	-	-	7,897,373	6,267,824
Community development	1,359,878	945,701	-	-	1,359,878	945,701
Parks and recreation	4,839,076	4,554,114	-	-	4,839,076	4,554,114
Library services	1,257,970	1,210,207	-	-	1,257,970	1,210,207
Water and sewer	-	-	11,507,880	9,019,197	11,507,880	9,019,197
Interest on long-term debt	923,350	953,509	1,579,182	1,029,715	2,502,532	1,983,224
<b>Total Expenses</b>	<b>37,324,579</b>	<b>37,204,006</b>	<b>13,087,062</b>	<b>10,048,912</b>	<b>50,411,641</b>	<b>47,252,918</b>
Increase (decrease) in net position						
before transfers	(3,883,319)	(2,217,050)	1,263,778	2,335,248	(2,619,541)	118,198
Transfers	1,456,690	1,554,849	(1,456,690)	(1,554,849)	-	-
Change in net position	(2,426,629)	(662,201)	(192,912)	780,399	(2,619,541)	118,198
<b>Net position - beginning</b>	<b>78,655,432</b>	<b>80,697,702</b>	<b>41,291,188</b>	<b>40,150,896</b>	<b>119,946,620</b>	<b>120,848,598</b>
Prior period adjustments	-	(1,380,069)	-	359,893	-	(1,020,176)
<b>Net position - ending</b>	<b>\$ 76,228,803</b>	<b>\$ 78,655,432</b>	<b>\$ 41,098,276</b>	<b>\$ 41,291,188</b>	<b>\$ 117,327,079</b>	<b>\$ 119,946,620</b>

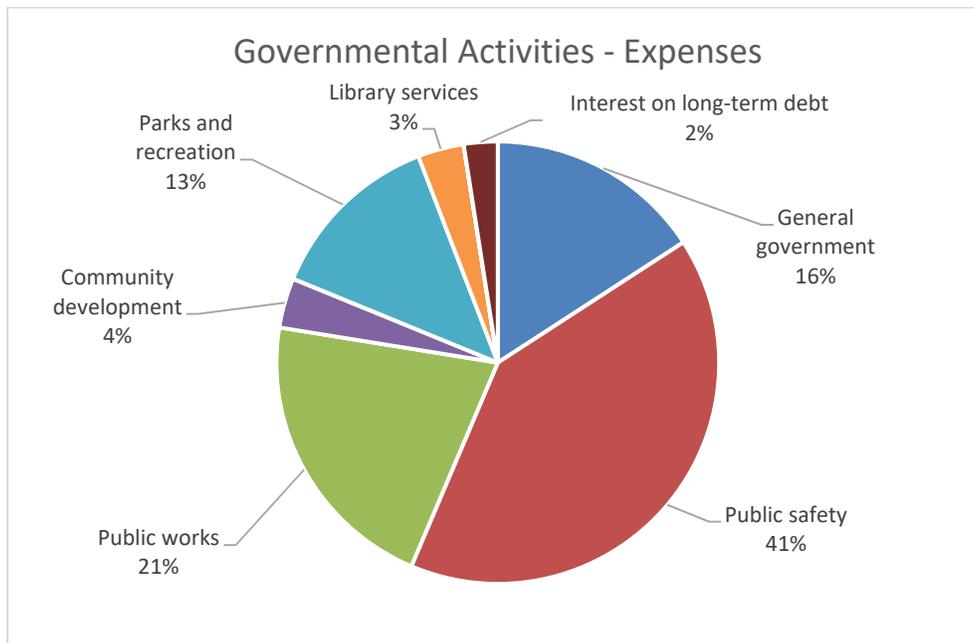
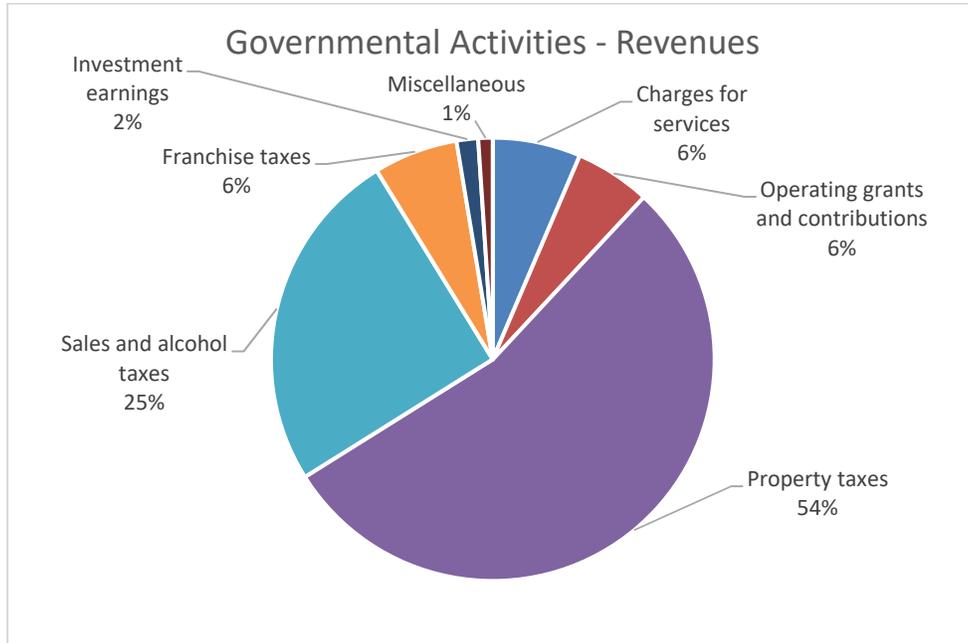
**Governmental Activities**

Governmental activities decreased the City's net position by \$2,426,629. Key elements of this change are as follows:

- Property taxes continue to be the City's largest revenue source. Property tax revenue increased by \$503,153 due to new construction within the City.
- Sales and alcohol tax revenue remained strong during fiscal year 2019, providing a 5.54% increase for the year, from \$8.0 million to \$8.4 million. This increase is primarily a result of improved economic conditions.
- Operating grants and contributions decreased \$3.1 million from prior year. The City is still in the process of submitting projects to FEMA for reimbursement as a result of Hurricane Harvey. In the prior year the City received \$3.4 million from FEMA compared to \$905,992 in fiscal year 2019.

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

- Total expenses increased \$120 thousand from the prior year. The largest increase was in Public Works of \$1.6 for ongoing construction projects, this increase was offset with a decrease in Public Safety (\$2.4 million) attributed to prior year Hurricane Harvey expenditures.

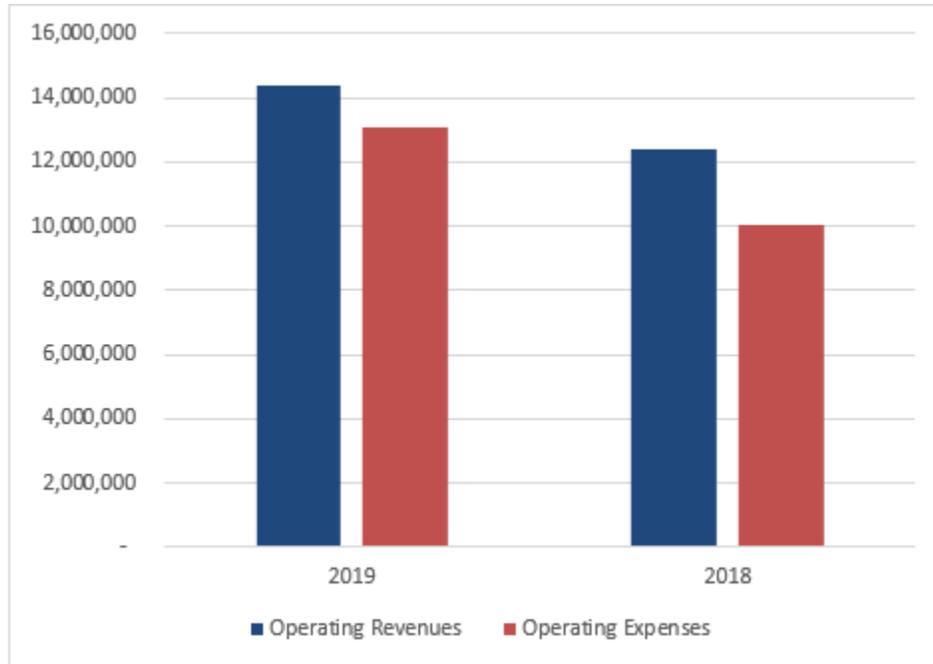


**CITY OF FRIENDSWOOD, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Business-Type Activities**

Business-type activities decreased the City's net position by \$192,912. Key elements of this change are as follows:

- Revenues increased by \$2.0 million or 15.9%; resulting from a water and sewer rate increase effective in February 2019. Expenses increased \$3.0 million or 30.2% due to the purchase of additional wastewater treatment storage capacity.



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

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

**Governmental Funds**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$19,816,622. Approximately 53.53% of this amount or \$10,608,815 is unassigned fund balance; however, \$6.8 million is set aside for the 90-day operating reserve, as set forth in the City's financial policies.

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

The remaining \$9,207,807 is nonspendable, restricted, committed, or assigned as follows:

2.04% - Nonspendable		
Prepaid items	\$	225,017
Notes receivable		153,719
Permanent fund		24,738
	\$	<u>403,474</u>
31.77% - Restricted		
Public education and government channels	\$	727,704
Debt service		57,009
Municipal court operations		231,733
Public safety operations		253,647
Capital projects		5,026,006
	\$	<u>6,296,099</u>
12.66% - Assigned		
Purchases on order	\$	421,486
Capital projects		1,086,748
Galveston County Bond		
Project/Friendswood Lakes Blvd		1,000,000
	\$	<u>2,508,234</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$14.2 million of which unassigned fund balance of the General Fund was \$10.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 35.9% of total General Fund expenditures, while total fund balance represents 48.2% percent of that same amount. At year end, the City's operating reserve was \$6.8 million, representing 25% of total General Fund expenditures, excluding capital expenditures.

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

- \$1.8 million decreases in total revenues – prior year included \$3.4 million of federal intergovernmental revenue for FEMA Hurricane Harvey. In the current year only \$905,992 was received from FEMA for Hurricane Harvey.
- \$1.9 million decrease in total expenditures, which was also attributed to prior year Hurricane Harvey expenditures.

Other non-major governmental funds fund balance decreased by \$3.7 million. This decrease was a result of capital expenditures of \$3.6 million in the Bond Construction Fund.

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

**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 \$12.1 million for the Water and Sewer Fund. The total decrease in the net position of the Water and Sewer Fund was \$192,912. 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 \$549,699. The net position of the Internal Service Fund increased by \$316,985 resulting from lease revenue from the City's participating funds.

**General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. Budgeted revenues increased by \$156,297 or 0.59% and expenditures were increased by \$4,215,426 or 14.94%.

Total revenues were above budget by \$1,355,860. The more significant variances are detailed below:

- \$396,696 above budget in sales and alcohol taxes due to improved economic conditions.
- \$378,429 above budget in franchise taxes as a result of a franchise rate increase by Texas New Mexico Power.
- \$495,527 below budget in permits and fees as a result of a decrease in residential growth.
- \$914,758 above budget in intergovernmental revenue primarily as a result of federal funds received for Hurricane Harvey.

Total expenditures of the General Fund were \$2,903,804 below the final expenditure budget. The more significant variances are detailed below:

- \$477,134 below budget in general government expenditures as a result of a decrease in other services and charges (legal, contract, consulting, etc).
- \$655,247 below budget in public safety as a result of a decrease in other services and charges primarily in the Friendswood Volunteer Fire Department division. This decrease is a result of contract quarterly payments being reduced by the revenue Friendswood Volunteer Fire Department received for EMS billings.
- \$264,208 below budget in public works due to payroll vacancies, decrease in streets and drainage repairs and a decrease in supplies and other services and charges.
- \$1,268,114 below budget in capital improvements due to projects either not being started or completed in the current fiscal year. These projects are primarily related to streets and drainage.

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

**Capital Assets**

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2019 is \$157.8 million. The investment in capital assets include land, buildings and improvements, machinery and equipment, infrastructure, water and sewer system, water rights and construction in progress.

Major capital events during the year included the following:

- Park improvements include Stevenson Park Pool Restroom and Ticket Building, Old City Park Restroom and Pavilion, Parking Lot at Old City Park, Friendswood Petsafe Dog Park, and a Parks Maintenance Building. The total cost of these projects was \$1.62 million.
- Drainage improvements include the Mud Gully clearing and de-snagging project. This was a joint project with Galveston County Consolidated Drainage District. The total cost of the City's portion of this project was \$1,000,000.
- The City purchased 14 new vehicles for Public Safety and Public Works. In addition to the service vehicles, the City also purchased three zero-turn mowers, two excavators, two trailers, a generator for the Mobile Command Trailer, a forklift, a striping machine, and a refurbished rescue boat. The total cost for all vehicles and equipment was approximately \$872,000.
- Technology additions and improvements included In-Car and Body Cameras for the Police Department, Security Audio & Video System, IT Sync Server, Self-Check Machine, Mobile Shelving Unit and Theater Projector for the Library. The total cost of these capital assets was approximately \$366,000.
- Concrete sidewalks were added along Greenbriar Street at a total cost of \$161,000.
- The Public Safety department also gained a new K-9 officer named Tigo. The cost for the dual purpose, patrol and detection, dog was \$14,500.
- The following major projects are in Construction in Progress at the end of fiscal year 2019: Blackhawk Blvd Phase II, Installation of Gates at Old City Park, Lift Station #23 Replacement, Blackhawk Waste Water Treatment Plant – 3rd Clarifier addition, and a 42" Southeast Transmission Water Line Phase 1.

City of Friendswood's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 25,759,306	\$ 25,759,306	\$ 319,473	\$ 319,473	\$ 26,078,779	\$ 26,078,779
Buildings and improvements	23,351,127	23,283,754	378,120	397,877	23,729,247	23,681,631
Machinery and equipment	4,884,383	4,832,980	2,686,808	2,738,486	7,571,191	7,571,466
Infrastructure	40,295,186	41,660,541	29,883,125	31,505,264	70,178,311	73,165,805
Water rights	-	-	19,716,695	19,716,695	19,716,695	19,716,695
Construction in progress	3,749,899	2,514,552	6,782,367	6,174,252	10,532,266	8,688,804
	<u>\$ 98,039,901</u>	<u>\$ 98,051,133</u>	<u>\$ 59,766,588</u>	<u>\$ 60,852,047</u>	<u>\$ 157,806,489</u>	<u>\$ 158,903,180</u>

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

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

**Debt Administration**

At the end of the current fiscal year, the City had a total bonded debt, premiums and capital lease obligation of \$86.3 million.

City of Friendswood's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 29,730,000	\$ 31,545,000	\$ 24,440,000	\$ 26,425,000	\$ 54,170,000	\$ 57,970,000
Revenue bonds	-	-	25,230,000	5,290,000	25,230,000	5,290,000
Premium on bond issuance	2,293,508	2,520,657	4,215,083	2,940,493	6,508,591	5,461,150
Capital leases	436,620	791,305	-	-	436,620	791,305
	<u>\$ 32,460,128</u>	<u>\$ 34,856,962</u>	<u>\$ 53,885,083</u>	<u>\$ 34,655,493</u>	<u>\$ 86,345,211</u>	<u>\$ 69,512,455</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.

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

Friendswood continues to experience moderate growth. The City's current population is estimated to be 41,253. Friendswood is expected to reach build out with an estimated population of 58,012. The City is continuing to focus on economic development initiatives, including the revitalization of downtown and a large residential and commercial development called West Ranch. The West ranch residential development is currently under way, with commercial construction scheduled to follow as the area's residential population grows.

The City's largest single source of revenue in the General Fund continues to be ad valorem taxes. The adopted budget for fiscal year 2020 has a tax rate of \$0.5214 per \$100 taxable value. This rate consists of a maintenance and operation (M&O) tax rate of \$0.4322 and an interest and sinking (debt service) tax rate of \$0.0892. The rate was set based on a net assessed value of \$3,690,585,683. This is an increase of \$316,348,624 from certified taxable values for tax year 2018. The City's financial management policy sets the guideline to maintain the fund balance and net position of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City second largest source of revenue in the General Fund is sales tax. The City anticipates an increase in this revenue stream from the prior year and has adjusted the budget from \$6,294,492 to \$6,597,532. The franchise fees budget increased from \$1,675,966 to \$2,155,318 and the budget for license and permits has been increased from \$849,000 to \$857,216. If all projections are accurate, the total General Fund unassigned fund balance net of the 90 day operating requirement (\$6.8 million) is estimated to be approximately \$4.6 million at September 30, 2020.

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

Water revenues are budgeted at \$9,070,883 which is an increase of \$1,991,072 in revenues, or 28.12 percent. Sewer revenues are budgeted at \$6,536,753 which is an increase of \$1,341,930 or 25.83 percent. Water and Sewer Fund net position, net of the 90 day operating requirement (\$2.3 million) is projected to be \$1.9 million at the end of fiscal year 2020.

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

***Requests for Information***

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

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

City of  
Friendswood  
Texas

## **BASIC FINANCIAL STATEMENTS**

City of  
Friendswood  
Texas

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	West Ranch Management District	Friendswood Downtown EDC
<b>Assets</b>					
Cash and cash equivalents	\$ 1,822,211	\$ 1,145,847	\$ 2,968,058	\$ 2,249,780	\$ 102,984
Investments	17,732,005	9,440,741	27,172,746	2,905,003	844,618
Receivables, net of allowances					
Taxes	2,373,555	-	2,373,555	8,351	96,311
Customer accounts	386,932	2,945,125	3,332,057	-	-
Other	234,912	-	234,912	-	-
Accrued interest	34,739	16,989	51,728	64	1,142
Due from other governments	914,971	-	914,971	-	-
Prepaid items	225,017	60,654	285,671	309	-
Notes receivable	153,719	-	153,719	-	-
Working capital deposit	-	464,748	464,748	-	-
Restricted cash equivalents	-	23,683,816	23,683,816	-	-
<b>Capital Assets:</b>					
Non-depreciable	29,509,205	26,818,535	56,327,740	6,903,770	-
Depreciable, net	68,530,696	32,948,053	101,478,749	388,421	-
<b>Total Capital Assets</b>	<b>98,039,901</b>	<b>59,766,588</b>	<b>157,806,489</b>	<b>7,292,191</b>	<b>-</b>
<b>Total Assets</b>	<b>121,917,962</b>	<b>97,524,508</b>	<b>219,442,470</b>	<b>12,455,698</b>	<b>1,045,055</b>
<b>Deferred Outflows of Resources</b>					
Deferred loss on issuance of refunding bonds	303,970	811,605	1,115,575	11,383	-
Deferred outflow of resources for pensions	5,086,848	566,870	5,653,718	-	-
Deferred outflow of resources for OPEB	77,495	11,413	88,908	-	-
<b>Total Deferred Outflows of Resources</b>	<b>5,468,313</b>	<b>1,389,888</b>	<b>6,858,201</b>	<b>11,383</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>127,386,275</b>	<b>98,914,396</b>	<b>226,300,671</b>	<b>12,467,081</b>	<b>1,045,055</b>
<b>Liabilities</b>					
Accounts payable	1,932,892	1,072,086	3,004,978	30,506	1,240
Accrued liabilities	696,197	47,777	743,974	-	-
Retainage payable	231,498	19,415	250,913	-	-
Accrued interest	84,716	165,374	250,090	382,903	-
Unearned revenue	-	264,473	264,473	-	-
Customer deposits	-	532,391	532,391	-	-
Due to other governments	146,759	-	146,759	10,466	-
Noncurrent liabilities:					
Due within one year	2,180,826	2,961,404	5,142,230	830,000	-
Due in more than one year	31,080,034	51,005,698	82,085,732	22,106,366	-
Net pension liability	12,978,474	1,447,626	14,426,100	-	-
Total OPEB liability	1,386,651	209,721	1,596,372	-	-
<b>Total Liabilities</b>	<b>50,718,047</b>	<b>57,725,965</b>	<b>108,444,012</b>	<b>23,360,241</b>	<b>1,240</b>
<b>Deferred Inflows of Resources</b>					
Deferred gain on issuance of refunding bonds	-	36,388	36,388	-	-
Deferred Inflows of resources for pensions	264,528	27,895	292,423	-	-
Deferred Inflows of resources for OPEB	174,897	25,872	200,769	-	-
<b>Total Deferred Inflows of Resources</b>	<b>439,425</b>	<b>90,155</b>	<b>529,580</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	66,823,023	27,038,046	93,861,069	1,236,100	-
Restricted for:					
Public education and government channels	727,704	-	727,704	-	-
Debt service	18,302	1,912,622	1,930,924	1,939,531	-
Municipal court operations	231,733	-	231,733	-	-
Economic development	-	-	-	-	1,043,815
Public safety operations	253,647	-	253,647	-	-
Community development - nonexpendable	24,738	-	24,738	-	-
Capital projects	2,747,344	70,044	2,817,388	43,191	-
Unrestricted	5,402,312	12,077,564	17,479,876	(14,111,982)	-
<b>Total Net Position</b>	<b>\$ 76,228,803</b>	<b>\$ 41,098,276</b>	<b>\$ 117,327,079</b>	<b>\$ (10,893,160)</b>	<b>\$ 1,043,815</b>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2019*

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
<b>Primary government</b>			
<b>Governmental Activities:</b>			
General government	\$ 5,912,467	\$ 751,112	\$ 16,000
Public safety	15,134,465	811,768	1,810,229
Public works	7,897,373	236,352	-
Community development	1,359,878	6,841	-
Parks and recreation	4,839,076	341,560	16,475
Library services	1,257,970	-	-
Interest on long-term debt	923,350	-	-
<b>Total Governmental Activities</b>	<b>37,324,579</b>	<b>2,147,633</b>	<b>1,842,704</b>
<b>Business-type Activities:</b>			
Water and sewer	13,087,062	13,669,552	-
<b>Total Business-type Activities</b>	<b>13,087,062</b>	<b>13,669,552</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 50,411,641</b>	<b>\$ 15,817,185</b>	<b>\$ 1,842,704</b>
<b>Component Units</b>			
West Ranch Management District	\$ 1,283,479	\$ -	\$ -
Friendswood Downtown EDC	26,307	-	-
<b>Total Component Units</b>	<b>\$ 1,309,786</b>	<b>\$ -</b>	<b>\$ -</b>

**General revenues:**

Taxes:

    Property taxes

    Franchise and other taxes

    Sales taxes

Interest

Gain on disposal of capital assets

Miscellaneous

Transfers

**Total general revenues and transfers**

    Change in net position

**Net Position - beginning**

**Net Position - ending**

See notes to the financial statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>West Ranch Management District</b>	<b>Friendswood Downtown EDC</b>
\$ (5,145,355)	\$ -	\$ (5,145,355)	\$ -	\$ -
(12,512,468)	-	(12,512,468)	-	-
(7,661,021)	-	(7,661,021)	-	-
(1,353,037)	-	(1,353,037)	-	-
(4,481,041)	-	(4,481,041)	-	-
(1,257,970)	-	(1,257,970)	-	-
(923,350)	-	(923,350)	-	-
<u>(33,334,242)</u>	<u>-</u>	<u>(33,334,242)</u>	<u>-</u>	<u>-</u>
-	582,490	582,490	-	-
-	582,490	582,490	-	-
<u>(33,334,242)</u>	<u>582,490</u>	<u>(32,751,752)</u>	<u>-</u>	<u>-</u>
			(1,283,479)	-
			-	(26,307)
			<u>(1,283,479)</u>	<u>(26,307)</u>
18,111,247	-	18,111,247	2,352,933	-
2,054,395	-	2,054,395	-	-
8,407,249	-	8,407,249	-	553,594
526,867	681,288	1,208,155	62,598	-
-	-	-	-	12,081
351,165	-	351,165	-	-
1,456,690	(1,456,690)	-	-	-
<u>30,907,613</u>	<u>(775,402)</u>	<u>30,132,211</u>	<u>2,415,531</u>	<u>565,675</u>
(2,426,629)	(192,912)	(2,619,541)	1,132,052	539,368
<u>78,655,432</u>	<u>41,291,188</u>	<u>119,946,620</u>	<u>(12,025,212)</u>	<u>504,447</u>
<u>\$ 76,228,803</u>	<u>\$ 41,098,276</u>	<u>\$ 117,327,079</u>	<u>\$ (10,893,160)</u>	<u>\$ 1,043,815</u>

**CITY OF FRIENDSWOOD, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2019

	<u>General Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,419,936	\$ 349,386	\$ 1,769,322
Investments	11,571,699	5,635,409	17,207,108
Receivables, net of allowance:			
Taxes receivables	2,036,232	337,323	2,373,555
Customer accounts	384,317	2,615	386,932
Other receivables	230,172	4,740	234,912
Accrued interest	27,095	6,816	33,911
Due from other governments	914,971	-	914,971
Note receivable	153,719	-	153,719
Prepaid items	225,017	-	225,017
<b>Total Assets</b>	<u>\$ 16,963,158</u>	<u>\$ 6,336,289</u>	<u>\$ 23,299,447</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,621,508	\$ 693,394	\$ 2,314,902
Accrued liabilities	511,490	-	511,490
Due to other governments	146,759	-	146,759
Customer deposits	5,280	-	5,280
<b>Total Liabilities</b>	<u>2,285,037</u>	<u>693,394</u>	<u>2,978,431</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	454,632	49,762	504,394
<b>Total Deferred Inflows of resources</b>	<u>454,632</u>	<u>49,762</u>	<u>504,394</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid items	225,017	-	225,017
Notes receivable	153,719	-	153,719
Permanent fund	-	24,738	24,738
<b>Restricted:</b>			
Public education and government channels	727,704	-	727,704
Municipal court operations	-	231,733	231,733
Debt service	-	57,009	57,009
Public safety operations	-	253,647	253,647
Capital projects	-	5,026,006	5,026,006
<b>Assigned:</b>			
Purchases on order	421,486	-	421,486
Capital projects	1,086,748	-	1,086,748
Galveston County Bond Project/Friendswood Lakes Blvd	1,000,000	-	1,000,000
<b>Unassigned</b>	<u>10,608,815</u>	<u>-</u>	<u>10,608,815</u>
<b>Total Fund Balances</b>	<u>14,223,489</u>	<u>5,593,133</u>	<u>19,816,622</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 16,963,158</u>	<u>\$ 6,336,289</u>	<u>\$ 23,299,447</u>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2019**

**Total fund balance, governmental funds** \$ 19,816,622

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. 96,700,519

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. 1,889,081

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	(29,730,000)
Capital leases payable	(436,620)
Compensated absences	(800,732)
Accrued interest payable	(84,716)
Unamortized premium on bonds	(2,293,508)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 504,394

Deferred loss on refunding 303,970

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	(12,978,474)
Total OPEB liability	(1,386,651)
Deferred outflows and inflows of resources related to the net pension liability	4,822,320
Deferred outflows and inflows of resources related to the total OPEB liability	(97,402)

**Net Position of Governmental Activities in the Statement of Net Position** \$ 76,228,803

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2019*

	<b>General Fund</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 14,729,551	\$ 3,198,456	\$ 17,928,007
Sales taxes	6,746,466	1,660,783	8,407,249
Franchise fees and other	2,054,395	-	2,054,395
Fines and forfeitures	815,090	51,722	866,812
Permits and fees	1,447,013	36,541	1,483,554
Intergovernmental	1,576,838	-	1,576,838
Investment earnings	342,268	175,953	518,221
Donations	64,862	225,207	290,069
Miscellaneous	17,107	1,670	18,777
<b>Total Revenues</b>	<b>27,793,590</b>	<b>5,350,332</b>	<b>33,143,922</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government	5,318,898	17,371	5,336,269
Public safety	13,355,797	189,742	13,545,539
Public works	2,472,675	1,654,864	4,127,539
Community development	1,099,154	-	1,099,154
Parks and recreation	3,796,589	-	3,796,589
Library services	1,204,415	-	1,204,415
<b>Debt service:</b>			
Principal	-	2,168,876	2,168,876
Interest and other charges	-	1,112,127	1,112,127
<b>Capital outlay</b>	<b>2,275,993</b>	<b>3,943,250</b>	<b>6,219,243</b>
<b>Total Expenditures</b>	<b>29,523,521</b>	<b>9,086,230</b>	<b>38,609,751</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,729,931)</u>	<u>(3,735,898)</u>	<u>(5,465,829)</u>
<b>Other Financing Sources (Uses)</b>			
Insurance recoveries	235,443	-	235,443
Transfers in	1,471,690	1,901	1,473,591
Transfers out	(45,633)	(1,901)	(47,534)
Sale of capital assets	6,614	-	6,614
<b>Total Other Financing Sources (Uses)</b>	<b>1,668,114</b>	<b>-</b>	<b>1,668,114</b>
Net change in fund balances	(61,817)	(3,735,898)	(3,797,715)
<b>Fund balances - beginning</b>	<b>14,285,306</b>	<b>9,329,031</b>	<b>23,614,337</b>
<b>Fund balances - ending</b>	<b>\$ 14,223,489</b>	<b>\$ 5,593,133</b>	<b>\$ 19,816,622</b>

See notes to the financial statements.

**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, 2019*

Net change in fund balances - total governmental funds: \$ (3,797,715)

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

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

Capital outlay	6,226,325
Depreciation expense	(5,171,356)

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. (1,369,155)

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	19,148
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Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	2,168,876
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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	(911,877)
OPEB	(61,634)

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	3,753
(Increase) decrease in compensated absences	(35,003)
Amortization of deferred loss on refunding	(42,125)
Amortization of premium on bonds	227,149

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.

316,985
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**Change in net position of governmental activities**

<u>\$ (2,426,629)</u>
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See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2019

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,145,847	\$ 62,793
Investments	9,440,741	514,993
Accounts receivable, net of allowance:		
Customer accounts	2,945,125	-
Accrued interest	16,989	828
Prepays and other assets	60,654	-
Restricted cash equivalents	23,683,816	-
<b>Total current assets</b>	<b>37,293,172</b>	<b>578,614</b>
<b>Non-current assets</b>		
Working capital deposit	464,748	-
<b>Capital assets:</b>		
Land	319,473	-
Construction in progress	6,782,367	-
Water rights	19,716,695	-
Buildings and improvements	683,906	-
Machinery and equipment	7,353,510	3,595,404
Water and sewer systems	63,640,402	-
Accumulated depreciation	(38,729,765)	(2,256,100)
<b>Total capital assets</b>	<b>59,766,588</b>	<b>1,339,304</b>
<b>Total non-current assets</b>	<b>60,231,336</b>	<b>1,339,304</b>
<b>Total Assets</b>	<b>97,524,508</b>	<b>1,917,918</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pension related	566,870	-
Deferred outflows - OPEB related	11,413	-
Deferred loss on bond refunding	811,605	-
<b>Total Deferred Outflows of Resources</b>	<b>1,389,888</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>98,914,396</b>	<b>1,917,918</b>

**CITY OF FRIENDSWOOD, TEXAS**  
**STATEMENT OF NET POSITION (continued)**  
**PROPRIETARY FUNDS**  
**September 30, 2019**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,072,086	\$ 28,915
Accrued liabilities	47,777	-
Accrued interest	165,374	-
Unearned revenue	264,473	-
Customer deposits	532,391	-
Retainage payable	19,415	-
Compensated absences	16,404	-
Bonds and other long-term debt payable	2,945,000	-
<b>Total Current Liabilities</b>	<b>5,062,920</b>	<b>28,915</b>
<b>Non-current Liabilities</b>		
Compensated absences	65,615	-
Net Pension liability	1,447,626	-
Total OPEB liability	209,721	-
Bonds and other long-term debt payable	50,940,083	-
<b>Total Non-current Liabilities</b>	<b>52,663,045</b>	<b>-</b>
<b>Total Liabilities</b>	<b>57,725,965</b>	<b>28,915</b>
<b>Deferred Inflows of Resources</b>		
Deferred gain on issuance of refunding bonds	36,388	-
Deferred inflows - pension related	27,895	-
Deferred inflows of resources for OPEB	25,872	-
<b>Total Deferred Inflows of Resources</b>	<b>90,155</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>57,816,120</b>	<b>28,915</b>
<b>Net Position</b>		
Net investment in capital assets	27,038,046	1,339,304
Restricted for capital projects	70,044	-
Restricted for debt service	1,912,622	-
Unrestricted	12,077,564	549,699
<b>Total Net Position</b>	<b>\$ 41,098,276</b>	<b>\$ 1,889,003</b>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**

*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*

*PROPRIETARY FUNDS*

*For the Year Ended September 30, 2019*

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
<b>Operating Revenues</b>		
Charges for services	\$ 13,013,404	\$ 550,817
Miscellaneous	114,899	23,458
<b>Total Operating Revenues</b>	<u>13,128,303</u>	<u>574,275</u>
<b>Operating Expenses</b>		
Personnel services	2,210,357	-
Sewer operations	3,668,638	-
Water purchases	1,879,358	-
Repairs and maintenance	696,986	732
Supplies	159,742	-
Other services and charges	763,591	-
Depreciation	1,895,533	323,324
<b>Total Operating Expenses</b>	<u>11,274,205</u>	<u>324,056</u>
Operating income	<u>1,854,098</u>	<u>250,219</u>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	681,288	8,646
Gain on disposal of capital assets	-	27,487
Insurance proceeds	538,609	-
Interest expense	(1,579,182)	-
Bond Issuance Costs	(231,035)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(590,320)</u>	<u>36,133</u>
Income before transfers	1,263,778	286,352
Transfers in	-	45,633
Transfers out	<u>(1,456,690)</u>	<u>(15,000)</u>
Change in net position	(192,912)	316,985
<b>Net position - beginning</b>	<u>41,291,188</u>	<u>1,572,018</u>
<b>Total Net Position - ending</b>	<u>\$ 41,098,276</u>	<u>\$ 1,889,003</u>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2019**

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>	<b>Governmental Activities Internal Service</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 12,352,928	\$ -
Receipts from interfund charges for fleet management	-	574,275
Cash payments to suppliers for goods and services	(7,614,962)	(12,928)
Cash payments to employees for services	(1,547,489)	-
<b>Net cash provided (used) by operating activities</b>	<u>3,190,477</u>	<u>561,347</u>
<b>Cash flows from noncapital financing activities</b>		
Transfer in from other funds	-	45,633
Transfers out to other funds	(1,456,690)	(15,000)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,456,690)</u>	<u>30,633</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of property, plant and equipment	(1,957,030)	(343,387)
Disposal of capital assets	(2,640)	-
Proceeds from issuance of bonds	21,739,430	-
Repayment of debt	(2,215,000)	-
Interest paid on debt	(1,508,991)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>16,055,769</u>	<u>(343,387)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	11,948	(358,198)
Investment income	680,073	7,818
<b>Net cash provided (used) by investing activities</b>	<u>692,021</u>	<u>(350,380)</u>
Net increase (decrease) in cash and cash equivalents	18,481,577	(101,787)
<b>Cash and cash equivalents, beginning</b>	<u>6,348,086</u>	<u>164,580</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 24,829,663</u>	<u>\$ 62,793</u>
<b>Reconciliation of Total Cash and cash equivalents</b>		
Current assets - cash and cash equivalents	\$ 1,145,847	\$ 62,793
Restricted assets - cash and cash equivalents	23,683,816	-
	<u>\$ 24,829,663</u>	<u>\$ 62,793</u>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b><u>Water and Sewer</u></b>	<b><u>Internal Service</u></b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,854,098	\$ 250,219
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,895,533	323,324
Change in assets, deferred inflows and outflows, and liabilities:		
Decrease (increase) in customer receivable	(581,502)	-
Decrease (increase) in prepaids and other assets	(19,495)	-
Decrease (increase) in deferred outflow for pensions	(342,109)	-
Decrease (increase) in deferred outflow for OPEB	3,890	-
Increase (decrease) in accounts payable	(80,124)	(12,196)
Increase (decrease) in accrued liabilities	(8,809)	-
Increase (decrease) in customer deposits	19,105	-
Increase (decrease) in deferred inflows for pensions	(212,978)	-
Increase (decrease) in deferred inflows for OPEB	25,872	-
Increase (decrease) in total OPEB liability	(20,514)	-
Increase (decrease) in net pension liability	658,741	-
Increase (decrease) in compensated absences	(1,231)	-
<b>Total adjustments</b>	<b><u>1,336,379</u></b>	<b><u>311,128</u></b>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 3,190,477</u></b>	<b><u>\$ 561,347</u></b>

See notes to the financial statements.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2019*

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

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

**A. Reporting Entity**

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

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

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

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

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

**A. Reporting Entity (continued)**

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

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.

*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 \$0.532391 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.437173 and \$0.095218, respectively. The resulting tax levies were approximately \$14.7 and \$3.2 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$3.4 billion for the 2018 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)**

**Property Taxes (continued)**

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 August 31, 2019, the District levied an ad valorem tax at the rate of \$0.4500 per \$100 of assessed valuation, which resulted in tax levy of \$2.3 million on the taxable valuation of approximately \$520.3 million for the 2018 tax year.

**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.

**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**

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

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

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

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

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

**Compensated Absences**

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

**Long-term Debt**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are expenses in the period incurred.

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**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)**

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from changes in actuarial assumptions. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for gain on issuance of refunding bonds - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences from the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plans.

**Pension**

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

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

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

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

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

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

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

**Fund Balance**

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

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

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

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

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

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

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

**Fund Balance (continue)**

*Assigned* – includes fund balance amounts that are self-imposed by the City to be used for particular purpose. Fund balance can be assigned by the City Council or the City Manager, pursuant to the City's fund balance policy. At September 30, 2019, the City's assigned fund balance included amounts assigned for encumbrances.

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

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

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

**Net Position**

Government-Wide Financial Statements:

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

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

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

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

**Use of Estimates**

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

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

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

**E. Implementation of New Accounting Standards**

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt*. This Statement establishes certain disclosures related to debt, including direct borrowing and direct placements.

The following standards have been issued, but have not been implemented as not yet effective.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests*. An amendment of GASB Statements No. 14 and No. 61.

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

**Note 2. Cash and Investments**

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

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

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

At September 30, 2019, the carrying amount of the City and Friendswood Downtown Economic Development Corporation’s deposits was \$3,071,042 and the bank balance of \$3,475,462.

As of September 30, 2019 the City and Friendswood Downtown Economic Development Corporation held the following investments.

	<b><u>Reported Value of Investments</u></b>	<b><u>Weighted Average Maturity (Days)</u></b>
<b>Investment pools:</b>		
TexPool	\$ 4,607,711	36
Texas CLASS	<u>38,077,400</u>	41
<b>Total investment pools</b>	<u>42,685,111</u>	
<b>Debt Securities:</b>		
Federal Farm Credit Bonds	1,008,042	383
Federal Home Loan Bank Bonds	4,009,359	63
Federal Home Loan Mortgage Corporation	2,999,978	154
Federal National Mortgage Association	<u>998,690</u>	52
<b>Total debt securities</b>	<u>9,016,069</u>	
<b>Total investments</b>	<u>\$ 51,701,180</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, 2019:

	<b>Fair Value / Amortized Cost</b>	<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>
<b>Investment Securities:</b>				
Federal Farm Credit Bank	\$ 1,008,042	\$ -	\$ 1,008,042	\$ -
Federal Home Loan Bank	4,009,359	-	4,009,359	-
Federal Home Loan Mortgage Corp.	2,999,978	-	2,999,978	-
Federal National Mortgage Assoc.	998,690	-	998,690	-
<b>Total Investment Securities</b>	<b>\$ 9,016,069</b>	<b>\$ -</b>	<b>\$ 9,016,069</b>	<b>\$ -</b>

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

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

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

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2019, 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, 2019, were rated as follows:

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

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

**Credit Risk (continued)**

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

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

Receivables as of September 30, 2019 for the City's individual major funds and nonmajor funds in the aggregate including the applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Funds</b>		<b>Proprietary</b>	<b>Total</b>
	<b>General</b>	<b>Nonmajor</b>	<b>Water and Sewer</b>	
<b>Receivables:</b>				
Property taxes	\$ 258,210	\$ 46,911	\$ -	\$ 305,121
Penalties and interest	144,619	22,385	-	167,004
Sales tax	1,169,259	288,933	-	1,458,192
Franchise taxes	585,290	-	-	585,290
Customer accounts	270,671	3,351	3,224,284	3,498,306
Court fines	804,121	-	-	804,121
Other	230,172	4,740	-	234,912
Gross receivables	3,462,342	366,320	3,224,284	7,052,946
Less: allowance for uncollectibles	(811,621)	(21,642)	(279,159)	(1,112,422)
<b>Net total receivables</b>	<b>\$ 2,650,721</b>	<b>\$ 344,678</b>	<b>\$ 2,945,125</b>	<b>\$ 5,940,524</b>

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

**Note 3. Receivables and Deferred Inflows of Resources (continued)**

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

	<b><u>Deferred Inflows of Resources</u></b>
General Fund:	
Delinquent property taxes	\$ 169,652
Property tax penalties and interest	100,990
Court fines	160,824
Grants	15,000
Miscellaneous	8,166
Total General Fund	<u>454,632</u>
Nonmajor funds:	
Delinquent property taxes	30,378
Property tax penalties and interest	15,631
Court fines	3,753
Total nonmajor funds	<u>49,762</u>
Total governmental funds	<u>\$ 504,394</u>

On June 1, 2015, The City Council approved the purchase of a fire truck for the Friendswood Volunteer Fire Department for \$483,364. This purchase is supported with a repayment agreement whereby the Friendswood Volunteer Fire Department has agreed to repay the City \$72,000 per year for the first six years, with a final payment of \$65,000. The City set an initial interest rate of 1% with an option to increase should interest rates rise significantly. The balance of the note receivable at September 30, 2019 is \$153,719.

**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, 2019, is as follows:

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassification /Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 25,759,306	\$ -	\$ -	\$ 25,759,306
Construction in progress	2,514,552	4,930,949	(3,695,602)	3,749,899
<b>Total capital assets, not being depreciated</b>	<b>28,273,858</b>	<b>4,930,949</b>	<b>(3,695,602)</b>	<b>29,509,205</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	39,971,157	422,994	1,389,247	41,783,398
Machinery and equipment	13,866,725	1,338,357	(411,706)	14,793,376
Infrastructure	92,334,044	161,190	1,000,000	93,495,234
<b>Total capital assets, being depreciated</b>	<b>146,171,926</b>	<b>1,922,541</b>	<b>1,977,541</b>	<b>150,072,008</b>
<b>Less accumulated depreciation for:</b>				
Buildings & improvements	(16,687,403)	(1,744,868)	-	(18,432,271)
Machinery and equipment	(9,033,745)	(1,223,267)	348,019	(9,908,993)
Infrastructure	(50,673,503)	(2,526,545)	-	(53,200,048)
<b>Total accumulated depreciation</b>	<b>(76,394,651)</b>	<b>(5,494,680)</b>	<b>348,019</b>	<b>(81,541,312)</b>
Total capital assets - being depreciated	69,777,275	(3,572,139)	2,325,560	68,530,696
<b>Governmental capital assets, net</b>	<b>\$ 98,051,133</b>	<b>\$ 1,358,810</b>	<b>\$ (1,370,042)</b>	<b>\$ 98,039,901</b>

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassification /Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 319,473	\$ -	\$ -	\$ 319,473
Water rights	19,716,695	-	-	19,716,695
Construction in progress	6,174,252	608,115	-	6,782,367
<b>Total capital assets, not being depreciated</b>	<b>26,210,420</b>	<b>608,115</b>	<b>-</b>	<b>26,818,535</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	683,906	-	-	683,906
Machinery and equipment	7,218,247	204,598	(69,335)	7,353,510
Water and sewer system	63,640,402	-	-	63,640,402
<b>Total capital assets, being depreciated</b>	<b>71,542,555</b>	<b>204,598</b>	<b>(69,335)</b>	<b>71,677,818</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(286,029)	(19,757)	-	(305,786)
Machinery and equipment	(4,479,761)	(253,637)	66,696	(4,666,702)
Water and sewer system	(32,135,138)	(1,622,139)	-	(33,757,277)
<b>Total accumulated depreciation</b>	<b>(36,900,928)</b>	<b>(1,895,533)</b>	<b>66,696</b>	<b>(38,729,765)</b>
Total capital assets - being depreciated	34,641,627	(1,690,935)	(2,639)	32,948,053
<b>Business-type capital assets, net</b>	<b>\$ 60,852,047</b>	<b>\$ (1,082,820)</b>	<b>\$ (2,639)</b>	<b>\$ 59,766,588</b>

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

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

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

Component Unit	Beginning Balance	Increases	Reclassification /Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 6,839,035	\$ -	\$ -	\$ 6,839,035
Construction in progress	-	64,735	-	64,735
<b>Total capital assets, not being depreciated</b>	<b>6,839,035</b>	<b>64,735</b>	<b>-</b>	<b>6,903,770</b>
<b>Capital assets, being depreciated:</b>				
Water production and distribution facilities	483,467	-	-	483,467
<b>Total capital assets, being depreciated</b>	<b>483,467</b>	<b>-</b>	<b>-</b>	<b>483,467</b>
<b>Less accumulated depreciation for:</b>				
Water production and distribution facilities	(84,301)	(10,745)	-	(95,046)
<b>Total accumulated depreciation</b>	<b>(84,301)</b>	<b>(10,745)</b>	<b>-</b>	<b>(95,046)</b>
Total capital assets - being depreciated	399,166	(10,745)	-	388,421
<b>Component Unit capital assets, net</b>	<b>\$ 7,238,201</b>	<b>\$ 53,990</b>	<b>\$ -</b>	<b>\$ 7,292,191</b>

**Depreciation**

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

	<b>Depreciation Expense</b>
<b>Primary government</b>	
<b>Governmental activities:</b>	
General government	\$ 289,076
Public safety	1,005,086
Public Works	2,895,698
Community services	981,496
Capital assets held by the City's internal service fund are charged to the various functions based on their usage	323,324
<b>Total Governmental activities</b>	<b>5,494,680</b>
<b>Business-type activities:</b>	
Water and sewer	1,895,533
<b>Total Business-type activities:</b>	<b>1,895,533</b>
<b>Total primary government</b>	<b>\$ 7,390,213</b>

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

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

**Construction commitments**

The City has active construction projects as of September 30, 2019. At year end, the City's commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
Governmental funds:			
Blackhawk Boulevard Phase II	\$ 5,100,525	\$ 3,749,899	\$ 1,350,626
	<u>5,100,525</u>	<u>3,749,899</u>	<u>1,350,626</u>
Enterprise funds:			
Blackhawk Boulevard Phase II	425,973	388,293	37,680
Lift Stations #23 - Crazy Horse	347,860	280,679	67,181
Blackhawk WWTP 3rd Clarifier	6,090,067	6,113,395	(23,328)
	<u>6,863,900</u>	<u>6,782,367</u>	<u>81,533</u>
Total Commitments	<u>\$ 11,964,425</u>	<u>\$ 10,532,266</u>	<u>\$ 1,432,159</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.

**Note 5. Long-term Debt**

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

**Federal Arbitrage**

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

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

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

**Bonds Payable and Certificates of Obligation**

The following schedule summarizes the terms of the City’s general obligation bonds, combination tax and revenue bonds, and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2019:

<b>General Obligation Bonds:</b>	<b>Original Issue Amount</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2010A Permanent Improvement	\$ 3,460,000	2035	1.0 - 4.75%	\$ 2,480,000	\$ -
2010B Permanent Improvement and Refunding	5,460,000	2021	1.0 - 4.0%	-	1,230,000
2012 General Obligation Refunding	8,890,000	2026	2.0 - 3.5%	5,025,000	-
2014 General Obligation Refunding	8,805,000	2028	2.0% - 4.0%	2,145,000	5,800,000
2015 General Obligation Refunding	9,595,000	2030	2.0% - 3.0%	7,875,000	-
2016 General Obligation Permanent Improvement and Refunding	19,095,000	2031	2.0% - 5.0%	7,005,000	8,870,000
2016A General Obligation Refunding	9,765,000	2034	2.0% - 4.0%	-	8,540,000
2017 General Obligation Bonds	5,605,000	2031	2.0% - 4.0%	5,200,000	-
Total general obligation bonds				29,730,000	24,440,000
<b>Revenue Bonds:</b>					
2016 Waterworks and Sewer System	5,735,000	2036	2.0% - 4.0%	-	5,060,000
2018 Waterworks and Sewer System	20,170,000	2038	4.0% - 5.0%	-	20,170,000
Total revenue bonds				-	25,230,000
Total				\$ 29,730,000	\$ 49,670,000

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$ 1,855,000	\$ 1,042,281	\$ 2,945,000	\$ 1,938,950	\$ 7,781,231
2021	1,995,000	991,231	3,035,000	1,844,050	7,865,281
2022	2,150,000	927,606	2,645,000	1,750,425	7,473,031
2023	2,215,000	860,319	2,735,000	1,657,800	7,468,119
2024	2,285,000	788,406	2,835,000	1,554,475	7,462,881
2025-2029	12,705,000	2,671,241	16,205,000	5,831,000	37,412,241
2030-2034	6,335,000	400,638	12,755,000	2,469,000	21,959,638
2035-2039	190,000	4,513	6,515,000	501,900	7,211,413
	\$ 29,730,000	\$ 7,686,235	\$ 49,670,000	\$ 17,547,600	\$ 104,633,835

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

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

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

Changes in the City's long-term liability activity for the year ended September 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 31,545,000	\$ -	\$ (1,815,000)	\$ 29,730,000	\$ 1,855,000
Premium on bond issuance	2,520,657	-	(227,149)	2,293,508	-
Capital lease	791,305	-	(354,685)	436,620	165,680
Compensated absences	765,729	897,704	(862,701)	800,732	160,146
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<u>\$ 35,622,691</u>	<u>\$ 897,704</u>	<u>\$ (3,259,535)</u>	<u>\$ 33,260,860</u>	<u>\$ 2,180,826</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,290,000	\$ 20,170,000	\$ (230,000)	25,230,000	\$ 905,000
General obligation bonds	26,425,000	-	(1,985,000)	24,440,000	2,040,000
Premium on bond issuance	2,940,493	1,569,430	(294,840)	4,215,083	-
Compensated absences	83,250	88,366	(89,597)	82,019	16,404
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	<u>\$ 34,738,743</u>	<u>\$ 21,827,796</u>	<u>\$ (2,599,437)</u>	<u>\$ 53,967,102</u>	<u>\$ 2,961,404</u>
<b>Total Primary government</b>	<u>\$ 70,361,434</u>	<u>\$ 22,725,500</u>	<u>\$ (5,858,972)</u>	<u>\$ 87,227,962</u>	<u>\$ 5,142,230</u>

The Water and Sewer System Revenue Bonds, Series 2018 were issued in December 2018 in the amount of \$20,170,000. The bonds bear interest from 4.0 percent to 5.0 percent and are due in annual installments ranging from \$670,000 to \$1,520,000 through March 2038. Proceeds of the bonds will be used to make certain System extensions and improvements, to fund a deposit to the Reserve Fund and to pay the costs of issuance of the bonds.

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

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

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

**West Ranch Management District**

The following schedule summarizes the terms of the West Ranch Management District’s general obligation bonds at July 31, 2019:

<b>General Obligation Bonds:</b>	<b>Amounts Outstanding</b>	<b>Interest Rates</b>	<b>Range of Maturities</b>	<b>Callable Date *</b>
Series 2010	\$ 5,920,000	3.25% - 5.25%	2019 - 2040	September 1, 2020
Road Series 2010A	1,595,000	3.50% - 5.00%	2019 - 2040	September 1, 2020
Series 2012A	3,110,000	3.50% - 4.10%	2027 - 2040	September 1, 2020
Road Series 2013	935,000	2.00% - 3.00%	2019 - 2028	September 1, 2021
Series 2013	1,165,000	3.00% - 5.00%	2019 - 2040	September 1, 2021
Road Series 2014	2,030,000	2.00% - 3.75%	2019 - 2040	September 1, 2022
Series 2015	4,975,000	1.30% - 4.125%	2019 - 2030	September 1, 2023
Series 2016	2,080,000	3.00% - 4.00%	2031 - 2040	September 1, 2024
Refunding Series 2016	1,025,000	2.00% - 4.00%	2019 - 2026	September 1, 2024
<b>Total general obligation bonds</b>	<b>\$ 22,835,000</b>			

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

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 830,000	\$ 907,460	\$ 1,737,460
2021	850,000	883,383	1,733,383
2022	885,000	856,611	1,741,611
2023	910,000	827,740	1,737,740
2024	940,000	797,142	1,737,142
2025-2029	5,330,000	3,401,730	8,731,730
2030-2034	5,060,000	2,276,522	7,336,522
2035-2039	5,485,000	1,180,861	6,665,861
2040-2041	2,545,000	113,888	2,658,888
	<b>\$ 22,835,000</b>	<b>\$ 11,245,337</b>	<b>\$ 34,080,337</b>

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

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

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

**West Ranch Management District (continued)**

Changes in the discretely presented component units' long-term liabilities for the year end July 31, 2019, are as follows:

West Ranch Management District	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Component Unit</b>					
General obligation bonds	\$ 23,635,000	\$ -	\$ (800,000)	\$ 22,835,000	\$ 830,000
Discount on bonds	(417,004)	-	14,412	(402,592)	-
Premium on bonds	102,914	-	(8,556)	94,358	-
Developer advances	40,000	-	-	40,000	-
Due to developer	369,600	-	-	369,600	-
Total	\$ 23,730,510	\$ -	\$ (794,144)	\$ 22,936,366	\$ 830,000

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

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

**Defeasance of Bonds**

The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2019, the City has no bonds considered defeased that were outstanding.

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

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

**Capital Leases**

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

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 949,270
Less: accumulated depreciation	(260,625)
Total	<u>\$ 688,645</u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 179,053
2021	179,053
2022	104,181
Minimum lease payments	<u>462,287</u>
Less amount representing interest	(25,667)
Total	<u>\$ 436,620</u>

**Pledged Revenues**

On February 1, 2016, the City issued \$5,735,000 in Waterworks and Sewer System Revenue Bonds, Series 2016 and on December 3, 2018 issued \$20,170,000 in Waterworks and Sewer System Revenue Bonds, Series 2018. These bonds represent special obligations of the City and are payable solely from a first lien on and pledge of the net revenues of the City's waterworks and sanitary sewer system. The proceeds of the bonds were and are to be used to finance sanitary sewer and waterworks system extensions and improvements. The outstanding revenue bonds have a final maturity of March 1, 2036 for the 2016 bonds and March 1, 2038 for the 2018 bonds. The City will commit revenues each year the bonds are outstanding. At September 30, 2019, the remaining principal on the series 2016 and 2018 bonds was \$5,060,000 and \$20,170,000, respectively. Interest and principal payments for the fiscal year were \$786,591 and \$230,000, respectively. Net pledged revenue in 2019 produced 369 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 no interfund receivable or payable balances at September 30, 2019.

**Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2019, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water and Sewer	\$ 1,456,690	Budgeted annual transfer for indirect water and sewer costs by the General Fund.
General Fund	Vehicle Replacement Fund	15,000	Reimbursement for capital equipment
Debt Service Fund	Bond Construction Fund	1,901	Close out 2010 G.O. Bond Construction Fund
Internal service Fund	General Fund	45,633	To fund new vehicle for Fire Marshall's office
		<u>\$ 1,519,224</u>	

**Note 7. Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 887 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 (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

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

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

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

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

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	123
Inactive employees entitled to but not yet receiving benefits	118
Active employees	<u>208</u>
Total	<u>449</u>

**Contributions**

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

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.95% and 15.90% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$2,375,185 and were equal to the required contributions.

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

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

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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:	27 years
Asset valuation method:	10 year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary increases:	3.5% to 10.5% including inflation
Investment rate of return:	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

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

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

**Actuarial Assumptions (continued)**

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 2019 are summarized in the following table:

The target allocation for each major asset class are summarized in the following table:

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

**Discount Rate**

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

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

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

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at 12/31/2017	\$ 75,151,374	\$ 67,179,205	\$ 7,972,169
Changes for the year:			
Service Cost	2,626,099	-	2,626,099
Interest (on the Total Pension Liability)	5,044,613	-	5,044,613
Difference between expected and actual experience	59,617	-	59,617
Benefit payments, including refunds of employee contributions	(3,458,824)	(3,458,824)	-
Contributions – employer	-	2,305,344	(2,305,344)
Contributions – employee	-	1,025,248	(1,025,248)
Net investment income	-	(2,013,270)	2,013,270
Administrative Expense	-	(38,892)	38,892
Other	-	(2,032)	2,032
Balance at 12/31/2018	<u>\$ 79,422,879</u>	<u>\$ 64,996,779</u>	<u>\$ 14,426,100</u>

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

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Single Rate Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 25,697,894	\$ 14,426,100	\$ 5,193,272

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2019, the City recognized a pension expense of \$3,391,716.

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

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

At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Difference in expected and actual economic experience	\$ 192,360	\$ (292,423)
Changes in actuarial assumptions	172,193	-
Difference between projected and actual investment earnings	3,476,516	-
Contributions subsequent to the measurement date	<u>1,812,649</u>	<u>-</u>
 Total	 <u><u>\$ 5,653,718</u></u>	 <u><u>\$ (292,423)</u></u>

\$1,812,649 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

	<b>Net deferred outflows (inflows) of resources</b>
	<u>                    </u>
2020	\$ 1,202,488
2021	547,888
2022	479,495
2023	<u>1,318,775</u>
Total	<u><u>\$ 3,548,646</u></u>

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

***TMRS Supplemental Death Benefits Fund***

**Benefit Plan Description**

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

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

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

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, 2018 was as follows:

Inactive employees currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>208</u>
Total	<u>327</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 0.21% 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 3.71% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. At transition, GASB Statement No.75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability, as of December 31, 2017, using a discount rate of 3.31%.

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

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

*TMRS Supplemental Death Benefits Fund (continued)*

**Actuarial Assumptions**

The City's total OPEB liability was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

*Valuation Date:* December 31, 2018

*Methods and Assumptions:*

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate *:	3.71%
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:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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

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

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

**Changes in the Total OPEB Liability**

Service cost	\$	30,757
Interest		20,933
Changes of benefit terms		-
Difference between expected and actual experience		(7,425)
Changes of assumptions		(43,775)
Benefit payments		<u>(5,859)</u>
Net change in total OPEB liability		(5,369)
Total OPEB liability - beginning		<u>619,983</u>
Total OPEB liability - ending	\$	<u><u>614,614</u></u>

Ending total OPEB liability is as of December 31, 2018. Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.71%, 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 (2.71%) or 1 percentage point higher (4.71%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

<b>1% Decrease to 2.71%</b>	<b>Current Discount Rate Assumption 3.71%</b>	<b>1% Increase to 4.71%</b>
\$ 732,986	\$ 614,614	\$ 523,409

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$51,465.

As of September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (6,248)
Changes in assumptions and other inputs	-	(2,839)
Contributions made subsequent to the measurement date	4,621	-
Total	<u>\$ 4,621</u>	<u>\$ (9,087)</u>

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

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

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

The \$4,621 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

	<b>Net Deferred Outflows (Inflows) of Resources</b>
2020	\$ (225)
2021	(225)
2022	(225)
2023	(225)
2024	(5,671)
Thereafter	(2,516)
Total	<u>\$ (9,087)</u>

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

**Plan Description**

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

**Benefits provided**

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

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

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

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

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

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

**Total OPEB Liability**

The City's total OPEB liability of \$981,758 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

**Actuarial assumptions and methods**

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

*Valuation Date:* December 31, 2018

*Methods and Assumptions:*

Actuarial Cost Method:	Individual Entry-Age Normal
Discount Rate:	3.71% as of December 31, 2018
Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates:	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates:	It was assumed 20% of employees retiring at the age of 50 or over would choose to receive retiree health care coverage through the City. Employees retiring before the age of 50 were assumed to decline coverage.

*Other Information:*

Notes: The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018. Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

**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 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.31% as of the prior measurement date.

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

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

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

**Plan Assets**

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

**Changes in the Total OPEB Liability**

Service cost	\$	53,919
Interest		37,843
Changes of benefit terms		-
Difference between expected and actual experience		(214,124)
Changes of assumptions		7,071
Benefit payments		(38,566)
Net change in total OPEB liability		(153,857)
Total OPEB liability - beginning		1,135,615
Total OPEB liability - ending	\$	<u>981,758</u>

The ending Total OPEB Liability was as of December 31, 2018.

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018, and minor updates to the health care trend assumption.

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

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<u>1% Decrease to 2.71%</u>	<u>Current Discount Rate Assumption 3.71%</u>	<u>1% Increase to 4.71%</u>
\$ 1,078,832	\$ 981,758	\$ 894,151

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
\$ 870,606	\$ 981,758	\$ 1,113,362

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

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

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

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$75,859.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,631	\$ (191,682)
Changes assumptions	47,441	-
Contributions subsequent to the measurement date	33,215	-
Total	<u>\$ 84,287</u>	<u>\$ (191,682)</u>

The \$33,215 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of</u>
2020	\$ (15,903)
2021	(15,903)
2022	(15,903)
2023	(15,903)
2024	(15,903)
Thereafter	(61,095)
Total	<u>\$ (140,610)</u>

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

**Note 9. Commitments and Contingencies**

**Southeast Water Purification Plant**

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

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

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

**Blackhawk Regional Wastewater Treatment Facility**

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

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

**Federal and State Programs**

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

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2019, the City paid premiums to TML for provision of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies.

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

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

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2019, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2019, employees of the City were covered by a health and dental insurance plan. The City pays 90% of the monthly premium of employees choosing individual coverage only. The City pays 70% of the monthly premium for employees choosing to cover themselves and their dependents.

**Note 10. Subsequent Events**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 26, 2020, the date on which the financial statements were available to be issued.

In November 2019, voters approved the bond issuance of \$2.0 million for a public works facility, \$9.1 million public safety facilities, and \$41.0 million for storm water drainage and flood control improvements along Clear Creek.

**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, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 14,888,335	\$ 14,888,335	\$ 14,729,551	\$ (158,784)
Sales and alcohol taxes	6,349,774	6,349,774	6,746,466	396,692
Franchise taxes	1,675,966	1,675,966	2,054,395	378,429
Fines and forfeitures	724,960	724,960	815,090	90,130
Permits and fees	1,939,360	1,942,540	1,447,013	(495,527)
Intergovernmental	564,017	662,080	1,576,838	914,758
Investment earnings	118,783	118,783	342,268	223,485
Donations	15,000	58,054	64,862	6,808
Miscellaneous	5,238	17,238	17,107	(131)
<b>Total Revenues</b>	<b>26,281,433</b>	<b>26,437,730</b>	<b>27,793,590</b>	<b>1,355,860</b>
<b>Expenditures</b>				
<b>General government:</b>				
Mayor and council - governing body:				
Supplies and maintenance	4,211	8,761	8,100	661
Other services and charges	52,866	84,124	60,032	24,092
Total governing body	57,077	92,885	68,132	24,753
Mayor and council - city attorney:				
Personnel services	243,807	243,807	226,604	17,203
Supplies	300	300	126	174
Other services and charges	18,600	6,200	3,505	2,695
Total city attorney	262,707	250,307	230,235	20,072
City manager - administration:				
Personnel services	680,918	676,767	676,124	643
Supplies	21,780	26,746	22,369	4,377
Other services and charges	60,864	187,223	105,674	81,549
Total administration	763,562	890,736	804,167	86,569
City manager - economic development:				
Personnel services	172,095	174,560	173,734	826
Supplies	6,000	3,435	2,331	1,104
Other services and charges	74,080	100,500	86,466	14,034
Total economic development	252,175	278,495	262,531	15,964
City secretary - municipal clerk:				
Personnel services	323,945	327,535	327,534	1
Supplies	5,681	9,831	9,261	570
Other services and charges	18,957	15,788	12,972	2,816
Total municipal clerk	348,583	353,154	349,767	3,387

**CITY OF FRIENDSWOOD, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**

**BUDGET AND ACTUAL (WITH VARIANCES)**

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>General government (continued):</b>				
City secretary - election services:				
Personnel services	\$ 7,982	\$ 7,982	\$ -	\$ 7,982
Supplies	622	2,245	1,988	257
Repairs and maintenance	525	525	-	525
Other services and charges	19,206	17,583	16,776	807
Total election services	28,335	28,335	18,764	9,571
City secretary - records management:				
Personnel services	134,466	134,466	133,653	813
Supplies	944	2,272	2,140	132
Other services and charges	25,160	20,465	16,953	3,512
Total records management	160,570	157,203	152,746	4,457
Administrative services - finance:				
Personnel services	893,632	903,635	903,634	1
Supplies	8,580	8,580	5,398	3,182
Other services and charges	118,392	109,209	66,944	42,265
Total finance	1,020,604	1,021,424	975,976	45,448
Administrative services - other admin:				
Other services and charges	240,904	240,904	161,130	79,774
Total other admin	240,904	240,904	161,130	79,774
Administrative services - municipal court:				
Personnel services	368,932	369,632	369,627	5
Supplies	5,480	5,480	4,350	1,130
Other services and charges	35,436	34,736	24,278	10,458
Total municipal court	409,848	409,848	398,255	11,593
Administrative services - human resources:				
Personnel services	381,821	381,821	354,559	27,262
Supplies	10,900	9,900	1,013	8,887
Other services and charges	93,177	94,927	50,043	44,884
Total human resources	485,898	486,648	405,615	81,033
Administrative services - insurance:				
Other services and charges	176,400	176,400	174,546	1,854
Total insurance	176,400	176,400	174,546	1,854

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>General government (continued):</b>				
Administrative services - risk management:				
Personnel services	\$ 133,773	\$ 135,995	\$ 135,993	\$ 2
Supplies	13,070	10,848	7,290	3,558
Other services and charges	30,591	30,591	14,134	16,457
Total risk management	177,434	177,434	157,417	20,017
Administrative services - information technology:				
Personnel services	543,873	554,873	554,838	35
Supplies	45,370	202,428	193,954	8,474
Repairs and maintenance	72,277	51,785	36,733	15,052
Other services and charges	434,655	423,173	374,092	49,081
Total information technology	1,096,175	1,232,259	1,159,617	72,642
<b>Total general government</b>	<b>5,480,272</b>	<b>5,796,032</b>	<b>5,318,898</b>	<b>477,134</b>
<b>Public Safety:</b>				
Police department - administration:				
Personnel services	819,616	729,309	727,554	1,755
Supplies	31,746	31,648	21,191	10,457
Repairs and maintenance	33,500	8,040	3,097	4,943
Other services and charges	92,622	90,106	79,610	10,496
Total administration	977,484	859,103	831,452	27,651
Police department - communications:				
Personnel services	1,155,364	1,155,364	1,153,191	2,173
Supplies	9,700	15,558	12,235	3,323
Repairs and maintenance	36,207	30,207	19,111	11,096
Other services and charges	17,665	14,207	7,936	6,271
Total communications	1,218,936	1,215,336	1,192,473	22,863
Police department - patrol:				
Personnel services	5,503,923	5,781,348	5,781,348	-
Supplies	295,495	263,816	270,600	(6,784)
Repairs and maintenance	186,074	179,583	174,600	4,983
Other services and charges	460,096	486,559	480,902	5,657
Total patrol	6,445,588	6,711,306	6,707,450	3,856
Police department - patrol - DOT program:				
Personnel services	103,924	103,924	32,266	71,658
Supplies	4,729	4,729	3,141	1,588
Repairs and maintenance	1,000	1,000	-	-
Other services and charges	16,934	15,739	10,387	5,352
Total patrol - DOT program	126,587	125,392	45,794	79,598

**CITY OF FRIENDSWOOD, TEXAS**

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND (continued)  
For the Year Ended September 30, 2019*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public Safety (continued):</b>				
Police department - criminal investigation:				
Personnel services	\$ 1,800,365	\$ 1,699,224	\$ 1,694,775	\$ 4,449
Supplies	52,211	59,311	43,861	15,450
Repairs and maintenance	38,600	19,507	15,749	3,758
Other services and charges	104,685	99,824	81,181	18,643
Total criminal investigation	<u>1,995,861</u>	<u>1,877,866</u>	<u>1,835,566</u>	<u>42,300</u>
Police department - animal control:				
Personnel services	294,514	328,164	328,165	(1)
Supplies	30,399	34,709	34,420	289
Repairs and maintenance	12,000	3,599	3,598	1
Other services and charges	91,114	42,548	42,413	135
Total animal services	<u>428,027</u>	<u>409,020</u>	<u>408,596</u>	<u>424</u>
Friendswood Volunteer Fire Department - fire administrations:				
Supplies and maintenance	-	18,400	16,713	1,687
Other services and charges	1,819,298	1,869,298	1,385,908	483,390
Total fire administration	<u>1,819,298</u>	<u>1,887,698</u>	<u>1,402,621</u>	<u>485,077</u>
Fire marshal - administration:				
Personnel services	670,282	683,701	716,032	(32,331)
Supplies	23,400	26,678	26,989	(311)
Repairs and maintenance	8,555	7,985	6,915	1,070
Other services and charges	39,629	38,629	32,067	6,562
Total administration	<u>741,866</u>	<u>756,993</u>	<u>782,003</u>	<u>(25,010)</u>
Fire marshal - emergency management:				
Personnel services	94,982	81,563	78,749	2,814
Supplies	24,450	34,940	33,058	1,882
Repairs and maintenance	4,957	5,527	5,333	194
Other services and charges	49,400	46,300	32,702	13,598
Total emergency management	<u>173,789</u>	<u>168,330</u>	<u>149,842</u>	<u>18,488</u>
<b>Total public safety</b>	<b><u>13,927,436</u></b>	<b><u>14,011,044</u></b>	<b><u>13,355,797</u></b>	<b><u>655,247</u></b>

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public Works:</b>				
Administration:				
Personnel services	\$ 317,746	\$ 308,144	\$ 281,621	\$ 26,523
Supplies	3,150	74,723	70,190	4,533
Other services and charges	13,430	16,448	8,555	7,893
<b>Total administration</b>	<b>334,326</b>	<b>399,315</b>	<b>360,366</b>	<b>38,949</b>
Streets:				
Personnel services	823,992	811,351	726,183	85,168
Supplies	90,750	103,653	98,527	5,126
Repairs and maintenance	134,000	127,697	92,351	35,346
Other services and charges	399,250	523,500	524,577	(1,077)
<b>Total streets</b>	<b>1,447,992</b>	<b>1,566,201</b>	<b>1,441,638</b>	<b>124,563</b>
Drainage:				
Personnel services	314,889	305,288	235,316	69,972
Supplies	11,710	11,710	10,171	1,539
Repairs and maintenance	50,800	64,277	49,057	15,220
Other services and charges	8,405	48,825	48,063	762
<b>Total drainage</b>	<b>385,804</b>	<b>430,100</b>	<b>342,607</b>	<b>87,493</b>
Capital projects administration:				
Personnel services	227,180	261,401	261,402	(1)
Supplies	5,717	8,907	6,143	2,764
Repairs and maintenance	4,500	4,500	467	4,033
Other services and charges	29,046	66,459	60,052	6,407
<b>Total capital projects administration</b>	<b>266,443</b>	<b>341,267</b>	<b>328,064</b>	<b>13,203</b>
<b>Total public works</b>	<b>2,434,565</b>	<b>2,736,883</b>	<b>2,472,675</b>	<b>264,208</b>
<b>Community development:</b>				
Administration:				
Personnel services	328,688	328,688	327,744	944
Supplies	10,950	9,985	5,304	4,681
Other services and charges	12,620	12,727	6,858	5,869
<b>Total administration</b>	<b>352,258</b>	<b>351,400</b>	<b>339,906</b>	<b>11,494</b>

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Community development (continued):</b>				
Planning and zoning:				
Personnel services	\$ 285,571	\$ 302,732	\$ 302,731	\$ 1
Supplies	1,300	1,105	681	424
Repairs and maintenance	-	-	-	-
Other services and charges	40,320	24,212	22,522	1,690
Total planning and zoning	<u>327,191</u>	<u>328,049</u>	<u>325,934</u>	<u>2,115</u>
Inspection and code enforcement:				
Personnel services	391,076	397,553	397,553	-
Supplies	11,443	9,843	8,316	1,527
Repairs and maintenance	3,800	3,350	1,103	2,247
Other services and charges	49,570	45,143	26,342	18,801
Total inspection and code enforcement	<u>455,889</u>	<u>455,889</u>	<u>433,314</u>	<u>22,575</u>
<b>Total community development</b>	<b><u>1,135,338</u></b>	<b><u>1,135,338</u></b>	<b><u>1,099,154</u></b>	<b><u>36,184</u></b>
<b>Parks and recreation:</b>				
Administration:				
Personnel services	253,964	256,753	256,755	(2)
Supplies	4,500	4,744	3,268	1,476
Repairs and maintenance	32,965	30,176	27,501	2,675
Total drainage	<u>291,429</u>	<u>291,673</u>	<u>287,524</u>	<u>4,149</u>
Recreation programs:				
Personnel services	272,603	284,806	284,806	-
Supplies	20,450	17,387	17,210	177
Other services and charges	80,322	69,574	68,631	943
Total recreation programs	<u>373,375</u>	<u>371,767</u>	<u>370,647</u>	<u>1,120</u>
July 4th program:				
Personnel services	24,419	32,953	32,953	-
Supplies	4,275	3,943	5,941	(1,998)
Other services and charges	79,100	76,646	76,645	1
Total July 4th program	<u>107,794</u>	<u>113,542</u>	<u>115,539</u>	<u>(1,997)</u>
Summer day camp program:				
Personnel services	70,907	79,119	79,119	-
Supplies	15,450	13,650	13,648	2
Other services and charges	41,450	41,080	41,036	44
Total summer day camp program	<u>127,807</u>	<u>133,849</u>	<u>133,803</u>	<u>46</u>

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Parks and recreation (continued):</b>				
Keep Friendswood Beautiful committee:				
Supplies	\$ 15,700	\$ 17,371	\$ 16,713	\$ 658
Repairs and maintenance	7,800	16,153	16,078	75
Other services and charges	43,550	56,158	56,157	1
Total Keep Friendswood Beautiful committee	67,050	89,682	88,948	734
Stevenson Park pool:				
Personnel services	58,522	55,013	55,013	-
Supplies	19,610	22,170	22,073	97
Repairs and maintenance	14,635	11,287	11,276	11
Other services and charges	27,644	20,877	19,380	1,497
Total Stevenson park pool	120,411	109,347	107,742	1,605
Senior activity center:				
Personnel services	174,344	175,590	175,589	1
Supplies	12,790	11,352	10,112	1,240
Repairs and maintenance	2,000	2,000	1,992	8
Other services and charges	12,842	17,458	15,504	1,954
Total senior activity center	201,976	206,400	203,197	3,203
Park operations:				
Personnel services	667,471	679,575	679,574	1
Supplies	97,786	106,202	106,686	(484)
Repairs and maintenance	153,500	160,616	160,549	67
Other services and charges	538,858	530,764	470,136	60,628
Total parks operations	1,457,615	1,477,157	1,416,945	60,212
Facility operations:				
Supplies	34,000	42,623	29,120	13,503
Repairs and maintenance	164,500	233,291	205,059	28,232
Other services and charges	495,977	862,286	838,065	24,221
Total facility operations	694,477	1,138,200	1,072,244	65,956
<b>Total parks and recreation</b>	<b>3,441,934</b>	<b>3,931,617</b>	<b>3,796,589</b>	<b>135,028</b>
<b>Library:</b>				
Administration:				
Personnel services	1,060,156	1,060,156	1,009,377	50,779
Supplies	154,469	179,545	166,232	13,313
Repairs and maintenance	840	840	240	600
Other services and charges	23,625	31,763	28,566	3,197
Total administration	1,239,090	1,272,304	1,204,415	67,889
<b>Total library</b>	<b>1,239,090</b>	<b>1,272,304</b>	<b>1,204,415</b>	<b>67,889</b>

**CITY OF FRIENDSWOOD, TEXAS**

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

**GENERAL FUND (continued)**

For the Year Ended September 30, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Capital improvements:</b>				
Capital outlay	\$ 553,264	\$ 3,544,107	\$ 2,275,993	\$ 1,268,114
<b>Total capital improvements</b>	<u>553,264</u>	<u>3,544,107</u>	<u>2,275,993</u>	<u>1,268,114</u>
<b>Total Expenditures</b>	<u><b>28,211,899</b></u>	<u><b>32,427,325</b></u>	<u><b>29,523,521</b></u>	<u><b>2,903,804</b></u>
Excess (deficiency) of revenues over expenditures	<u>(1,930,466)</u>	<u>(5,989,595)</u>	<u>(1,729,931)</u>	<u>4,259,664</u>
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	102,956	235,443	132,487
Sale of capital assets	-	4,010	6,614	2,604
Transfers in	1,441,690	1,471,690	1,471,690	-
Transfers out	-	(45,633)	(45,633)	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,441,690</u>	<u>1,533,023</u>	<u>1,668,114</u>	<u>135,091</u>
Net change in fund balances	(488,776)	(4,456,572)	(61,817)	4,394,755
<b>Fund balances - beginning</b>	<u>14,285,306</u>	<u>14,285,306</u>	<u>14,285,306</u>	<u>-</u>
<b>Fund balances - ending</b>	<u><u>\$ 13,796,530</u></u>	<u><u>\$ 9,828,734</u></u>	<u><u>\$ 14,223,489</u></u>	<u><u>\$ 4,394,755</u></u>

## **CITY OF FRIENDSWOOD, TEXAS**

### **NOTES TO BUDGETARY SCHEDULE**

*For the Year Ended September 30, 2019*

#### **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 or 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.

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO BUDGETARY SCHEDULE (continued)**  
**For the Year Ended September 30, 2019**

**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, 2019, there were no expenditures that exceeded appropriations for the City.

**CITY OF FRIENDSWOOD, TEXAS**

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

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

*Last Five Measurement Years*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>A. Total pension liability</b>					
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. Difference between expected and actual experience	59,617	(60,180)	366,687	(1,032,789)	(736,093)
4. Changes of assumptions	-	-	-	847,469	-
5. Benefit payments, including refunds of employee	(3,458,824)	(2,505,921)	(2,464,107)	(2,256,734)	(2,005,311)
6. Net change in total pension liability	4,271,505	4,695,073	4,673,384	4,079,639	3,361,341
7. Total pension liability – beginning	75,151,374	70,456,304	65,782,920	61,703,281	58,341,940
8. Total pension liability – ending	79,422,879	75,151,377	70,456,304	65,782,920	61,703,281
<b>B. Plan fiduciary net position</b>					
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	64,996,779	67,179,205	58,455,358	54,328,838	53,672,285
<b>C. Net pension liability (A.9 – B.9)</b>	<b>\$ 14,426,100</b>	<b>\$ 7,972,172</b>	<b>\$ 12,000,946</b>	<b>\$ 11,454,082</b>	<b>\$ 8,030,996</b>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	81.84%	89.39%	82.97%	82.59%	86.98%
<b>E. Covered-employee payroll</b>	<b>\$ 14,646,398</b>	<b>\$ 14,098,997</b>	<b>\$ 13,198,512</b>	<b>\$ 12,653,842</b>	<b>\$ 11,851,396</b>
<b>F. Net position liability as a percentage of covered employee payroll</b>	98.50%	56.54%	90.93%	90.52%	67.76%

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

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

	<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-employee payroll	\$ 15,133,171	\$ 14,385,208	\$ 13,986,135	\$ 13,525,613	\$ 12,423,310
Contributions as a percentage of covered-employee payroll	15.70%	15.68%	15.46%	15.53%	15.78%

	<u>2014</u>
Actuarially required contributions	\$ 1,847,375
Contributions in relation to the actuarially required contributions	<u>1,847,375</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 11,781,281
Contributions as a percentage of covered-employee payroll	15.68%

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

**CITY OF FRIENDSWOOD, TEXAS**  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
*For the Year Ended September 30, 2019*

**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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

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

**CITY OF FRIENDSWOOD, TEXAS**

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

**TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS FUND**

*Last Two Measurement Years*

	<b>2018</b>	<b>2017</b>
Service cost	\$ 30,757	\$ 26,788
Interest	20,933	20,384
Changes of benefit terms	-	-
Difference between expected and actual experience	(7,425)	-
Changes of assumptions	(43,775)	49,777
Benefit payments **	(5,859)	(5,640)
Net change in total OPEB liability	(5,369)	91,309
Total OPEB liability - beginning	619,983	528,674
Total OPEB liability - ending	<u>\$ 614,614</u>	<u>\$ 619,983</u>
Covered payroll	\$ 14,646,398	\$ 14,098,997
Total OPEB liability as a percentage of covered payroll	4.20%	4.40%

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

**Notes to the Required Supplementary Information**

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

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

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

**Notes to Required Supplementary Information:**

*Changes of assumptions:*

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

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 Two Measurement Years*

	<u>2018</u>	<u>2017</u>
Service cost	\$ 53,919	\$ 44,637
Interest	37,843	39,497
Changes of benefit terms	-	-
Difference between expected and actual experience	(214,124)	4,573
Changes of assumptions	7,071	51,765
Benefit payments	<u>(38,566)</u>	<u>(38,414)</u>
Net change in total OPEB liability	(153,857)	102,058
Total OPEB liability - beginning	1,135,615	1,033,557
Total OPEB liability - ending	<u>\$ 981,758</u>	<u>\$ 1,135,615</u>
Covered payroll	\$ 14,646,402	\$ 12,035,859
Total OPEB liability as a percentage of covered payroll	6.70%	9.44%

**Notes to the Required Supplementary Information**

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.  
Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

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

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

Assumption changes:

1. The discount rate increased from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018. This change decreased the total OPEB liability.
2. The health care trend rates were updated to better reflect the plan's anticipated experience.

## **STATEMENTS AND SCHEDULES**

City of  
Friendswood  
Texas

## **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.

*Court Security and Technology 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.

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

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

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

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

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

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

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

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

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

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2019**

	<b>Special Revenue Funds</b>			
	<b>Police Investigation</b>	<b>Fires/EMS Donation</b>	<b>Court Security and Technology</b>	<b>Debt Service</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 21,292	\$ 7,471	\$ 25,239	\$ 5,790
Investments	166,402	61,272	206,998	47,489
Receivables, net of allowance:				
Taxes receivable	-	-	-	48,390
Customer accounts	-	2,615	-	-
Other receivables	1,167	-	3,573	-
Accrued interest	433	131	382	1,349
<b>Total Assets</b>	<b>\$ 189,294</b>	<b>\$ 71,489</b>	<b>\$ 236,192</b>	<b>\$ 103,018</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,136	\$ -	\$ 706	\$ -
<b>Total Liabilities</b>	<b>7,136</b>	<b>-</b>	<b>706</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	3,753	46,009
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>3,753</b>	<b>46,009</b>
<b>Fund Balances:</b>				
<b>    Nonspendable:</b>				
Permanent fund	-	-	-	-
<b>    Restricted:</b>				
Municipal court operations	-	-	231,733	-
Debt service	-	-	-	57,009
Public safety	182,158	71,489	-	-
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>182,158</b>	<b>71,489</b>	<b>231,733</b>	<b>57,009</b>
<b>Total Liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 189,294</b>	<b>\$ 71,489</b>	<b>\$ 236,192</b>	<b>\$ 103,018</b>

<u>Permanent</u>	<u>Capital Projects Funds</u>				<u>Total Nonmajor Governmental Funds</u>
<u>1776 Park</u>	<u>Sidewalk Installation</u>	<u>Park Land Dedication</u>	<u>Street Improvement</u>	<u>Bond Construction</u>	
\$ 2,686	\$ 3,678	\$ 7,793	\$ 264,091	\$ 11,346	\$ 349,386
22,011	30,158	63,919	2,165,904	2,871,256	5,635,409
-	-	-	288,933	-	337,323
-	-	-	-	-	2,615
-	-	-	-	-	4,740
41	48	176	4,256	-	6,816
<u>\$ 24,738</u>	<u>\$ 33,884</u>	<u>\$ 71,888</u>	<u>\$ 2,723,184</u>	<u>\$ 2,882,602</u>	<u>\$ 6,336,289</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>81,612</u>	<u>603,940</u>	<u>\$ 693,394</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>81,612</u>	<u>603,940</u>	<u>693,394</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,762</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,762</u>
24,738	-	-	-	-	24,738
-	-	-	-	-	231,733
-	-	-	-	-	57,009
-	-	-	-	-	253,647
-	33,884	71,888	2,641,572	2,278,662	5,026,006
<u>24,738</u>	<u>33,884</u>	<u>71,888</u>	<u>2,641,572</u>	<u>2,278,662</u>	<u>5,593,133</u>
<u>\$ 24,738</u>	<u>\$ 33,884</u>	<u>\$ 71,888</u>	<u>\$ 2,723,184</u>	<u>\$ 2,882,602</u>	<u>\$ 6,336,289</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2019**

	<b>Special Revenue Funds</b>			
	<b>Police Investigation</b>	<b>Fires/EMS Donation</b>	<b>Court Security and Technology</b>	<b>Debt Service</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 3,198,456
Sales taxes	-	-	-	-
Fines and forfeitures	24,184	-	27,538	-
Permits and fees	-	-	-	-
Miscellaneous	1,670	-	-	-
Donations	-	225,207	-	-
Investment earnings	5,452	1,352	4,038	13,972
<b>Total Revenues</b>	<b>31,306</b>	<b>226,559</b>	<b>31,576</b>	<b>3,212,428</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	17,371	-
Public safety	27,892	161,850	-	-
Public works	-	-	-	-
<b>Debt service:</b>				
Principal	-	61,178	-	2,107,698
Interest and other charges	-	3,459	-	1,108,668
<b>Capital outlay</b>	<b>93,471</b>	<b>-</b>	<b>10,000</b>	<b>-</b>
<b>Total Expenditures</b>	<b>121,363</b>	<b>226,487</b>	<b>27,371</b>	<b>3,216,366</b>
Excess (deficiency) of revenues over (under) expenditures	(90,057)	72	4,205	(3,938)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	1,901
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,901</b>
Net change in fund balances	(90,057)	72	4,205	(2,037)
<b>Fund balances - beginning</b>	<b>272,215</b>	<b>71,417</b>	<b>227,528</b>	<b>59,046</b>
<b>Fund balances - ending</b>	<b>\$ 182,158</b>	<b>\$ 71,489</b>	<b>\$ 231,733</b>	<b>\$ 57,009</b>

<b>Permanent</b>	<b>Capital Projects Funds</b>				<b>Total Nonmajor Governmental Funds</b>
<b>1776 Park</b>	<b>Sidewalk Installation</b>	<b>Park Land Dedication</b>	<b>Street Improvement</b>	<b>Bond Construction</b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,198,456
-	-	-	1,660,783	-	1,660,783
-	-	-	-	-	51,722
-	6,841	29,700	-	-	36,541
-	-	-	-	-	1,670
-	-	-	-	-	225,207
431	485	969	45,169	104,085	175,953
431	7,326	30,669	1,705,952	104,085	5,350,332
-	-	-	-	-	17,371
-	-	-	-	-	189,742
-	-	-	1,653,585	1,279	1,654,864
-	-	-	-	-	2,168,876
-	-	-	-	-	1,112,127
-	-	201,579	-	3,638,200	3,943,250
-	-	201,579	1,653,585	3,639,479	9,086,230
431	7,326	(170,910)	52,367	(3,535,394)	(3,735,898)
-	-	-	-	-	1,901
-	-	-	-	(1,901)	(1,901)
-	-	-	-	(1,901)	-
431	7,326	(170,910)	52,367	(3,537,295)	(3,735,898)
24,307	26,558	242,798	2,589,205	5,815,957	9,329,031
\$ 24,738	\$ 33,884	\$ 71,888	\$ 2,641,572	\$ 2,278,662	\$ 5,593,133

**CITY OF FRIENDSWOOD, TEXAS**

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -*

*BUDGET AND ACTUAL*

*POLICE INVESTIGATION*

*For the Year Ended September 30, 2019*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ -	\$ 24,184	\$ 24,184
Miscellaneous	-	-	1,670	1,670
Investment earnings	1,307	1,307	5,452	4,145
<b>Total Revenues</b>	<u>1,307</u>	<u>1,307</u>	<u>31,306</u>	<u>29,999</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	31,455	27,892	3,563
<b>Capital outlay</b>	<u>-</u>	<u>93,471</u>	<u>93,471</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>124,926</u>	<u>121,363</u>	<u>3,563</u>
Net change in fund balances	1,307	(123,619)	(90,057)	33,562
<b>Fund balances - beginning</b>	<u>272,215</u>	<u>272,215</u>	<u>272,215</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 273,522</u>	<u>\$ 148,596</u>	<u>\$ 182,158</u>	<u>\$ 33,562</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, 2019*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Donations	\$ 175,000	\$ 175,000	\$ 225,207	\$ 50,207
Investment earnings	1,337	1,337	1,352	15
<b>Total Revenues</b>	<u>176,337</u>	<u>176,337</u>	<u>226,559</u>	<u>50,222</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	111,224	111,224	161,850	(50,626)
<b>Debt service:</b>				
Principal	61,584	61,584	61,178	406
Interest and other charges	3,529	3,529	3,459	70
<b>Total Expenditures</b>	<u>176,337</u>	<u>176,337</u>	<u>226,487</u>	<u>(50,150)</u>
Net change in fund balances	-	-	72	72
<b>Fund balances - beginning</b>	<u>71,417</u>	<u>71,417</u>	<u>71,417</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 71,417</u>	<u>\$ 71,417</u>	<u>\$ 71,489</u>	<u>\$ 72</u>

**CITY OF FRIENDSWOOD, TEXAS****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****COURT SECURITY AND TECHNOLOGY***For the Year Ended September 30, 2019*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 27,000	\$ 27,000	\$ 27,538	\$ 538
Investment earnings	2,002	2,002	4,038	2,036
<b>Total Revenues</b>	<u>29,002</u>	<u>29,002</u>	<u>31,576</u>	<u>2,574</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	36,828	36,828	17,371	19,457
<b>Capital outlay</b>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<b>Total Expenditures</b>	<u>36,828</u>	<u>46,828</u>	<u>27,371</u>	<u>19,457</u>
Net change in fund balances	(7,826)	(17,826)	4,205	22,031
<b>Fund balances - beginning</b>	<u>227,528</u>	<u>227,528</u>	<u>227,528</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 219,702</u>	<u>\$ 209,702</u>	<u>\$ 231,733</u>	<u>\$ 22,031</u>

**CITY OF FRIENDSWOOD, TEXAS**

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -*

*BUDGET AND ACTUAL*

*DEBT SERVICE*

*For the Year Ended September 30, 2019*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 3,237,867	\$ 3,237,867	\$ 3,198,456	\$ (39,411)
Investment earnings	5,281	5,281	13,972	8,691
<b>Total Revenues</b>	<u>3,243,148</u>	<u>3,243,148</u>	<u>3,212,428</u>	<u>(30,720)</u>
<b>Expenditures</b>				
<b>Debt service:</b>				
Principal	2,107,699	2,107,699	2,107,698	1
Interest and other charges	1,109,420	1,109,420	1,108,668	752
<b>Total Expenditures</b>	<u>3,217,119</u>	<u>3,217,119</u>	<u>3,216,366</u>	<u>753</u>
Excess (deficiency) of revenues over expenditures	<u>26,029</u>	<u>26,029</u>	<u>(3,938)</u>	<u>(29,967)</u>
<b>Other Financing Sources</b>				
Transfers in	-	-	1,901	1,901
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>1,901</u>	<u>1,901</u>
Net change in fund balances	26,029	26,029	(2,037)	(28,066)
<b>Fund balances - beginning</b>	59,046	59,046	59,046	-
<b>Fund balances - ending</b>	<u>\$ 85,075</u>	<u>\$ 85,075</u>	<u>\$ 57,009</u>	<u>\$ (28,066)</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, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ 292	\$ 292	\$ 431	\$ 139
<b>Total Revenues</b>	<u>292</u>	<u>292</u>	<u>431</u>	<u>139</u>
<b>Expenditures</b>				
Capital outlay	-	13,852	-	13,852
<b>Total Expenditures</b>	<u>-</u>	<u>13,852</u>	<u>-</u>	<u>13,852</u>
Net change in fund balances	292	(13,560)	431	13,991
<b>Fund balances - beginning</b>	<u>24,307</u>	<u>24,307</u>	<u>24,307</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 24,599</u>	<u>\$ 10,747</u>	<u>\$ 24,738</u>	<u>\$ 13,991</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, 2019*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Permits and fees	\$ -	\$ -	\$ 6,841	\$ 6,841
Investment earnings	245	245	485	240
<b>Total Revenues</b>	<u>245</u>	<u>245</u>	<u>7,326</u>	<u>7,081</u>
<b>Expenditures</b>				
<b>Current:</b>	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	245	245	7,326	7,081
<b>Fund balances - beginning</b>	<u>26,558</u>	<u>26,558</u>	<u>26,558</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 26,803</u>	<u>\$ 26,803</u>	<u>\$ 33,884</u>	<u>\$ 7,081</u>

**CITY OF FRIENDSWOOD, TEXAS****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****PARK LAND DEDICATION***For the Year Ended September 30, 2019*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Permit and fees	\$ 42,000	\$ 42,000	\$ 29,700	\$ (12,300)
Investment earnings	1,232	1,232	969	(263)
<b>Total Revenues</b>	<u>43,232</u>	<u>43,232</u>	<u>30,669</u>	<u>(12,563)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Capital outlay	-	207,965	201,579	6,386
<b>Total Expenditures</b>	<u>-</u>	<u>207,965</u>	<u>201,579</u>	<u>6,386</u>
Net change in fund balances	43,232	(164,733)	(170,910)	(6,177)
<b>Fund balances - beginning</b>	<u>242,798</u>	<u>242,798</u>	<u>242,798</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 286,030</u>	<u>\$ 78,065</u>	<u>\$ 71,888</u>	<u>\$ (6,177)</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, 2019*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Sales taxes	\$ 1,534,124	\$ 1,534,124	\$ 1,660,783	\$ 126,659
Investment earnings	12,616	12,616	45,169	32,553
<b>Total Revenues</b>	<u>1,546,740</u>	<u>1,546,740</u>	<u>1,705,952</u>	<u>159,212</u>
<b>Expenditures</b>				
Public works	-	1,653,585	1,653,585	-
Capital outlay	-	456,415	-	456,415
<b>Total Expenditures</b>	<u>-</u>	<u>2,110,000</u>	<u>1,653,585</u>	<u>456,415</u>
Net change in fund balances	1,546,740	(563,260)	52,367	615,627
<b>Fund balances - beginning</b>	<u>2,589,205</u>	<u>2,589,205</u>	<u>2,589,205</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 4,135,945</u>	<u>\$ 2,025,945</u>	<u>\$ 2,641,572</u>	<u>\$ 615,627</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, 2019*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ 86,403	\$ 86,403	\$ 104,085	\$ 17,682
<b>Total Revenues</b>	<u>86,403</u>	<u>86,403</u>	<u>104,085</u>	<u>17,682</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	-	1,279	1,279	-
<b>Capital outlay</b>	<u>-</u>	<u>5,085,698</u>	<u>3,638,200</u>	<u>1,447,498</u>
<b>Total Expenditures</b>	<u>-</u>	<u>5,086,977</u>	<u>3,639,479</u>	<u>1,447,498</u>
Excess (deficiency) of revenues over expenditures	<u>86,403</u>	<u>(5,000,574)</u>	<u>(3,535,394)</u>	<u>1,465,180</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,901)</u>	<u>(1,901)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(1,901)</u>	<u>(1,901)</u>
Net change in fund balances	86,403	(5,000,574)	(3,537,295)	1,463,279
<b>Fund balances - beginning</b>	<u>5,815,957</u>	<u>5,815,957</u>	<u>5,815,957</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 5,902,360</u>	<u>\$ 815,383</u>	<u>\$ 2,278,662</u>	<u>\$ 1,463,279</u>

**STATISTICAL SECTION**  
**(Unaudited)**

City of  
Friendswood  
Texas

## **STATISTICAL SECTION (Unaudited)**

This part of the City of Friendswood’s comprehensive annual 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**

***Financial Trends*** **108**

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

***Revenue Capacity*** **118**

These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.

***Debt Capacity*** **123**

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.

***Demographic and Economic Information*** **128**

This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

***Operating Information*** **132**

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 comprehensive annual financial reports for the relevant year.

**CITY OF FRIENDSWOOD, TEXAS**

**NET POSITION BY COMPONENT**

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 66,823,023	\$ 68,320,682	\$ 72,631,192	\$ 73,588,484
Restricted	4,003,468	4,085,999	2,534,312	1,405,907
Unrestricted	5,402,312	6,248,751	5,532,198	5,579,677
<b>Total governmental activities net position</b>	<b>\$ 76,228,803</b>	<b>\$ 78,655,432</b>	<b>\$ 80,697,702</b>	<b>\$ 80,574,068</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 27,038,046	\$ 27,088,280	\$ 29,305,429	\$ 28,322,718
Restricted	1,982,666	582,697	260,703	99,006
Unrestricted	12,077,564	13,620,211	10,584,764	10,238,993
<b>Total business-type activities net position</b>	<b>\$ 41,098,276</b>	<b>\$ 41,291,188</b>	<b>\$ 40,150,896</b>	<b>\$ 38,660,717</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 93,861,069	\$ 95,408,962	\$ 101,936,621	\$ 101,911,202
Restricted	5,986,134	4,668,696	2,795,015	1,504,913
Unrestricted	17,479,876	19,868,962	16,116,962	15,818,670
<b>Total Primary government net positions</b>	<b>\$ 117,327,079</b>	<b>\$ 119,946,620</b>	<b>\$ 120,848,598</b>	<b>\$ 119,234,785</b>

**Table 1**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 73,611,490	\$ 65,404,791	\$ 65,056,180	\$ 65,582,783	\$ 66,580,049	\$ 70,480,334
1,179,764	653,496	718,275	872,869	922,874	1,977,801
5,901,505	10,798,907	9,565,406	8,828,132	8,227,254	8,447,179
<u>\$ 80,692,759</u>	<u>\$ 76,857,194</u>	<u>\$ 75,339,861</u>	<u>\$ 75,283,784</u>	<u>\$ 75,730,177</u>	<u>\$ 80,905,314</u>
\$ 26,628,714	\$ 24,495,816	\$ 22,961,547	\$ 25,618,823	\$ 26,251,346	\$ 19,565,756
27,468	90,395	176,882	786,600	731,410	593,597
12,040,181	14,818,104	16,790,183	13,032,798	11,373,311	8,677,882
<u>\$ 38,696,363</u>	<u>\$ 39,404,315</u>	<u>\$ 39,928,612</u>	<u>\$ 39,438,221</u>	<u>\$ 38,356,067</u>	<u>\$ 28,837,235</u>
\$ 100,240,204	\$ 89,900,607	\$ 88,017,727	\$ 91,201,606	\$ 92,831,395	\$ 90,046,090
1,207,232	743,891	895,157	1,659,469	1,654,284	2,571,398
17,941,686	25,617,011	26,355,589	21,860,930	19,600,565	17,125,061
<u>\$ 119,389,122</u>	<u>\$ 116,261,509</u>	<u>\$ 115,268,473</u>	<u>\$ 114,722,005</u>	<u>\$ 114,086,244</u>	<u>\$ 109,742,549</u>

**CITY OF FRIENDSWOOD, TEXAS**

**CHANGES IN NET POSITION**

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

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

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

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 5,410,643	\$ 4,589,795	\$ 4,679,339	\$ 4,737,702	\$ 4,876,064	\$ 5,145,447
11,763,659	11,236,402	10,800,130	10,736,805	10,548,568	10,175,028
3,933,288	3,921,658	4,385,090	3,738,111	3,517,707	3,853,685
1,406,288	1,097,075	1,207,264	1,520,401	1,284,188	1,203,204
2,869,345	3,356,587	3,260,931	3,227,731	3,058,313	3,034,523
1,026,967	1,093,043	1,002,801	1,004,303	979,978	979,084
730,614	630,542	703,275	757,011	871,790	789,652
<u>27,140,804</u>	<u>25,925,102</u>	<u>26,038,830</u>	<u>25,722,064</u>	<u>25,136,608</u>	<u>25,180,623</u>
7,629,711	7,995,106	7,681,366	6,902,279	6,955,505	6,663,308
1,524,276	1,514,804	1,590,395	1,638,495	1,644,074	2,037,104
<u>9,153,987</u>	<u>9,509,910</u>	<u>9,271,761</u>	<u>8,540,774</u>	<u>8,599,579</u>	<u>8,700,412</u>
<u>\$ 36,294,791</u>	<u>\$ 35,435,012</u>	<u>\$ 35,310,591</u>	<u>\$ 34,262,838</u>	<u>\$ 33,736,187</u>	<u>\$ 33,881,035</u>
\$ 807,245	\$ 912,910	\$ 989,190	\$ 1,167,619	\$ 1,158,392	\$ 1,072,289
30,275	31,620	34,944	39,661	39,914	38,438
190,099	193,064	186,504	171,890	158,858	152,163
843,648	877,132	825,366	730,211	643,150	550,286
280,046	315,702	316,047	271,912	267,837	258,030
33,699	36,081	36,686	39,543	43,147	44,313
660,633	843,995	644,458	648,058	3,150,808	2,819,418
<u>3,225,672</u>	<u>1,202,376</u>	<u>543,763</u>	<u>527,288</u>	<u>-</u>	<u>-</u>
<u>6,071,317</u>	<u>4,412,880</u>	<u>3,576,958</u>	<u>3,596,182</u>	<u>5,462,106</u>	<u>4,934,937</u>
<u>11,020,029</u>	<u>11,117,391</u>	<u>11,462,779</u>	<u>11,258,216</u>	<u>12,726,936</u>	<u>9,854,083</u>
<u>11,020,029</u>	<u>11,117,391</u>	<u>11,462,779</u>	<u>11,258,216</u>	<u>12,726,936</u>	<u>9,854,083</u>
<u>\$ 17,091,346</u>	<u>\$ 15,530,271</u>	<u>\$ 15,039,737</u>	<u>\$ 14,854,398</u>	<u>\$ 18,189,042</u>	<u>\$ 14,789,020</u>
\$ (21,069,487)	\$ (21,502,222)	\$ (22,461,872)	\$ (22,126,882)	\$ (19,674,502)	\$ (20,245,686)
1,866,042	1,607,481	2,191,018	2,717,442	4,127,357	1,153,671
<u>\$ (19,203,445)</u>	<u>\$ (19,894,741)</u>	<u>\$ (20,270,854)</u>	<u>\$ (19,409,440)</u>	<u>\$ (15,547,145)</u>	<u>\$ (19,092,015)</u>

**CITY OF FRIENDSWOOD, TEXAS**

**CHANGES IN NET POSITION**

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes	\$ 18,111,247	\$ 17,608,094	\$ 17,270,647	\$ 16,350,101
Sales taxes	8,407,249	7,965,662	6,482,367	5,393,920
Franchise and other taxes	2,054,395	1,617,121	1,661,654	1,779,234
Other	-	-	-	-
Investment earnings	526,867	321,468	187,001	149,003
Gain (loss) on disposal of capital assets	-	-	25,999	19,564
Miscellaneous	351,165	263,245	131,639	128,813
Transfers	1,456,690	1,554,849	1,358,744	1,397,065
<b>Total governmental activities</b>	<u>30,907,613</u>	<u>29,330,439</u>	<u>27,118,051</u>	<u>25,217,700</u>
<b>Business-type activities:</b>				
Investment earnings	681,288	200,449	141,978	95,825
Gain (loss) on disposal of capital assets	-	-	-	7,569
Miscellaneous	-	-	-	-
Transfers	(1,456,690)	(1,554,849)	(1,358,744)	(1,397,065)
<b>Total business-type activities</b>	<u>(775,402)</u>	<u>(1,354,400)</u>	<u>(1,216,766)</u>	<u>(1,293,671)</u>
<b>Total primary government</b>	<u>30,132,211</u>	<u>27,976,039</u>	<u>25,901,285</u>	<u>23,924,029</u>
<b>Change in Net Position</b>				
Governmental activities	(2,426,629)	(662,201)	123,634	(118,691)
Business-type activities	(192,912)	780,399	1,490,179	407,487
<b>Total primary government</b>	<u>\$ (2,619,541)</u>	<u>\$ 118,198</u>	<u>\$ 1,613,813</u>	<u>\$ 288,796</u>

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 15,574,684	\$ 14,864,284	\$ 14,630,961	\$ 14,165,599	\$ 13,944,725	\$ 13,664,765
5,291,186	4,693,484	4,293,794	3,907,577	4,002,740	3,853,161
1,726,557	1,673,615	1,583,258	1,556,556	1,598,407	1,510,794
-	32,799	24,974	23,356	28,883	28,859
79,071	109,849	88,510	137,202	110,863	93,018
-	34,359	43,788	17,601	23,831	33,647
108,306	84,275	78,682	147,457	126,228	131,545
1,226,205	1,799,344	1,773,982	1,725,141	(5,336,312)	168,276
<u>24,006,009</u>	<u>23,292,009</u>	<u>22,517,949</u>	<u>21,680,489</u>	<u>14,499,365</u>	<u>19,484,065</u>
49,138	40,713	37,565	82,853	55,163	87,056
-	-	-	7,000	-	(182,198)
7,839	-	35,790	-	-	-
(1,226,205)	(1,799,344)	(1,773,982)	(1,725,141)	5,336,312	(168,276)
<u>(1,169,228)</u>	<u>(1,758,631)</u>	<u>(1,700,627)</u>	<u>(1,635,288)</u>	<u>5,391,475</u>	<u>(263,418)</u>
<u>22,836,781</u>	<u>21,533,378</u>	<u>20,817,322</u>	<u>20,045,201</u>	<u>19,890,840</u>	<u>19,220,647</u>
2,936,522	1,789,787	56,077	(446,393)	(5,175,137)	(761,621)
696,814	(151,150)	490,391	1,082,154	9,518,832	890,253
<u>\$ 3,633,336</u>	<u>\$ 1,638,637</u>	<u>\$ 546,468</u>	<u>\$ 635,761</u>	<u>\$ 4,343,695</u>	<u>\$ 128,632</u>

**CITY OF FRIENDSWOOD, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	378,736	371,610	434,750	646,778
Restricted	727,704	631,971	667,271	626,229
Committed	-	-	-	3,612
Assigned	2,508,234	4,229,725	2,893,697	2,706,897
Unassigned	10,608,815	9,052,000	9,547,039	9,776,031
<b>Total General Fund</b>	<u>14,223,489</u>	<u>14,285,306</u>	<u>13,542,757</u>	<u>13,759,547</u>
<b>All Other Governmental Funds</b>				
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Permanent fund	-	-	-	-
Nonspendable	24,738	24,307	31,869	31,721
Restricted	5,568,395	9,304,724	8,464,859	8,165,349
Unassigned	-	-	-	(193,750)
<b>Total Other Governmental Funds</b>	<u>5,593,133</u>	<u>9,329,031</u>	<u>8,496,728</u>	<u>8,003,320</u>
<b>Total Fund Balances of Governmental Funds</b>	<u>\$ 19,816,622</u>	<u>\$ 23,614,337</u>	<u>\$ 22,039,485</u>	<u>\$ 21,762,867</u>

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

**Table 3**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,731,056
-	-	-	-	-	7,399,217
822,226	143,201	122,927	99,874	220,151	-
518,119	400,411	281,826	173,015	97,728	-
685,486	-	-	-	-	-
2,773,419	1,421,875	487,201	434,931	1,085,527	-
8,760,424	10,554,183	9,714,206	9,379,399	7,511,998	-
<u>13,559,674</u>	<u>12,519,670</u>	<u>10,606,160</u>	<u>10,087,219</u>	<u>8,915,404</u>	<u>9,130,273</u>
-	-	-	-	-	667,682
-	-	-	-	-	1,328,145
-	-	-	-	-	30,720
31,378	31,241	31,137	31,027	30,869	-
6,539,985	666,317	995,269	2,184,855	4,162,423	-
-	(239,078)	-	-	-	-
<u>6,571,363</u>	<u>458,480</u>	<u>1,026,406</u>	<u>2,215,882</u>	<u>4,193,292</u>	<u>2,026,547</u>
<u>\$ 20,131,037</u>	<u>\$ 12,978,150</u>	<u>\$ 11,632,566</u>	<u>\$ 12,303,101</u>	<u>\$ 13,108,696</u>	<u>\$ 11,156,820</u>

**CITY OF FRIENDSWOOD, TEXAS**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

*Last Ten Fiscal Years*

*(Modified Accrual Basis of Accounting)*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>				
Taxes	\$ 28,389,651	\$ 27,247,421	\$ 25,509,760	\$ 23,533,294
Fines and forfeitures	866,812	957,671	1,023,556	873,872
Permits and fees	1,483,554	1,566,656	1,708,357	1,450,939
Intergovernmental	1,576,838	4,398,836	1,763,974	664,427
Investment earnings	518,221	313,793	184,127	147,403
Donations	290,069	396,010	434,164	257,724
Miscellaneous	18,777	181,017	165,619	79,435
<b>Total revenues</b>	<b>33,143,922</b>	<b>35,061,404</b>	<b>30,789,557</b>	<b>27,007,094</b>
<b>Expenditures</b>				
General government	5,336,269	5,440,888	4,975,926	4,385,321
Public safety	13,545,539	16,868,931	14,751,381	12,135,956
Public works	4,127,539	2,157,277	2,160,152	2,118,572
Community development	1,099,154	985,309	893,663	954,103
Parks and recreation	3,796,589	3,511,146	3,339,864	3,032,979
Library services	1,204,415	1,200,512	1,172,245	1,096,614
Capital outlay	6,219,243	2,615,538	8,429,200	9,332,400
Debt principal payment	2,168,876	2,137,284	1,813,130	1,570,176
Interest and other charges	1,112,127	1,145,400	1,170,958	921,982
<b>Total expenditures</b>	<b>38,609,751</b>	<b>36,062,285</b>	<b>38,706,519</b>	<b>35,548,103</b>
Excess of revenues over (under) expenditures	(5,465,829)	(1,000,881)	(7,916,962)	(8,541,009)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	6,614	9,135	12,757	2,743
Insurance recoveries	235,443	725,304	25,999	19,564
Issuance of capital related debt	-	485,305	5,605,000	7,345,000
Issuance of capital lease	-	-	756,006	-
Refunding bonds issued	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Premium on issuance of debt	-	-	435,074	1,484,593
Transfers in	1,473,591	1,402,989	1,364,399	1,503,442
Transfers out	(47,534)	(47,000)	(5,655)	(182,503)
<b>Total other financing sources (uses)</b>	<b>1,668,114</b>	<b>2,575,733</b>	<b>8,193,580</b>	<b>10,172,839</b>
<b>Net change in fund balances</b>	<b>\$ (3,797,715)</b>	<b>\$ 1,574,852</b>	<b>\$ 276,618</b>	<b>\$ 1,631,830</b>
Debt service as a percentage of noncapital expenditures	10.1%	9.8%	9.9%	9.2%

Table 4

	2015	2014	2013	2012	2011	2010
\$	22,513,317	\$ 21,335,527	\$ 20,563,848	\$ 19,630,172	\$ 19,592,092	\$ 19,104,625
	907,557	860,257	939,380	1,037,880	1,012,592	1,043,126
	1,349,264	1,385,898	1,327,918	1,174,013	1,069,845	960,479
	3,536,980	1,791,451	918,641	1,077,890	3,109,645	2,652,037
	77,947	109,117	87,330	135,483	109,272	90,337
	349,325	349,166	363,413	306,119	276,209	280,223
	72,837	54,989	84,673	41,410	78,243	81,366
	<u>28,807,227</u>	<u>25,886,405</u>	<u>24,285,203</u>	<u>23,402,967</u>	<u>25,247,898</u>	<u>24,212,193</u>
	5,343,160	4,306,143	4,250,320	4,322,631	4,397,858	4,224,384
	11,348,346	10,599,575	10,234,811	10,201,010	10,093,964	9,799,372
	2,066,349	1,689,987	2,204,176	1,702,119	1,637,237	1,956,479
	925,947	1,092,982	1,207,264	1,520,401	1,284,188	1,208,899
	2,917,857	2,772,072	2,675,813	2,622,970	2,472,015	2,458,422
	1,036,843	1,083,043	1,002,801	1,004,303	979,978	979,084
	7,255,229	2,500,254	1,942,746	3,705,622	4,254,582	3,799,303
	1,272,823	1,668,692	1,721,983	1,562,088	1,065,865	787,590
	776,340	662,718	712,822	899,709	1,064,973	773,744
	<u>32,942,894</u>	<u>26,375,466</u>	<u>25,952,736</u>	<u>27,540,853</u>	<u>27,250,660</u>	<u>25,987,277</u>
	(4,135,667)	(489,061)	(1,667,533)	(4,137,886)	(2,002,762)	(1,775,084)
	99	6,325	27,566	9,250	8,992	23,340
	39,257	28,886	48,132	105,502	45,334	50,579
	9,595,000	-	-	8,890,000	3,460,000	-
	-	-	147,318	464,270	-	-
	2,840,000	-	-	-	5,460,000	-
	(3,058,663)	-	-	(9,425,538)	-	-
	646,746	-	-	563,666	317,452	-
	1,544,662	1,799,344	1,973,106	1,970,819	1,235,892	1,512,987
	(318,457)	-	(199,124)	(245,678)	(6,573,032)	(1,344,711)
	<u>11,288,644</u>	<u>1,834,555</u>	<u>1,996,998</u>	<u>2,332,291</u>	<u>3,954,638</u>	<u>242,195</u>
\$	<u>7,152,977</u>	<u>\$ 1,345,494</u>	<u>\$ 329,465</u>	<u>\$ (1,805,595)</u>	<u>\$ 1,951,876</u>	<u>\$ (1,532,889)</u>
	7.5%	9.8%	10.0%	9.8%	8.4%	7.0%

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial and Industrial Property</b>	<b>Other Property</b>
2010	2009	\$ 2,509,894,027	\$ 277,693,532	\$ 248,910,248
2011	2010	2,547,883,315	276,080,104	235,256,040
2012	2011	2,584,070,993	280,043,373	230,531,859
2013	2012	2,622,105,658	286,288,277	235,960,049
2014	2013	2,695,532,057	294,316,218	238,127,209
2015	2014	2,850,404,776	300,533,643	237,028,723
2016	2015	3,156,205,930	335,006,408	206,365,157
2017	2016	3,546,622,242	320,646,912	230,805,066
2018	2017	3,795,456,220	222,328,923	376,053,145
2019	2018	3,749,539,307	227,659,302	352,044,261

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

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

*Table 5*

<b>Total Assessed Value</b>	<b>Less: Exemptions and Tax Exempt Property</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate</b>
\$ 3,036,497,807	\$ 695,681,434	\$ 2,340,816,373	\$ 0.57970
3,059,219,459	703,419,784	2,355,799,675	0.58510
3,094,646,225	706,059,683	2,388,586,542	0.59020
3,144,353,984	710,718,423	2,433,635,561	0.59700
3,227,975,484	724,153,848	2,503,821,636	0.59140
3,387,967,142	761,444,427	2,626,522,715	0.59140
3,697,577,495	776,779,458	2,920,798,037	0.56870
4,098,074,220	977,353,948	3,120,720,272	0.05460
4,393,838,288	894,716,055	3,499,122,233	0.05273
4,329,242,870	955,005,811	3,374,237,059	0.05324

**CITY OF FRIENDSWOOD, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEAR**  
*(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 Drainage District	Galveston County	Harris County
2010	\$ 0.4997	\$ 0.0800	\$ 0.5797	\$ 1.3670	\$ 1.3600	\$ 0.1425	\$ 0.6186	\$ 0.62998
2011	0.5198	0.0653	0.5851	1.3670	1.3600	0.1425	0.6198	0.62998
2012	0.5218	0.0684	0.5902	1.3670	1.3600	0.1400	0.6129	0.62998
2013	0.5307	0.0663	0.5970	1.3670	1.3600	0.1400	0.5999	0.62998
2014	0.5303	0.0611	0.5914	1.3670	1.4000	0.1400	0.5837	0.62998
2015	0.5303	0.0611	0.5914	1.3670	1.4000	0.1350	0.5788	0.62998
2016	0.4972	0.0715	0.5687	1.3670	1.4000	0.1150	0.5612	0.62998
2017	0.4620	0.0840	0.5460	1.3870	1.4000	0.1120	0.5462	0.62998
2018	0.4323	0.0950	0.5273	1.3670	1.4000	0.1080	0.5461	0.62998
2019	0.4372	0.0952	0.5324	1.3670	1.4000	0.1080	0.5298	0.62998

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

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

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

*Table 7*

Taxpayer	2019			2010		
	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	\$ 26,952,747	1	0.80%	\$ -	-	-
Texas-New Mexico Power Co.	20,567,581	2	0.61%	10,277,180	1	0.43%
LSREF3 Bravo Houston LLC	16,077,594	3	0.48%	-	-	-
Kroger Co.	12,469,619	4	0.37%	-	-	-
Bay Meadows LLP	7,763,687	5	0.23%	-	-	-
A-S 108 Friendswood Crossing LP	7,003,420	6	0.21%	-	-	-
H E Butt Grocery Company	5,939,980	7	0.18%	8,574,000	2	0.36%
FM 528 Bay Area Blvd LP	5,757,333	8	0.17%	-	-	-
Timber Creek Holdings LP	5,438,893	9	0.16%	-	-	-
HCP Friendswood LLC	5,372,320	10	0.16%	-	-	-
Southwestern Bell Telephone Co.	-	-	-	7,992,530	3	0.33%
Buzbee Family LTD Partnership	-	-	-	7,202,910	4	0.30%
Friendswood Cypress LP	-	-	-	6,995,240	5	0.29%
Friendswood Retirement	-	-	-	5,629,810	6	0.24%
MB Friendswood Parkwood	-	-	-	5,348,882	7	0.22%
Comcast of Houston LLC	-	-	-	4,990,350	8	0.21%
Friendswood Huntington Woods	-	-	-	4,413,130	9	0.18%
	-	-	-	3,800,530	10	0.16%
Total	113,343,174		3.36%	65,224,562		2.73%
All other taxpayers	3,260,893,885		96.64%	2,327,527,571		97.27%
	<u>\$ 3,374,237,059</u>		<u>100.00%</u>	<u>\$ 2,392,752,133</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
2010	\$ 13,553,716	\$ 13,395,543	99.36%	\$ 146,011	\$ 13,541,554	99.91%
2011	13,738,978	13,608,076	99.47%	120,323	13,728,399	99.92%
2012	14,068,660	13,916,558	99.51%	140,686	14,057,244	99.92%
2013	14,454,404	14,361,379	99.63%	81,002	14,442,381	99.92%
2014	14,747,526	14,656,257	99.38%	77,428	14,733,685	99.91%
2015	15,424,948	15,306,943	99.23%	100,010	15,406,953	99.88%
2016	16,431,153	16,264,080	98.98%	148,992	16,413,072	99.89%
2017	17,014,685	16,922,419	99.46%	69,163	16,991,582	99.86%
2018	17,633,192	17,554,220	99.55%	39,440	17,593,660	99.78%
2019	17,952,134	17,756,864	98.91%	-	17,756,864	98.91%

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

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

*Table 9*

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Water Revenue Bonds			
2010	\$ 14,800,000	\$ 839,928	\$ -	\$ 42,045,000	\$ 57,684,928	0.47%	\$ 1,516
2011	22,885,000	710,023	-	35,205,000	58,800,023	0.46%	1,579
2012	21,605,000	975,726	-	34,115,000	56,695,726	0.42%	1,498
2013	20,230,000	876,981	-	32,995,000	54,101,981	0.37%	1,410
2014	18,815,000	623,407	-	31,830,000	51,268,407	0.35%	1,318
2015	24,525,285	360,584	9,875,671	24,663,416	59,424,956	0.40%	1,510
2016	31,768,805	180,408	33,238,357	6,109,871	71,297,441	0.46%	1,793
2017	36,067,806	668,284	31,160,729	5,871,129	73,767,948	0.47%	1,818
2018	34,065,657	791,305	29,028,108	5,627,385	69,512,455	0.42%	1,695
2019	32,023,508	436,620	26,845,483	27,039,600	86,345,211	0.49%	2,093

**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			
2010	38,057	\$ 2,340,816,373	\$ 14,921,314	\$ 545,676	\$ 14,254,324	0.61%	375
2011	37,247	2,355,799,675	23,293,294	240,869	22,644,131	0.96%	608
2012	37,839	2,388,586,542	22,402,761	193,714	21,411,286	0.90%	566
2013	38,369	2,433,635,561	20,967,293	134,339	20,095,661	0.83%	524
2014	38,911	2,503,821,636	19,491,826	130,147	18,684,853	0.75%	480
2015	39,458	2,626,522,715	34,400,956	147,193	34,253,763	1.30%	868
2016	39,767	2,920,798,037	65,007,162	159,686	64,847,476	2.22%	1,631
2017	40,570	3,120,720,272	67,228,535	115,152	67,113,383	2.15%	1,654
2018	41,003	3,499,122,233	63,093,765	-	63,093,765	1.80%	1,539
2019	41,253	3,374,237,059	58,868,991	18,302	58,850,689	1.74%	1,427

**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, 2019**  
*(Unaudited)*

*Table 11*

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Friendswood Independent School District	\$ 88,410,000	100.00%	\$ 88,410,000
Clear Creek Independent School District	988,489,386	2.569%	25,389,386
Galveston County	297,022,000	7.968%	23,666,671
Harris County	2,955,455,000	0.126%	3,737,975
Subtotal, overlapping debt			141,204,032
<b>City direct debt</b>			32,460,128
<b>Total direct and overlapping debt</b>			\$ 173,664,160

**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, 2019 is \$0.5324 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		
2010	\$ 9,854,083	\$ 5,184,330	\$ 4,669,753	\$ 215,000	\$ 1,904,689	2.20	
2011	12,726,936	5,410,497	7,316,439	1,440,000	1,640,437	2.38	
2012	11,258,216	5,361,567	5,896,649	1,090,000	1,589,565	2.20	
2013	11,462,779	6,113,276	5,349,503	1,120,000	1,548,303	2.00	
2014	11,117,391	6,376,510	4,740,881	1,165,000	1,504,006	1.78	
2015	11,020,029	6,220,331	4,799,698	1,205,000	1,153,522	2.04	
2016	11,319,801	6,361,229	4,958,572	-	481,140	10.31	
2017	12,295,441	6,911,675	5,383,766	220,000	184,100	13.32	
2018	12,183,711	7,205,293	4,978,418	225,000	179,250	12.32	
2019	13,130,943	9,378,672	3,752,271	230,000	787,319	3.69	

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

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

*Table 14*

<b>Calendar Year</b>	<b>Estimated Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2010	38,057	\$ 12,257,208,000	\$ 41,876	7.1%
2011	37,247	12,848,571,000	43,444	6.8%
2012	37,839	13,651,835,000	45,433	5.0%
2013	38,369	14,475,816,000	47,186	4.5%
2014	38,911	14,741,197,000	46,917	3.4%
2015	39,358	14,774,880,000	47,011	3.7%
2016	39,767	15,463,890,000	47,991	4.9%
2017	40,570	15,682,608,000	47,605	4.7%
2018	41,003	16,443,373,000	49,079	4.3%
2019	41,253	17,497,755,000	51,785	3.2%

**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.

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

*Table 15*

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Estimated Employees</u>	<u>Percentage of Total City Workforce</u>	<u>Estimated Employees</u>	<u>Percentage of Total City Workforce</u>
Friendswood ISD	750	27.51%	698	27.83%
HEB	376	13.79%	333	13.28%
Kroger	315	11.56%	291	11.60%
City of Friendswood	243	8.91%	231	9.21%
Clear Creek ISD	215	7.89%	177	7.06% <sup>2</sup>
UTMB	133	4.88%	56	2.23%
Friendship Haven Nursing Home	113	4.15%	140	5.58%
U.S. Post Office	75	2.75%	61	2.43%
McDonalds	74	2.71%	83	3.31%
Atria	69	2.53%	-	- <sup>1</sup>
Highpoint Insurance Group	48	1.76%	-	- <sup>1</sup>
Sonic	48	1.76%	53	2.11%
Perry & Sons Market and Grille	45	1.65%	28	1.12%
Timber Creek Golf Club	45	1.65%	45	1.79%
Luna's Mexican Restaurant	38	1.39%	40	1.59%
AAA Blastcote	35	1.28%	-	- <sup>1</sup>
Bergamos Retreat	35	1.28%	-	- <sup>1</sup>
24 Hour Fitness	35	1.28%	-	- <sup>1</sup>
Village on the Park	34	1.25%	40	1.59%
Friendswood Healthcare (Autumn Hills)	-	- <sup>3</sup>	82	3.27%
Emeritus	-	- <sup>3</sup>	70	2.79%
Melange	-	- <sup>3</sup>	40	1.59%
Gary Greene Realtors	-	- <sup>3</sup>	40	1.59%
<b>Total</b>	<b>2,726</b>	<b>100.00%</b>	<b>2,508</b>	<b>100.00%</b>

**Source:** City Economic Development Division

- <sup>1</sup> Data was not available for fiscal year 2010.
- <sup>2</sup> Includes Wedgewood Elementary and Brookside Intermediate.
- <sup>3</sup> Data was not available for fiscal year 2019.

**CITY OF FRIENDSWOOD, TEXAS**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

*(Unaudited)*

<b>Function/Program</b>	<b>Full-time Equivalent Employees as of September 30</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>General Government:</b>					
City Attorney	-	-	-	-	-
City Manager	5.50	5.50	4.65	4.15	4.15
City Secretary	5.00	5.00	5.00	5.00	5.00
Administrative Services	27.20	27.20	28.20	28.20	28.70
<b>Public Safety:</b>					
Police	79.40	80.40	80.40	81.40	82.40
Fire marshal and fire	6.10	6.10	6.10	6.10	6.50
<b>Public Works:</b>					
	19.00	19.00	19.33	20.33	26.33
<b>Community Development:</b>					
	17.70	17.70	16.89	16.89	10.89
<b>Engineering</b>					
	-	-	-	-	-
<b>Community Services:</b>					
	18.95	18.95	19.28	19.20	19.03
<b>Library</b>					
	14.72	14.72	14.72	14.37	14.37
<b>Water:</b>					
	10.30	10.30	10.30	9.30	9.30
<b>Sewer:</b>					
	9.00	9.00	9.00	9.00	9.00
<b>Total City Employees:</b>	<b>212.87</b>	<b>213.87</b>	<b>213.87</b>	<b>213.94</b>	<b>215.67</b>

**Source: City of Friendswood Budget Documents**

**Notes:** For 2009, public works and community development were combined. In 2010-2018, they are shown as two separate departments.

Beginning in fiscal year 2010, the fulltime equivalent for Library is shown separate from Community Services. In previous years, the fulltime equivalent is included with Community Services.

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

*Table 16*

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1.00	1.00	1.00	2.10	2.10
4.55	5.40	5.40	5.40	5.00
5.00	5.00	5.00	5.00	5.00
28.70	27.70	27.70	27.60	27.60
85.72	86.72	88.72	87.72	90.38
6.60	6.60	6.60	6.60	7.20
25.33	29.00	26.00	27.00	23.00
10.89	11.70	11.70	10.70	10.70
-	-	-	-	6.00
19.63	19.63	20.90	21.90	23.10
14.62	14.62	14.97	14.97	14.97
8.30	8.30	8.30	9.30	9.30
8.00	8.00	11.00	10.00	11.00
<u>218.34</u>	<u>223.67</u>	<u>227.29</u>	<u>228.29</u>	<u>235.35</u>

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

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government:				
Building permits issued	984	1,222	1,317	1,469
Building inspections conducted	8,744	9,514	10,486	11,470
Police:				
Physical arrests	2,002	1,962	1,885	1,601
Parking violations	27	82	61	107
Traffic violations	7,000	7,291	6,518	5,718
Fire Marshal:				
Inspections	1,509	1,444	1,616	1,673
Fire:				
Emergency responses	2,737	2,818	2,975	2,993
Fires extinguished	110	108	86	86
Parks and Recreation:				
Recreation participants	13,792	13,894	16,068	18,607
Facility reservations	1,451	503	493	686
Library:				
Volumes in collection	99,880	97,622	125,251	133,865
Total volumes borrowed	356,787	349,223	355,447	367,948
Water:				
New connections	160	173	185	189
Water main breaks	64	516	112	193
Average daily consumption (thousands of gallons)	3,408	6,406	4,584	5,577
Peak daily consumption	7,606	13,698	10,896	11,505
Sewer:				
Average daily sewage treatment (thousands of gallons)	3,465	2,787	2,968	2,956
Maximum daily flow (thousands of gallons)	11,393	10,833	10,777	10,401

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

**Table 17**

<b>Fiscal Year</b>					
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1,395	1,377	1,865	2,177	2,788	1,465
10,611	12,145	11,026	12,134	14,157	9,251
1,596	1,479	1,464	903	1,145	1,190
58	63	44	61	15	26
5,815	4,540	5,001	3,669	6,785	4,468
1,427	1,512	1,354	1,233	1,139	1,448
3,261	3,258	3,303	3,599	3,720	3,655
116	78	76	75	80	80
15,178	16,153	21,369	20,556	18,299	19,657
728	1,443	1,444	1,004	2,123	3,293
141,383	133,165	147,726	100,678	102,852	101,532
367,452	350,145	301,158	341,048	348,554	342,592
193	-	183	137	125	169
149	57	46	44	116	84
5,171	4,970	4,963	5,282	5,455	5,129
9,917	12,623	10,472	10,110	9,475	9,390
2,867	3,306	3,382	3,286	3,117	3,345
10,770	11,237	12,188	12,766	10,370	12,491

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

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police				
Stations	1	1	1	1
Patrol units	26	26	25	26
Fire				
Stations	4	4	4	4
Public Works				
Streets - paved (miles)	161	162	164	165
Streets - unpaved (miles)	2	2	2	2
Traffic signals	3	3	3	3
Parks and Recreation				
Acreage	189	189	189	189
Parks	8	8	8	8
Swimming pool	1	1	1	1
Tennis courts	4	4	4	4
Library	1	1	1	1
Water				
Water mains (miles)	183	184	186	187
Fire hydrants	1,305	1,324	1,588	1,608
Connections	12,231	12,476	12,711	12,929
Storage capacity (thousands of gallons)	5,993	7,500	7,500	7,500
Sewer				
Sanitary sewers (miles)	158	159	162	163
Connections	11,404	11,563	11,828	12,072
Storm sewers (miles)	98	99	100	100
Treatment capacity (thousands of gallons)	4,850	4,850	4,850	4,850

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

*Table 18*

<b>Fiscal Year</b>					
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1	1	1	1	1	1
27	29	31	32	34	33
4	4	4	4	4	4
167	169	172	174	176	176
2	2	2	2	2	2
3	3	3	3	3	3
189	232	266	266	266	266
8	8	9	9	9	10
1	1	1	1	1	1
4	4	4	4	4	4
1	1	1	1	1	1
207	209	212	214	216	216
1,610	1,631	1,672	1,690	1,707	1,707
13,093	13,289	13,482	13,619	13,744	13,913
8,000	8,100	7,850	7,850	7,850	7,850
194	195	198	200	202	202
12,236	12,407	12,378	12,588	12,721	12,870
105	106	109	110	112	112
12,000	9,250	9,250	9,250	9,250	9,250

City of  
Friendswood  
Texas