

**CITY OF
FRIENDSWOOD, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2008

**CITY OF
FRIENDSWOOD, TEXAS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2008**

Officials Issuing Report:

**Roger C. Roecker
Interim City Manager**

**Cindy Edge
Interim Director of Administrative Services**

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INTRODUCTORY SECTION



City of Friendswood

March 6, 2009

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, 2008, 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 are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, this transmittal letter, and the City's organizational chart. The financial section includes the auditor's report on the financial statement, a Management Discussion and Analysis (MD&A), the basic financial statements and combining and individual fund financial statements and schedules. The MD&A, found immediately following the report of the independent auditor, is a narrative introduction; overview and analysis required by generally accepted accounting principles (GAAP). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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 Pattillo, Brown & Hill, L.L.P. has performed such an audit and their opinion has been included in this report.

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 three 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

The City of Friendswood, Texas, is located 20 miles southeast of downtown Houston in southern Harris and northern Galveston Counties. Friendswood's population has more than doubled in every census count since 1960. The current population is estimated at 35,500. The economy is linked closely to that of Houston and the Clear Lake area.

The Friendswood/Clear Lake regional economy has become more diverse, featuring aerospace, petrochemical, tourism, boating, and recreation industries. Biotechnology, biomedical, software services, electronics and communication equipment sub-sectors are increasing and show solid signs of growth and sustainability. The NASA/Johnson Space Center, the Bayport petrochemical complex, Ellington Field and the University of Houston-Clear Lake are key players in the area's economy. According to BAHEP estimates, "over three-quarters of a million people work within a 45 minute drive time of the Clear Lake area."

Budgeting Controls

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

The level of budgetary control; that is, the level at which expenditures cannot legally exceed the appropriated amount, is established by department within a fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances lapse at fiscal year end, but can be re-appropriated through a budget amendment the following fiscal

year. The City Manager is authorized to transfer budgeted amounts between departments within any fund, but revisions that increase the total expenditures of any fund must be approved by Council.

Multi-Year Financial Planning

We have been working on a multi-year financial plan (MYFP) for some time. 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 project out five years.

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 "ongoing" expenditures. In collaboration with Council, the plan continues to evolve.

Cash Management

The City's investment policy authorizes the City to invest in Obligations of the U. S. Government, certificates of deposits, money market mutual funds, and local government investment pools. The primary objectives of the investment policy, in priority order, are safety (preservation of capital), liquidity (availability of funds) and yield (rate of return commensurate with investment risk and cash flow needs). The average yield on maturing investments for the year was 3.83%. All deposits are either insured by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department.

Risk Management

The City's risk management division continually evaluates risk in terms of severity, frequency of probability and loss exposure. A proactive safety training and awareness program is provided for all City employees. The City purchases insurance coverage for property, liability, and workers' compensation through Texas Municipal League Intergovernmental Risk Pool.

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, 2007. This was the 20th 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.

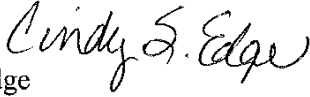
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the comprehensive annual financial report was made possible by the dedicated service of Cindy Edge, Rhonda Bloskas and 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.

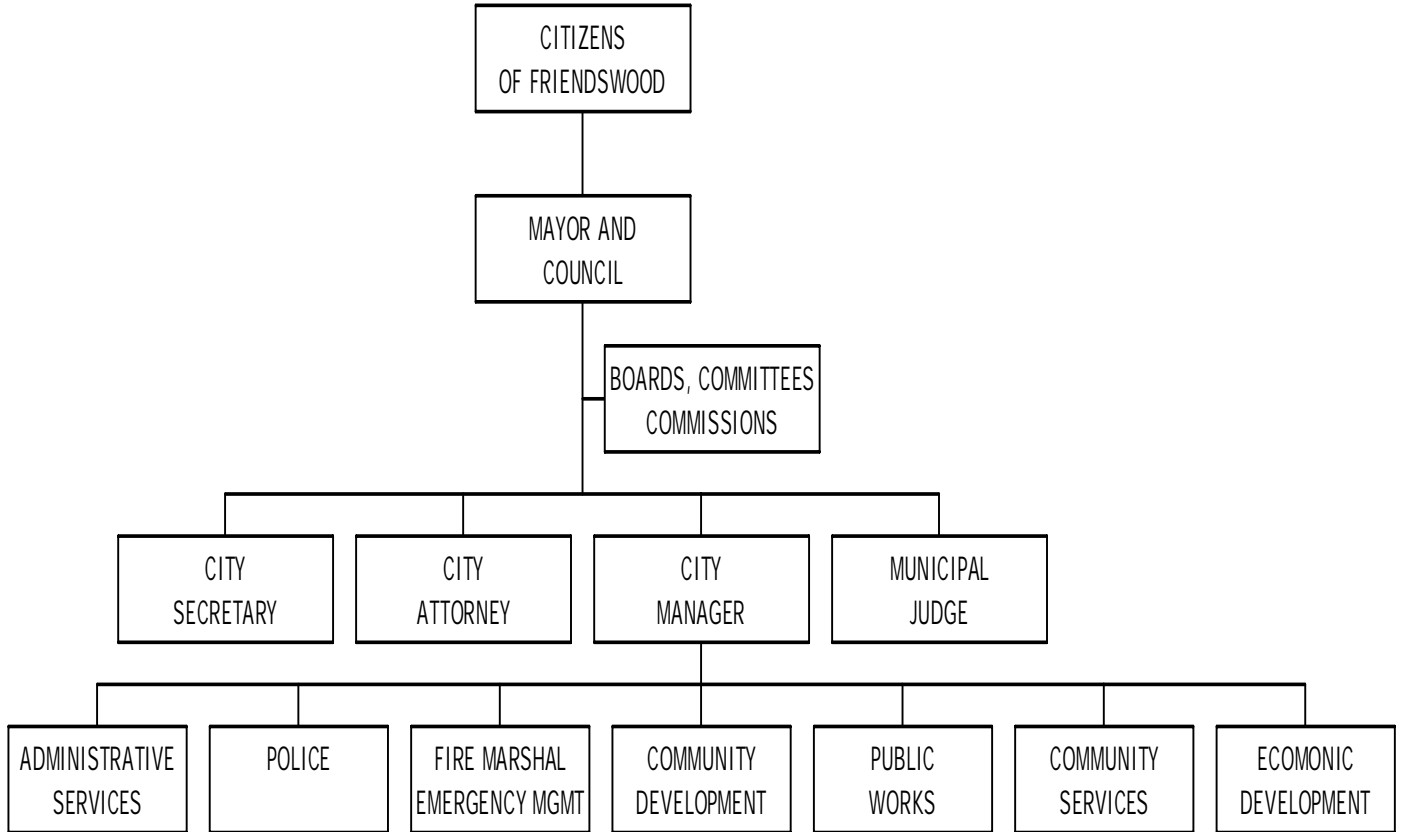
In closing, I also express my thanks to the Mayor, members of the City Council and the City Manager for their leadership, interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in cursive script that reads "Cindy S. Edge".

Cindy Edge
Interim Director of Administrative Services

CITY OF FRIENDSWOOD ORGANIZATIONAL CHART



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF FRIENDSWOOD, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2008

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
David J. H. Smith	Mayor	May 2009
Michael Barker	Council Member - Position No. 1	May 2009
Jim Barr	Council Member - Position No. 2	May 2011
Jim Hill	Council Member - Position No. 3	May 2009
Leslie Reid	Council Member - Position No. 4	May 2010
Bill Holbert	Council Member - Position No. 5	May 2011
Andy Rivera	Council Member - Position No. 6	May 2010

<u>Key Staff</u>	<u>Position</u>
Roger Roecker	Interim City Manager
Olson & Olson	City Attorney
Deloris McKenzie	City Secretary
Cindy Edge	Interim Director of Administrative Services
James Toney	Director of Community Services
Morad Kabiri	Interim Director of Community Development
Terry Byrd	Fire Marshal/Emergency Management Coordinator
James W. Woltz	Judge - Municipal Court
Robert Wieners	Police Chief
Kaz Hamidian	Director of Public Works

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Friendswood, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Friendswood, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Ranch Management District, 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 relates to the amounts included for the West Ranch Management District, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Friendswood, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2009, on our consideration of the City of Friendswood, Texas' internal control over financial reporting and 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 of financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 10 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Friendswood, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

March 6, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As Management of the City of Friendswood, 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, 2008. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Friendswood exceeded its liabilities at the close of the most recent fiscal year by \$108,543,394 (net assets). Of this amount, \$10,548,129 is unrestricted net assets for governmental activities and \$4,227,253 for business-type activities.
- The City's net assets decreased by \$933,417. This resulted in a decrease of \$3,486,213 in unrestricted net assets offset by an increase of \$2,305,340 in net assets invested in capital assets net of related debt and an increase of \$247,456 in restricted net assets.
- As of the close of the current fiscal year, the City of Friendswood's governmental funds reported combined ending fund balances of \$13,522,040. Of the ending fund balance, \$3,101,266 is restricted under laws external to the City for specific purposes (e.g., capital projects, debt service); \$266,243 is designated by the City for specific purposes; \$1,243,384 reserved for encumbrances and prepaid items; and \$8,911,147 is unreserved and available to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.), to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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 a significant portion of their costs through user fees (business-type activities).

- Governmental activities include most of the City's basic services, (general government, public safety, community development and public works and community services). Property taxes, sales taxes, and franchise fees primarily finance these activities.
- Business-type activities include the City's water and sewer system. Charges for services covers all or most of the cost for these services.
- Component Unit activities include activities of The West Ranch Management District.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **Governmental funds** – Similar to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable resources. The governmental fund statement provides a detailed short-term view of the City's general government operations and helps you determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet, statement of revenue and expenditures, and changes in fund balances include a reconciliation to provide such comparison.

The City maintains eight governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and the Debt Service Fund; these funds are considered to be major funds. The other five 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. The City uses the Enterprise Fund for water and sewer operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statement. The second proprietary fund is the Internal Service Fund. This fund is used to account for fleet management services. The Internal Service Fund is included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, with more detail and include the Internal Service Fund type activity.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets exceed liabilities by \$108.5 million as of September 30, 2008. The largest portion of the City's net assets (83.81%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FRIENDSWOOD'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 19,980,784	\$ 19,905,791	\$ 9,481,699	\$ 25,808,598	\$ 29,462,483	\$ 45,714,389
Capital assets	86,102,752	84,771,769	48,303,304	39,457,544	134,406,056	124,229,313
Total assets	<u>106,083,536</u>	<u>104,677,560</u>	<u>57,785,003</u>	<u>65,266,142</u>	<u>163,868,539</u>	<u>169,943,702</u>
Long-term liabilities	16,117,119	16,733,514	31,176,917	32,215,978	47,294,036	48,949,492
Other liabilities	6,053,142	2,989,426	1,977,967	8,527,973	8,031,109	11,517,399
Total liabilities	<u>22,170,261</u>	<u>19,722,940</u>	<u>33,154,884</u>	<u>40,743,951</u>	<u>55,325,145</u>	<u>60,466,891</u>
Net assets:						
Invested in capital assets, net of related debt	70,591,236	71,777,140	20,375,620	16,884,376	90,966,856	88,661,516
Restricted	2,773,910	2,391,482	27,246	162,218	2,801,156	2,553,700
Unrestricted	<u>10,548,129</u>	<u>10,785,998</u>	<u>4,227,253</u>	<u>7,475,597</u>	<u>14,775,382</u>	<u>18,261,595</u>
Total net assets	<u>\$ 83,913,275</u>	<u>\$ 84,954,620</u>	<u>\$ 24,630,119</u>	<u>\$ 24,522,191</u>	<u>\$ 108,543,394</u>	<u>\$ 109,476,811</u>

Combined governmental and business-type activities decreased the City's net assets by \$933,417 in 2008. The following table provides a summary of the City's operations for the year ended September 30, 2008. The governmental activities decreased the City of Friendswood's net assets by \$1,041,345. This decrease is due to a decline in revenues for charges for services, sales tax, and interest earnings. Business-type activities increased the City's net assets by \$107,928. This increase is due to revenue collections for future capital projects and debt reduction.

CITY OF FRIENDSWOOD'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 2,170,183	\$ 2,594,996	\$ 8,624,546	\$ 8,021,040	\$ 10,794,729	\$ 10,616,036
Operating grants and contributions	4,021,908	489,707	-	-	4,021,908	489,707
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	12,512,950	11,876,246	-	-	12,512,950	11,876,246
Sales taxes	3,767,526	3,904,436	-	-	3,767,526	3,904,436
Franchise taxes	1,317,166	1,239,167	-	-	1,317,166	1,239,167
Other taxes	25,429	16,186	-	-	25,429	16,186
Investment earnings	648,301	1,063,715	531,758	1,236,092	1,180,059	2,299,807
Miscellaneous	73,026	350,128	-	4,182	73,026	354,310
Total revenues	<u>24,536,489</u>	<u>21,534,581</u>	<u>9,156,304</u>	<u>9,261,314</u>	<u>33,692,793</u>	<u>30,795,895</u>
Expenses:						
General government	4,339,620	4,472,602	-	-	4,339,620	4,472,602
Public safety	12,652,812	7,565,797	-	-	12,652,812	7,565,797
Community development and public works	4,921,298	5,475,447	-	-	4,921,298	5,475,447
Community services	3,841,387	3,420,244	-	-	3,841,387	3,420,244
Water and sewer	-	-	6,523,501	5,711,063	6,523,501	5,711,063
Interest on long-term debt	803,733	835,511	1,543,859	1,583,551	2,347,592	2,419,062
Total expenses	<u>26,558,850</u>	<u>21,769,601</u>	<u>8,067,360</u>	<u>7,294,614</u>	<u>34,626,210</u>	<u>29,064,215</u>
Increase (decrease) in net assets before transfers	(2,022,361)	(235,020)	1,088,944	1,966,700	(933,417)	1,731,680
Transfers	981,016	875,616	(981,016)	(875,616)	-	-
Change in net assets	(1,041,345)	640,596	107,928	1,091,084	(933,417)	1,731,680
Net assets, beginning	84,954,620	45,274,726	24,522,191	23,431,107	109,476,811	68,705,833
Prior period adjustment	-	39,039,298	-	-	-	39,039,298
Net assets, ending	<u>\$ 83,913,275</u>	<u>\$ 84,954,620</u>	<u>\$ 24,630,119</u>	<u>\$ 24,522,191</u>	<u>\$ 108,543,394</u>	<u>\$ 109,476,811</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,522,040. Approximately 66% of this amount (\$8,911,147) is unreserved, undesignated fund balance; however, \$5.9 million is set aside for the 90-day operating reserve, as set forth in the City's financial policies. \$4,610,893 is reserved or designated as follows:

Reserves (72%)

- Encumbrances \$1,169,061
- Prepaid expense 74,323
- Debt service 2,104,376

Designations (6%)

- Projects \$266,243

Legally restricted (22%)

- Capital projects \$323,597
- Special revenue funds 643,223
- Permanent Funds 30,070

In the General Fund, fund balance decreased by \$313,456. This decrease is due to a decline in revenues in sales tax (\$127,667), fines and forfeitures (\$126,891) and investment earnings (\$587,071). Also, in September 2008, Hurricane Ike hit the Texas Gulf Coast and as a result the City incurred expenditures that are not 100% reimbursable by FEMA. In the Capital Projects Fund, fund balance decreased by \$3,189,686 as a result of capital outlay of \$3,259,523. In the Debt Service Fund, fund balance increased by \$291,056. This increase is due to an increase in property tax revenues (\$187,755).

Proprietary Fund

Unrestricted net assets of the respective proprietary funds are Enterprise, (water and sewer), \$4,227,253 and Internal Service Fund (vehicle replacement fund), \$469,460. The net assets of the water and sewer fund increased by \$107,928. The net assets of the internal service fund increased by \$91,933.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures from the original budget of \$1,653,891 or 8.59%. The majority of this increase was the appropriation of encumbrances (\$524,434) from the prior year, the property tax refund (\$56,335) and General Fund supported capital improvements (\$794,815).

CAPITAL ASSETS

The City of Friendswood's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2008, is \$134,406,056. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure, water rights and construction in progress.

This year's major capital events during the current fiscal year included the following:

- Completed construction of the Public Safety Building for a total of \$5.9 million.
- Continued construction of new Fire Station #4 for \$1.7 million. Prior year costs were \$93,222. The proposed project costs are \$2.2 million.
- Continued design phase of Glenshannon Drainage with current year costs of \$651,593 and prior year costs of \$277,385.
- Continued design phase of Clover Acres Drainage with current year costs of \$691,651 and prior cost of \$341,300.
- Design phases continued for the following water and sewer projects: Deepwood Force Main (\$316,446), Deepwood Lift Station Expansion (\$132,914) South Friendswood Force Main Diversion (\$78,000), Sunmeadow Lift Station \$322,000, 16" waterline from Sunset to water well #4 (\$328,080) and Blackhawk Blvd Waterline Replacement (\$235,000).
- City of Houston Southeast Water Purification Plant Expansion. The City's current year share of the project was \$9.6 million.

CITY OF FRIENDSWOOD'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 23,950,721	\$ 23,950,721	\$ 718,493	\$ 718,493	\$ 24,669,214	\$ 24,669,214
Buildings and improvements	17,733,705	12,866,845	-	-	17,733,705	12,866,845
Equipment	2,166,274	1,738,311	506,460	580,256	2,672,734	2,318,567
Infrastructure	36,636,913	38,209,424	25,814,124	27,120,313	62,451,037	65,329,737
Water rights	-	-	19,717,545	3,465,469	19,717,545	3,465,469
Construction in progress	<u>5,615,139</u>	<u>8,006,468</u>	<u>1,546,682</u>	<u>7,573,013</u>	<u>7,161,821</u>	<u>15,579,481</u>
Total capital assets	<u>\$ 86,102,752</u>	<u>\$ 84,771,769</u>	<u>\$ 48,303,304</u>	<u>\$ 39,457,544</u>	<u>\$ 134,406,056</u>	<u>\$ 124,229,313</u>

Additional information on the City's capital assets can be found in the notes on pages 43 and 44 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Friendswood had a total bonded debt and capital lease obligation of \$48,116,351.

CITY OF FRIENDSWOOD'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligations	\$ 16,065,000	\$ 16,660,000	\$ 1,680,000	\$ 2,375,000	\$ 17,745,000	\$ 19,035,000
Revenue bonds payable	-	-	30,355,000	30,515,000	30,355,000	30,515,000
Certificates of obligation	-	-	-	50,000	-	50,000
Capital leases	16,351	96,380	-	-	16,351	96,380
	<u>\$ 16,081,351</u>	<u>\$ 16,756,380</u>	<u>\$ 32,035,000</u>	<u>\$ 32,940,000</u>	<u>\$ 48,116,351</u>	<u>\$ 49,696,380</u>

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

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	A1	A+
Revenue Bonds	A2	A

Additional information on the City's outstanding debt can be found on pages 45 through 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The entire area surrounding Friendswood continues to experience unprecedented growth. The City's current population is estimated to be 35,500. Friendswood is expected to reach build out sometime before 2020 with an estimated population of 57,000. The City is continuing to focus on Economic Development initiatives, including the revitalization of downtown and a new 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 tax rate was increased .0033 cents from \$.5764 to \$.5797. This rate consists of a maintenance and operations (M&O) tax rate of \$.5097 and an Interest and Sinking (debt service) tax rate of \$.0700. The rate was set based on a net assessed value of \$2,242,178,295. This is an increase of \$107,602,055 in taxable value with \$82,052,532 or 76% resulting from new construction in the City. This additional value results in an M&O levy increase of \$694,211. The City's financial management policies, sets the guideline to maintain the fund balance and retained earnings 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's second largest source of revenue in the General Fund is Sales Tax. The City does not anticipate a change in this revenue stream from the prior year budget of \$3,750,000. Other significant general fund revenues are franchise fees, \$1,345,700 and municipal court fines, \$1,080,000. If all estimates are realized, the total General Fund unreserved fund balance is projected to be \$5.1 million at September 30, 2009.

Water revenues are budgeted at \$4,711,712, which is an additional \$473,543 in revenues, or 11%. Sewer revenues are budgeted at \$3,832,042. This represents an increase of \$370,086, or 10%. Water and sewer working capital is expected to be \$4.04 million at the end of fiscal year 2009.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances 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 Cindy S. Edge, 281-996-3224, or email cedge@ci.friendswood.tx.us.

**BASIC
FINANCIAL STATEMENTS**

CITY OF FRIENDSWOOD, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 14,214,362	\$ 3,456,088	\$ 17,670,450	\$ 47,793
Receivables:				
Taxes	1,390,034	-	1,390,034	741
Customer accounts	171,971	1,608,906	1,780,877	-
Other	319,850	28,103	347,953	-
Due from other governments	3,633,633	-	3,633,633	-
Prepaid items	74,323	1,706	76,029	4,313
Deferred charges	176,611	403,842	580,453	-
Restricted cash and investments	-	3,698,115	3,698,115	-
Net investment in joint venture	-	284,939	284,939	-
Deferred contributions	-	-	-	2,356,939
Capital assets:				
Land	23,950,721	718,493	24,669,214	-
Buildings and improvements	26,180,629	-	26,180,629	-
Machinery and equipment	7,750,474	3,063,036	10,813,510	-
Infrastructure	67,671,399	-	67,671,399	-
Water and wastewater system	-	45,799,462	45,799,462	-
Construction in progress	5,615,139	1,546,682	7,161,821	-
Water rights	-	19,717,545	19,717,545	-
Accumulated depreciation	(45,065,610)	(22,541,914)	(67,607,524)	-
Total capital assets, net of accumulated depreciation	<u>86,102,752</u>	<u>48,303,304</u>	<u>134,406,056</u>	<u>-</u>
Total assets	<u>106,083,536</u>	<u>57,785,003</u>	<u>163,868,539</u>	<u>2,409,786</u>
LIABILITIES				
Accounts payable	4,122,898	470,618	4,593,516	4,616
Accrued liabilities	1,093,369	51,160	1,144,529	-
Accrued interest	57,136	124,877	182,013	-
Customer deposits	-	277,324	277,324	-
Noncurrent liabilities:				
Due within one year	779,739	1,053,988	1,833,727	-
Due in more than one year	16,117,119	31,176,917	47,294,036	3,721,560
Total liabilities	<u>22,170,261</u>	<u>33,154,884</u>	<u>55,325,145</u>	<u>3,726,176</u>
NET ASSETS				
Invested in capital assets, net of related debt	70,591,236	20,375,620	90,966,856	-
Restricted for:				
Debt service	2,100,617	-	2,100,617	-
Public safety	299,035	-	299,035	-
Community development	374,258	-	374,258	-
Capital improvements	-	27,246	27,246	-
Unrestricted	<u>10,548,129</u>	<u>4,227,253</u>	<u>14,775,382</u>	<u>(1,316,390)</u>
Total net assets	<u>\$ 83,913,275</u>	<u>\$ 24,630,119</u>	<u>\$ 108,543,394</u>	<u>\$(1,316,390)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 4,339,620	\$ 1,178,523	\$ -	\$ -
Public safety	12,652,812	21,356	4,002,342	-
Community development and public works	4,921,298	838,060	6,061	-
Community services	3,841,387	132,244	13,505	-
Interest on long-term debt	<u>803,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>26,558,850</u>	<u>2,170,183</u>	<u>4,021,908</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>8,067,360</u>	<u>8,624,546</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>8,067,360</u>	<u>8,624,546</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 34,626,210</u>	<u>\$ 10,794,729</u>	<u>\$ 4,021,908</u>	<u>\$ -</u>
Component unit				
West Ranch Management District	<u>\$ 1,152,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 1,152,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property, levied for general purposes				
Property, levied for debt service				
Sales				
Franchise				
Other				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$(3,161,097)	\$ -	\$(3,161,097)	\$ -
(8,629,114)	-	(8,629,114)	-
(4,077,177)	-	(4,077,177)	-
(3,695,638)	-	(3,695,638)	-
(803,733)	-	(803,733)	-
(20,366,759)	-	(20,366,759)	-
-	557,186	557,186	-
-	557,186	557,186	-
(20,366,759)	557,186	(19,809,573)	-
-	-	-	(1,152,568)
-	-	-	(1,152,568)
10,897,831	-	10,897,831	-
1,615,119	-	1,615,119	75,216
3,767,526	-	3,767,526	-
1,317,166	-	1,317,166	-
25,429	-	25,429	-
648,301	531,758	1,180,059	93
73,026	-	73,026	-
981,016	(981,016)	-	-
19,325,414	(449,258)	18,876,156	75,309
(1,041,345)	107,928	(933,417)	(1,077,259)
84,954,620	24,522,191	109,476,811	(239,131)
\$ 83,913,275	\$ 24,630,119	\$ 108,543,394	\$(1,316,390)

CITY OF FRIENDSWOOD, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General Fund	2003 and 2005 Bond Construction	Debt Service	Other Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 10,455,267	\$ 511,173	\$ 2,094,651	\$ 686,012	\$ 13,747,103
Receivable, net of allowances for uncollectibles:					
Taxes	1,336,656	-	53,378	-	1,390,034
Customer accounts	140,607	-	-	31,364	171,971
Other	301,393	9	9,724	6,145	317,271
Due from other funds	-	675,469	-	-	675,469
Receivable from other governments	3,633,633	-	-	-	3,633,633
Prepaid items	74,323	-	-	-	74,323
	<u>15,941,879</u>	<u>1,186,651</u>	<u>2,157,753</u>	<u>723,521</u>	<u>20,009,804</u>
Total assets	\$ 15,941,879	\$ 1,186,651	\$ 2,157,753	\$ 723,521	\$ 20,009,804
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	3,640,789	435,255	-	46,476	4,122,520
Due to other funds	675,469	-	-	-	675,469
Accrued liabilities	871,598	221,694	-	77	1,093,369
Deferred revenue	539,354	-	53,377	3,675	596,406
	<u>5,727,210</u>	<u>656,949</u>	<u>53,377</u>	<u>50,228</u>	<u>6,487,764</u>
Total liabilities	5,727,210	656,949	53,377	50,228	6,487,764
Fund balances:					
Reserved for:					
Encumbrances	962,956	206,105	-	-	1,169,061
Prepaid items	74,323	-	-	-	74,323
Debt service	-	-	2,104,376	-	2,104,376
Unreserved, reported in:					
General fund:					
Designated for:					
Projects	266,243	-	-	-	266,243
Undesignated	8,911,147	-	-	-	8,911,147
Capital projects fund	-	323,597	-	-	323,597
Special revenue funds	-	-	-	643,223	643,223
Permanent fund	-	-	-	30,070	30,070
	<u>10,214,669</u>	<u>529,702</u>	<u>2,104,376</u>	<u>673,293</u>	<u>13,522,040</u>
Total fund balances	10,214,669	529,702	2,104,376	673,293	13,522,040
	<u>15,941,879</u>	<u>1,186,651</u>	<u>2,157,753</u>	<u>723,521</u>	
Total liabilities and fund balances	\$ 15,941,879	\$ 1,186,651	\$ 2,157,753	\$ 723,521	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,662,178
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	596,406
An Internal Service Fund is used by management to charge the costs of certain capital assets to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets.	910,034
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(16,777,383)
Net assets of governmental activities	<u>\$ 83,913,275</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2003 and 2005				Total Governmental Funds
	General Fund	Bond Construction	Debt Service	Other Funds	
REVENUES					
Property taxes	\$ 10,883,217	\$ -	\$ 1,612,935	\$ -	\$ 12,496,152
Sales taxes	3,792,955	-	-	-	3,792,955
Franchise taxes	1,317,166	-	-	-	1,317,166
Fines and forfeitures	1,108,598	-	-	53,305	1,161,903
Permits and fees	889,208	-	-	55,548	944,756
Intergovernmental	3,787,293	-	-	13,720	3,801,013
Investment earnings	467,627	79,835	76,268	15,672	639,402
Donations	30,920	-	-	234,615	265,535
Other	37,876	-	-	-	37,876
Total revenues	<u>22,314,860</u>	<u>79,835</u>	<u>1,689,203</u>	<u>372,860</u>	<u>24,456,758</u>
EXPENDITURES					
Current:					
General government	4,074,610	9,998	-	30,054	4,114,662
Public safety	12,234,821	-	-	169,924	12,404,745
Community development and public	3,045,904	-	-	-	3,045,904
Community services	3,266,250	-	-	-	3,266,250
Capital outlay	1,080,023	3,259,523	-	-	4,339,546
Debt service:					
Principal	-	-	694,555	80,029	774,584
Interest and other charges	-	-	703,592	544	704,136
Total expenditures	<u>23,701,608</u>	<u>3,269,521</u>	<u>1,398,147</u>	<u>280,551</u>	<u>28,649,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(1,386,748)	(3,189,686)	291,056	92,309	(4,193,069)
OTHER FINANCING SOURCES (USES)					
Proceeds on sale of capital assets	22,600	-	-	-	22,600
Insurance recoveries	63,106	-	-	-	63,106
Transfers in	992,586	-	-	-	992,586
Transfers out	(5,000)	-	-	(6,570)	(11,570)
Total other financing sources and uses	<u>1,073,292</u>	<u>-</u>	<u>-</u>	<u>(6,570)</u>	<u>1,066,722</u>
NET CHANGE IN FUND BALANCES	(313,456)	(3,189,686)	291,056	85,739	(3,126,347)
FUND BALANCES, BEGINNING	<u>10,528,125</u>	<u>3,719,388</u>	<u>1,813,320</u>	<u>587,554</u>	<u>16,648,387</u>
FUND BALANCES, ENDING	<u>\$ 10,214,669</u>	<u>\$ 529,702</u>	<u>\$ 2,104,376</u>	<u>\$ 673,293</u>	<u>\$ 13,522,040</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRIENDSWOOD, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Amounts reported for governmental activities in the Statement of Activities (pages 19 - 20) are different because:

Net change in fund balances - total governmental funds (page 22)	\$(3,126,347)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,348,900
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,726
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net affect of these differences in the treatment of long-term debt and related items.	682,611
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(46,168)
Internal Service Funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>91,933</u>
Change in net assets of governmental activities (pages 19 - 20)	<u><u>\$(1,041,345)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 10,705,967	\$ 10,705,967	\$ 10,883,217	\$ 177,250
Sales taxes	3,763,000	3,763,000	3,792,955	29,955
Franchise taxes	1,211,000	1,211,000	1,317,166	106,166
Fines and forfeitures	1,118,699	1,118,699	1,108,598	(10,101)
Permits and fees	787,709	796,829	889,208	92,379
Intergovernmental	209,286	381,585	3,787,293	3,405,708
Interest on investments	462,481	462,481	467,627	5,146
Donations	-	12,138	30,920	18,782
Other	8,300	17,314	37,876	20,562
Total revenues	<u>18,266,442</u>	<u>18,469,013</u>	<u>22,314,860</u>	<u>3,845,847</u>
EXPENDITURES				
Current:				
General government	4,544,678	4,355,552	4,100,892	254,660
Public safety	7,970,290	8,608,576	12,240,685	(3,632,109)
Community development and public works	3,621,332	4,236,467	3,801,510	434,957
Community services	3,115,878	3,705,474	3,558,521	146,953
Total expenditures	<u>19,252,178</u>	<u>20,906,069</u>	<u>23,701,608</u>	<u>(2,795,539)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(985,736)</u>	<u>(2,437,056)</u>	<u>(1,386,748)</u>	<u>1,050,308</u>
OTHER FINANCING SOURCES				
Proceeds on sale of capital assets	-	-	22,600	22,600
Insurance recoveries	-	28,484	63,106	34,622
Transfers in	986,016	992,586	992,586	-
Transfers out	-	(5,000)	(5,000)	-
Total other financing sources	<u>986,016</u>	<u>1,016,070</u>	<u>1,073,292</u>	<u>57,222</u>
NET CHANGE IN FUND BALANCES	280	(1,420,986)	(313,456)	1,107,530
FUND BALANCES, BEGINNING	<u>10,528,125</u>	<u>10,528,125</u>	<u>10,528,125</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 10,528,405</u>	<u>\$ 9,107,139</u>	<u>\$ 10,214,669</u>	<u>\$ 1,107,530</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSWOOD, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	Business-type Activities Enterprise Fund Water and Sewer	Governmental Activities Internal Service
ASSETS		
Current assets:		
Cash and investment:	\$ 3,456,088	\$ 467,259
Accounts receivable, net of allowance		
Customer accounts	1,608,906	-
Other	28,103	2,579
Prepaid expense:	1,706	-
Restricted cash and investments	3,698,115	-
Total current assets	8,792,918	469,838
Non-current assets		
Net investment in joint venture	284,939	-
Deferred charges:	403,842	-
Capital assets:		
Land	718,493	-
Machinery and equipment	3,063,036	1,262,995
Water and wastewater system	45,799,462	-
Construction in progress:	1,546,682	-
Water rights	19,717,545	-
Accumulated depreciation	(22,541,914)	(822,421)
Total capital assets	48,303,304	440,574
Total noncurrent assets	48,992,085	440,574
Total assets	57,785,003	910,412
LIABILITIES		
Current liabilities:		
Accounts payable	470,618	378
Accrued liabilities:	51,160	-
Accrued interest:	124,877	-
Customer deposits:	277,324	-
Compensated absence:	15,028	-
Bonds payable	1,038,960	-
Total current liabilities	1,977,967	378
Non-current liabilities		
Compensated absence:	60,111	-
Bonds payable	31,116,806	-
Total non-current liabilities	31,176,917	-
Total liabilities	33,154,884	378
NET ASSETS		
Invested in capital assets, net of related debt	20,375,620	440,574
Restricted for capital improvement	27,246	-
Unrestricted	4,227,253	469,460
Total net assets	\$ 24,630,119	\$ 910,034

The accompanying notes are an integral part of these financial statements.

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service</u>
OPERATING REVENUES		
Charges for services	\$ 8,624,546	\$ 316,651
Total operating revenues	<u>8,624,546</u>	<u>316,651</u>
OPERATING EXPENSES		
Personnel services	1,388,835	-
Wastewater operations	1,343,348	-
Water purchases	837,339	-
Repairs and maintenance	775,136	-
Supplies	175,089	87,005
Other services and charges	623,769	-
Depreciation	<u>1,379,985</u>	<u>163,448</u>
Total operating expenses	<u>6,523,501</u>	<u>250,453</u>
OPERATING INCOME	<u>2,101,045</u>	<u>66,198</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	531,758	8,899
Gain on sale of capital assets	-	16,836
Interest expense and fiscal charges	<u>(1,543,859)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,012,101)</u>	<u>25,735</u>
INCOME BEFORE TRANSFERS	1,088,944	91,933
TRANSFERS IN	5,000	-
TRANSFERS OUT	<u>(986,016)</u>	<u>-</u>
CHANGE IN NET ASSETS	107,928	91,933
TOTAL NET ASSETS, BEGINNING	<u>24,522,191</u>	<u>818,101</u>
TOTAL NET ASSETS, ENDING	<u>\$ 24,630,119</u>	<u>\$ 910,034</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>	Governmental Activities - Internal <u>Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 8,310,607	\$ 316,651
Cash paid to suppliers for goods and services	(1,357,998)	-
Cash paid to employees for services	<u>(10,441,959)</u>	<u>(94,528)</u>
Net cash provided (used) by operating activities	<u>(3,489,350)</u>	<u>222,123</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(986,016)</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>(981,016)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	18,233
Acquisition of capital assets	(10,225,745)	(146,928)
Principal paid on bonds	(905,000)	-
Interest and fiscal charges paid on debt	<u>(1,529,037)</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(12,659,782)</u>	<u>(128,695)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	<u>531,758</u>	<u>8,899</u>
Net cash provided by investing activities	<u>531,758</u>	<u>8,899</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,598,390)	102,327
CASH AND CASH EQUIVALENTS, BEGINNING	<u>23,752,593</u>	<u>364,932</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 7,154,203</u>	<u>\$ 467,259</u>
(Including \$3,698,115 for water and sewer reported as restricted assets)		

(continued)

CITY OF FRIENDSWOOD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>	<u>Governmental Activities - Internal Service</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 2,101,045	\$ 66,198
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,379,985	163,448
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	(402,679)	-
Other receivable	85,075	(1,128)
Prepaid and other assets	21,961	-
Investment in joint venture	(3,133)	-
Increase (decrease) in liabilities:		
Accounts payable	(6,706,106)	(6,395)
Accrued liabilities	30,837	-
Customer deposits	<u>3,665</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ (3,489,350)</u></u>	<u><u>\$ 222,123</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSWOOD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Friendswood, Texas (the City) was incorporated on October 15, 1960. The City charter provides for a City Council-City Manager form of government. The Mayor and six Council Members are elected from the City at large serving three-year terms. Currently, the City charter provides for a Council term limitation of three 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 presides 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 (the District) has been included in the City's reporting entity as a discretely presented component unit. 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 generally 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 financially 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 their 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, a discretely presented component unit, was created under Section 59, Article XVI of the Texas Constitution added by an Act of the 79th Legislature of the State of Texas, effective June 17, 2005, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapter 49 and 54 of the Texas Water 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 three directors from a list of persons nominated by the Board and appointed by the City Council and two directors appointed by the City Council. The City is financially accountable for the District because City Council must approve any debt issuances. An audit of the District's financial statements for the fiscal year ended July 31, 2007, was conducted by another auditor. Complete financial statements from the component may be obtained at the District's administrative office.

As indicated in Note 4, the City participates in a joint venture (Blackhawk Regional Waste Treatment Plant) with three other entities, under the authority of the Gulf Coast Waste Disposal Authority. This venture is accounted for under the equity method in the City's Enterprise Fund.

B. Government-wide Fund Financial Statements

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements (Continued)

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 operational 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.

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 *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial 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 considers 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 so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The ***2003 and 2005 Bond Construction Fund*** is used to account for the construction of public safety facilities, and park, streets and drainage improvements that are funded by the Permanent Improvement Bonds, Series 2003 and 2005.

The ***Debt Service Fund*** is used to account for the property taxes levied for payment of principal and interest on all governmental debt of the City.

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 vehicle management services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 Funds are charges to customers for sales and services. Operating expenses for the Enterprise Fund and Internal Service Funds 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

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 two privately managed public funds investment pools (Lone Star and MBIA). Other investments consist mainly of U. S. government treasury bills, treasury notes and other U. S. government obligations. The restricted cash and investments are the assets restricted for specific use. The restricted cash includes cash on deposit with financial institutions and TexPool.

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

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 have been reclassified and are reflected as interfund accounts payable. Interest income and interest expense are allocated to each respective individual fund monthly 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.

Receivables and 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) or "advances to/from other funds" (i.e., the noncurrent 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2008.

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 the City's Tax Assessor/Collector. 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 \$0.5764 per \$100 of assessed valuation that were prorated between operations and debt service in the amounts of \$0.5016 and \$0.0748, respectively. The resulting tax levies were approximately \$10.8 and \$1.6 million for operations and debt service, respectively, based on a total taxable valuation of approximately \$2.8 billion for the 2007 tax year.

At an election held November 8, 2005, voters of the West Ranch Management District, a discretely presented component unit, authorized a maintenance tax not to exceed \$0.65 per \$100 valuation on all property within the District subject to taxation. The District levied an ad valorem maintenance tax at the rate of \$0.6500 per \$100 of assessed valuation for the 2007 tax year. The maintenance tax is being used by the District to pay operating expenditures.

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.

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.

Deferred Contributions

Deferred contributions include the costs of land and infrastructure within the West Ranch Management District that will be contributed upon completion to the primary government. Upon completion of the project, these assets will be transferred to the primary government and expensed in the Statement of Activities.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Deferred Contributions (Continued)

The District approved a contract with the City effective August 15, 2005. 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 detention facilities to serve the District. Pursuant to the contract, the District shall have a security interest therein until all bonds issued by the District are retired.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure, and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-10
Water and sewer system	40-50
Streets, sidewalks and drainage	40-50

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 are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-term Obligations

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 assets. Bond premiums and discounts, as well as issuance costs, 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 costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$16,777,383 difference are as follows:

Premium on bonds	\$	136,478
General obligation bonds		16,065,000
Deferred charges for issuance costs (to be amortized over life of debt)	(176,611)
Capitalized lease obligations		16,351
Accrued interest payable		57,136
Compensated absences		<u>679,029</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u>16,777,383</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” Another element is in the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold. The details of this \$1,348,900 difference are as follows:

Capital outlay	\$	4,413,054
Depreciation expense	(2,944,356)
Loss on sale of assets	(<u>119,798</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u>1,348,900</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$7,726 difference are as follows:

Property taxes	\$ 16,798
Court fines	(9,072)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>7,726</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$682,611 difference are as follows:

Principal repayments:	
General obligation debt	\$ 595,000
Capital lease	80,029
Amortization of premium on bonds	<u>7,582</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>682,611</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(46,168) difference are as follows:

Compensated absences	\$(38,544)
Accrued interest	2,188
Amortization of issuance costs	<u>(9,812)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(<u>46,168</u>)

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General, Fire/EMS Donations Special Revenue, and Debt Service Funds and are prepared on a basis consistent with generally accepted accounting principles (GAAP) at the departmental level, the legal level of budgetary control. An annual non-appropriated budget is adopted for the City's Water and Sewer Enterprise Fund on a non-GAAP basis for managerial control. Project length budgets are adopted for Capital Projects Funds and amended on an annual basis to reflect the uncompleted portion of the projects.

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. The Council shall adopt the budget by ordinance on one reading on or before the 15th day of September or as soon thereafter as practical. 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. If, during the fiscal year, the City Manager certifies that there are funds available for appropriation, revenue in excess of those estimated in the budget, the Council may make supplemental appropriation for the year up to the amount of such excess.

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 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.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force under the purpose for which it was made until it has been accomplished or abandoned. The purpose of any such appropriation shall be deemed abandoned if three years pass without disbursement from or encumbrance of the appropriation.

(continued)

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to serve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances lapse at year-end and are reappropriated in the ensuing year's budget.

Excess of Expenditures Over Appropriations

During the 2008 fiscal year, expenditures exceeded appropriations in the following departments (the legal level of compliance):

General Fund:	
General government - Mayor and Council	\$ 94,617
General government - City Manager	12,049
General government - tax	62,335
Public safety - police services	196,381
Public safety - communications	44,146
Public safety - fire and EMS	3,424,449
Community development and public works - sanitation	809
Community services - administration	8,172
Community services - swimming pool	11,326

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
MBIA Class	\$ 6,939,815	40
Lone Star	2,491,544	28
Tex Pool	2,745,234	44
U. S. Agency Securities:		
Freddie Mac	999,945	372
Federal Home Loan Bank	4,980,355	680
Fannie Mae	1,493,785	825
Federal Farm Credit Bank	495,479	328
Total U. S. Agency Securities	<u>7,969,564</u>	
Total portfolio	<u>\$ 20,146,157</u>	

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting 30% of its portfolio to be invested for a period of more than two years. As of September 30, 2008, all of the City's investments were invested for a period less than two years.

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 to it. 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, 2008, \$1,171,870 of the City's \$1,271,870 deposit balance was collateralized with securities held by the pledging financial institution in the City's name. The remaining balance, \$100,000 was covered by FDIC insurance.

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, 2008, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
MBIA Class	AAA	Fitch
Lone Star	AAAm	Standard & Poor's
TexPool	AAAm	Standard & Poor's
U. S. Agency Securities:		
Freddie Mac	Aaa	Moody's Investor Service
Federal Home Loan Bank	Aaa	Moody's Investor Service
Fannie Mae	Aaa	Moody's Investor Service
Federal Farm Credit Bank	Aaa	Moody's Investor Service

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

1. Obligations of the U. S., its 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 insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Section 2256.010, the Texas Government Code, in face amount not to exceed \$100,000;
3. No-load money market mutual funds; and
4. TexPool, Lone Star Investment Pool and MBIA Class.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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. Investments at year-end are representative of the types of investments maintained by the City during the year.

Receivables

Receivables as of year-end for the City's individual major funds, nonmajor funds in the aggregate and the Internal Service Fund including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Proprietary Funds		Total
	2003 and 2005				Water and Sewer	Internal Service	
	General	Bond Construction	Debt Service	Nonmajor			
Receivables:							
Property taxes	\$ 360,772	\$ -	\$ 59,308	\$ -	\$ -	\$ -	\$ 420,080
Sales taxes	680,945	-	-	-	-	-	680,945
Franchise taxes	331,017	-	-	-	-	-	331,017
Customer accounts	142,607	-	-	31,364	1,618,906	-	1,792,877
Accrued interest	56,154	-	9,724	2,463	22,135	2,579	93,055
Court fines	475,084	-	-	-	-	-	475,084
Other	53,716	9	-	3,682	5,968	-	63,375
Gross receivables	2,100,295	9	69,032	37,509	1,647,009	2,579	3,856,433
Less: allowance for uncollectibles	321,639	-	5,930	-	10,000	-	337,569
Net total receivables	\$ 1,778,656	\$ 9	\$ 63,102	\$ 37,509	\$ 1,637,009	\$ 2,579	\$ 3,518,864

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

	<u>Unavailable</u>
General Fund	
Delinquent property taxes	\$ 324,695
Court fines	203,541
Miscellaneous	<u>11,118</u>
Total General Fund	<u>539,354</u>
Court Security and Technology Fund	
Miscellaneous	<u>3,675</u>
Total Court Security and Technology Fund	<u>3,675</u>
Debt Service Fund	
Delinquent property taxes	<u>53,377</u>
Total Debt Service Fund	<u>53,377</u>
Total Governmental Funds	<u>\$ 596,406</u>

Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 23,950,721	\$ -	\$ -	\$ 23,950,721
Construction in progress	<u>8,006,468</u>	<u>4,191,404</u>	<u>6,582,733</u>	<u>5,615,139</u>
Total assets not being depreciated	<u>31,957,189</u>	<u>4,191,404</u>	<u>6,582,733</u>	<u>29,565,860</u>
Capital assets, being depreciated:				
Buildings and improvements	20,716,826	5,951,323	487,520	26,180,629
Machinery and equipment	6,965,542	926,293	141,361	7,750,474
Infrastructure	<u>67,671,399</u>	<u>-</u>	<u>-</u>	<u>67,671,399</u>
Total capital assets being depreciated	<u>95,353,767</u>	<u>6,877,616</u>	<u>628,881</u>	<u>101,602,502</u>
Less accumulated depreciation:				
Buildings and improvements	7,849,981	1,039,271	442,328	8,446,924
Machinery and equipment	5,227,231	496,022	139,053	5,584,200
Infrastructure	<u>29,461,975</u>	<u>1,572,511</u>	<u>-</u>	<u>31,034,486</u>
Total accumulated depreciation	<u>42,539,187</u>	<u>3,107,804</u>	<u>581,381</u>	<u>45,065,610</u>
Total capital assets being depreciated, net	<u>52,814,580</u>	<u>3,769,812</u>	<u>47,500</u>	<u>56,536,892</u>
Governmental activities capital assets, net	<u>\$ 84,771,769</u>	<u>\$ 7,961,216</u>	<u>\$ 6,630,233</u>	<u>\$ 86,102,752</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 718,493	\$ -	\$ -	\$ 718,493
Water rights	3,465,469	16,252,076	-	19,717,545
Construction in progress	<u>7,573,013</u>	<u>672,545</u>	<u>6,698,876</u>	<u>1,546,682</u>
Total assets not being depreciated	<u>11,756,975</u>	<u>16,924,621</u>	<u>6,698,876</u>	<u>21,982,720</u>
Capital assets, being depreciated:				
Machinery and equipment	3,063,036	-	-	3,063,036
Water and wastewater system	<u>45,799,462</u>	<u>-</u>	<u>-</u>	<u>45,799,462</u>
Total capital assets being depreciated	<u>48,862,498</u>	<u>-</u>	<u>-</u>	<u>48,862,498</u>
Less accumulated depreciation:				
Machinery and equipment	2,482,780	73,796	-	2,556,576
Water and wastewater system	<u>18,679,149</u>	<u>1,306,189</u>	<u>-</u>	<u>19,985,338</u>
Total accumulated depreciation	<u>21,161,929</u>	<u>1,379,985</u>	<u>-</u>	<u>22,541,914</u>
Total capital assets being depreciated, net	<u>27,700,569</u>	<u>(1,379,985)</u>	<u>-</u>	<u>26,320,584</u>
Business-type activities capital assets, net	<u>\$ 39,457,544</u>	<u>\$ 15,544,636</u>	<u>\$ 6,698,876</u>	<u>\$ 48,303,304</u>

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

Governmental activities:	
General government	\$ 172,250
Public safety	321,575
Community development and public works	1,875,394
Community services	575,137
Capital assets held by the City's internal service fund are charged to the various functions based on their usage	<u>163,448</u>
Total depreciation expense - governmental activities	<u>\$ 3,107,804</u>
Business-type activities:	
Water and sewer	<u>\$ 1,379,985</u>
Total depreciation expense - business-type activities	<u>\$ 1,379,985</u>

Commitments for construction projects in progress were \$387,293 at September 30, 2008.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2003 and 2005 Bond Construction	General	\$ 675,469

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule briefly summarizes the City's transfer activity:

Interfund Transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Water and sewer	\$ 986,016	Fund indirect cost for administrative expenditures
Water and sewer	General	5,000	To fund miscellaenous projects
General	Parkland dedication	6,570	To fund miscellaenous projects

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.

Bonds Payable and Certificates of Obligation

A summary of the terms of 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, 2008, follows:

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Bonds Payable and Certificates of Obligation (Continued)

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
General Obligation Bonds				
2003 Permanent Improvement	2026	3.65%-5.50%	\$ 8,350,000	\$ -
2005 Permanent Improvement and Refunding	2020	2.85%-4.375%	7,715,000	1,680,000
			<u>16,065,000</u>	<u>1,680,000</u>
Revenue Bonds				
1999 Waterworks and Sewer System Revenue	2019	4.2%-5.55%	-	50,000
2000 Waterworks and Sewer System Revenue	2019	4.2%-6.5%	-	120,000
2001 Waterworks and Sewer System Revenue	2021	4.7%-6.5%	-	5,900,000
2006 Waterworks and Sewer System Revenue and Refunding Bond	2031	4.0%-5.0%	-	24,285,000
			<u>-</u>	<u>30,355,000</u>
Total Bonds and Certificates of Obligation			<u>\$ 16,065,000</u>	<u>\$ 32,035,000</u>

Annual debt service requirements for bonds and certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 620,000	\$ 670,243	\$ 1,030,000	\$ 1,474,137
2010	645,000	639,084	1,080,000	1,425,012
2011	675,000	606,806	1,135,000	1,372,424
2012	705,000	576,319	1,190,000	1,319,047
2013	730,000	547,881	1,240,000	1,266,689
2014-2018	4,090,000	2,262,737	7,075,000	5,459,330
2019-2023	5,025,000	1,318,372	7,720,000	3,676,339
2024-2028	3,575,000	235,751	7,860,000	1,804,895
2029-2032	-	-	<u>3,705,000</u>	<u>168,636</u>
Total	<u>\$ 16,065,000</u>	<u>\$ 6,857,193</u>	<u>\$ 32,035,000</u>	<u>\$ 17,966,509</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Prior Year Defeasance of Bonds

In prior years, 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, 2008, \$9,165,000 of bonds considered defeased is still outstanding.

Federal Arbitrage

General obligation bonds, combination tax and revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

Obligations Under Capital Leases

In prior years, the City 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>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 634,701
Less: accumulated depreciation	<u>634,701</u>
Total	<u>\$ -</u>

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

<u>Year Ending September 30,</u>	<u>Lease Obligation</u>
2009	\$ <u>16,553</u>
Total	16,553
Less interest portion	<u>202</u>
Obligations under capital leases	<u>\$ 16,351</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity of the primary government for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 16,660,000	\$ -	\$ 595,000	\$ 16,065,000	\$ 620,000
Premium on bond issuance	144,060	-	7,582	136,478	7,582
Capital lease obligations	96,380	-	80,029	16,351	16,351
Compensated absences	<u>640,485</u>	<u>605,398</u>	<u>566,854</u>	<u>679,029</u>	<u>135,806</u>
Governmental activities long-term liabilities	<u>\$ 17,540,925</u>	<u>\$ 605,398</u>	<u>\$ 1,249,465</u>	<u>\$ 16,896,858</u>	<u>\$ 779,739</u>
Business-type activities					
General obligation bonds	\$ 2,375,000	\$ -	\$ 695,000	\$ 1,680,000	\$ 815,000
Revenue bonds	30,515,000	-	160,000	30,355,000	215,000
Certificates of obligation	50,000	-	50,000	-	-
Premium on bond issuance	399,220	-	24,314	374,906	24,313
Loss on refunding	(269,493)	-	(15,353)	(254,140)	(15,353)
Compensated absences	<u>75,139</u>	<u>50,706</u>	<u>50,706</u>	<u>75,139</u>	<u>15,028</u>
Business-type activities long-term liabilities	<u>\$ 33,144,866</u>	<u>\$ 50,706</u>	<u>\$ 964,667</u>	<u>\$ 32,230,905</u>	<u>\$ 1,053,988</u>

The compensated absence liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Long-term liability activity of the West Ranch Management District for the year ended July 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component unit					
Developer advances	\$ 120,000	\$ 25,000	\$ -	\$ 145,000	\$ -
Due to developer construction	<u>1,782,350</u>	<u>1,794,210</u>	<u>-</u>	<u>3,576,560</u>	<u>-</u>
Component unit long-term liabilities	<u>\$ 1,902,350</u>	<u>\$ 1,819,210</u>	<u>\$ -</u>	<u>\$ 3,721,560</u>	<u>\$ -</u>

A developer of the West Ranch Management District has advanced \$145,000 to the District for operating expenses. The District has agreed to repay this amount plus interest. The District is currently unable to estimate when bonds will be issued to pay this liability.

Developers of the West Ranch Management District have constructed underground utilities and have made land improvements on behalf of the District. The District is maintaining and operating the land improvements and has conveyed the underground facilities to the City and has agreed to reimburse the developers for these construction costs and interest. The District estimates reimbursable costs for completed projects are \$3,576,560.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Restricted Assets

The balances of the restricted asset accounts in the Enterprise Fund are as follows:

Cash and investments:	
Customer deposits	\$ 277,324
Construction	63,976
Construction - 2006 bonds	<u>3,356,815</u>
 Total restricted assets	 <u>\$ 3,698,115</u>

Employee Retirement System

Plan Description

The City provides pension benefits for all of its fulltime employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007, valuation is effective for rates beginning January 2009).

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)
Payroll growth assumption	3.0%
Withdrawal rates for Male/Female	Mid-Low/Mid

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

Actuarial Valuation Date	12/31/07	12/31/06	12/31/05
Actuarial Value of Assets	\$ 20,112,856	\$ 18,730,279	\$ 18,436,890
Actuarial Accrued Liabilities	30,397,880	24,313,786	23,496,143
Percentage Funded	66.2%	77.0%	78.5%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	10,285,024	5,583,507	5,059,253
Annual Covered Payroll	8,429,619	7,998,107	7,639,184
UAAL as a Percentage of Covered Payroll	122.0%	69.8%	66.2%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost:			
Annual Required Contribution (ARC)	1,085,937	1,036,959	1,055,993
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	<u>1,085,937</u>	<u>1,036,959</u>	<u>1,066,293</u>
Contributions Made (100%)	1,085,937	1,036,959	1,066,293
Increase in NPO	<u>-</u>	<u>-</u>	<u>-</u>
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$6,050,291 and the funded ratio would have been 76.9%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

Deferred Compensation Plan

The City offers its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established by City ordinance that appointed ICMA Retirement Corporation as plan administrator. The City's fiduciary responsibility is to remit employee deferred compensation to the administrator on a regular basis. The deferred compensation is not available to employees until termination, retirement, death, or emergency.

Postemployment Health Care

In addition to the pension benefits described above, the City Council established a medical, dental and vision insurance benefit plan for retirees. Eligible retirees will be provided insurance benefits at a set premium rate equal to the City employees' rate. Eligible retirees may also cover their eligible dependents. Retirees are responsible for paying the premiums. A retiree is defined as someone who is receiving lifetime monthly Texas Municipal Retirement System pension benefit payments and retired directly from active employment with the City of Friendswood. The City will stop insurance coverage on the retiree and dependent on the last day of the month until the retiree fails to submit the required set premium rate or death.

Currently, 13 retirees meet those eligibility requirements. Expenses for post-employment health care benefits are recognized on a pay-as-you-go basis. During the year, premiums paid by the retirees were \$22,543.

Southeast Water Purification Plant

The City has entered into a contract with the City of Houston for constructing, 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.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Southeast Water Purification Plant (Continued)

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 expense for the quarter just ended, recalculates the cost per one thousand gallons, and adjusts previous billings on the next invoice. As of September 30, 2008, the City has purchased water capacity with an indefinite life of \$19,717,545.

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

Blackhawk Regional Waste Treatment Plant

The City has entered into an arrangement with the Gulf Coast Waste Disposal Authority for the operation and maintenance of a joint treatment plant known as Blackhawk Regional Waste Treatment Plant. The City of Friendswood, the City of Houston, Harris County MUD No. 55, and the Baybrook MUD 1, (the "participants") share in the expense of operation and maintenance based on their respective usage on a monthly basis. The percentages of equity in the joint venture based on their respective capacity rights at September 30, 2008, are as follows:

City of Friendswood	52.47%
City of Houston	16.18%
Harris County MUD No. 55	20.27%
Baybrook MUD No. 1	<u>11.08%</u>
	<u>100.00%</u>

An annual budget for operations is submitted to the Gulf Coast Waste Disposal Authority each year. The Gulf Coast Waste Disposal Authority is the governing authority and consists of 9 members (3 appointed by the governor, 3 appointed by Harris County, Galveston County, and Chambers County, and 3 appointed by the participants).

Separate financial statements for the joint venture were available in the December 31, 2007, audited financial statements of the Gulf Coast Waste Disposal Authority and are summarized below:

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Joint Venture Blackhawk Regional Facility</u>
Total assets	\$ 5,559,091
Total liabilities	<u>(727,841)</u>
Total net assets	<u>\$ 4,831,250</u>
Total operating revenue	\$ 2,057,054
Total operating expenses	(2,517,716)
Total nonoperating revenue	37,598
Total nonoperating expenses	<u>(354)</u>
Net change in net assets	(423,418)
Net assets, beginning	<u>5,254,668</u>
Net assets, ending	<u>\$ 4,831,250</u>

Complete financial statements may be obtained at the Gulf Coast Waste Disposal Authority, 910 Bay Area Boulevard, Houston, Texas 77058.

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, 2008, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies. At year-end, the City did not have any significant claims.

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, 2008, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2008, employees of the City were covered by a health and dental insurance plan. Employees have the option to select either a HMO or a Point of Service (POS) plan. If an individual employee chooses to cover only themselves, the City pays 90% of the monthly premium. If an individual employee desires to cover themselves and their dependents, the City pays 70% of the monthly premium.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Contingent Liabilities

West Ranch Management District – Developer Reimbursements

A developer of the West Ranch Management District is constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs plus interest from the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the District. As of July 31, 2008, the District's engineer has stated that current construction contract amounts are approximately \$533,000. This amount has not been recorded in the financial statements since the facilities are neither complete nor operational.

Litigation

The City is a defendant in various lawsuits. The outcome and the impact of these lawsuits is not presently determinable.

Federal and State Programs

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. 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 can not be determined at this time although the City expects such amounts, if any, to be immaterial.

Economic Dependency

The West Ranch Management District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay property taxes.

Since inception, the developers have advanced \$145,000 to the District for operations. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the District's financial statements.

New Pronouncements

In July 2004, the GASB Issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for the fiscal year ending September 30, 2009. The City has not yet determined the effect this statement will have on its financial statements.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

The *General Fund* accounts for the resources used to finance the fundamental operations of the City. It is the basic fund of the City and covers all activities for which a separate fund has not been established.

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 10,705,967	\$ 10,705,967	\$ 10,883,217	\$ 177,250
Sales taxes	3,763,000	3,763,000	3,792,955	29,955
Franchise taxes	1,211,000	1,211,000	1,317,166	106,166
Fines and forfeitures	1,118,699	1,118,699	1,108,598	(10,101)
Permits and fees	787,709	796,829	889,208	92,379
Intergovernmental	209,286	381,585	3,787,293	3,405,708
Investment earnings	462,481	462,481	467,627	5,146
Donations	-	12,138	30,920	18,782
Other	8,300	17,314	37,876	20,562
Total revenues	<u>18,266,442</u>	<u>18,469,013</u>	<u>22,314,860</u>	<u>3,845,847</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor and council:				
Personnel services	299	299	-	299
Supplies	5,448	5,448	3,848	1,600
Other services and charges	<u>171,377</u>	<u>200,050</u>	<u>296,566</u>	<u>(96,516)</u>
Total mayor and council	<u>177,124</u>	<u>205,797</u>	<u>300,414</u>	<u>(94,617)</u>
City manager:				
Personnel services	396,455	552,907	570,045	(17,138)
Supplies	7,395	7,395	7,810	(415)
Other services and charges	71,552	91,737	87,451	4,286
Capital outlay	<u>25,000</u>	<u>27,500</u>	<u>26,282</u>	<u>1,218</u>
Total city manager	<u>500,402</u>	<u>679,539</u>	<u>691,588</u>	<u>(12,049)</u>
City secretary:				
Personnel services	317,211	333,563	336,969	(3,406)
Supplies	17,857	18,877	19,781	(904)
Other services and charges	<u>74,535</u>	<u>76,755</u>	<u>66,634</u>	<u>10,121</u>
Total city secretary	<u>409,603</u>	<u>429,195</u>	<u>423,384</u>	<u>5,811</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Administrative services:				
Personnel services	\$ 602,412	\$ 657,005	\$ 589,067	\$ 67,938
Supplies	5,663	5,663	5,359	304
Repairs and maintenance	129	129	-	129
Other services and charges	<u>209,697</u>	<u>216,390</u>	<u>147,295</u>	<u>69,095</u>
Total administrative services	<u>817,901</u>	<u>879,187</u>	<u>741,721</u>	<u>137,466</u>
Human resources:				
Personnel services	882,286	264,394	257,379	7,015
Supplies	14,723	14,723	13,471	1,252
Other services and charges	<u>85,033</u>	<u>85,033</u>	<u>44,593</u>	<u>40,440</u>
Total human resources	<u>982,042</u>	<u>364,150</u>	<u>315,443</u>	<u>48,707</u>
Tax:				
Other services and charges	<u>153,009</u>	<u>168,009</u>	<u>230,344</u>	<u>(62,335)</u>
Total tax	<u>153,009</u>	<u>168,009</u>	<u>230,344</u>	<u>(62,335)</u>
Economic development:				
Personnel services	107,731	119,421	120,136	(715)
Supplies	<u>117,517</u>	<u>150,017</u>	<u>91,008</u>	<u>59,009</u>
Total economic development	<u>225,248</u>	<u>269,438</u>	<u>211,144</u>	<u>58,294</u>
Municipal court:				
Personnel services	484,302	528,071	475,237	52,834
Supplies	26,889	26,889	19,823	7,066
Repairs and maintenance	1,437	1,437	104	1,333
Other services and charges	38,093	38,093	29,701	8,392
Capital outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total municipal court	<u>552,221</u>	<u>595,990</u>	<u>524,865</u>	<u>71,125</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Computer services:				
Personnel services	\$ 249,460	\$ 263,102	\$ 277,353	\$(14,251)
Supplies	50,195	50,195	31,258	18,937
Repairs and maintenance	78,970	78,970	59,810	19,160
Other services and charges	<u>257,017</u>	<u>273,044</u>	<u>209,786</u>	<u>63,258</u>
Total computer services	<u>635,642</u>	<u>665,311</u>	<u>578,207</u>	<u>87,104</u>
Risk management:				
Personnel services	66,943	74,393	73,437	956
Supplies	15,690	15,690	7,754	7,936
Other services and charges	<u>8,853</u>	<u>8,853</u>	<u>2,591</u>	<u>6,262</u>
Total risk management	<u>91,486</u>	<u>98,936</u>	<u>83,782</u>	<u>15,154</u>
Total general government	<u>4,544,678</u>	<u>4,355,552</u>	<u>4,100,892</u>	<u>254,660</u>
PUBLIC SAFETY				
Police services:				
Personnel services	4,528,336	4,843,215	5,009,096	(165,881)
Supplies	291,933	337,560	431,711	(94,151)
Repairs and maintenance	116,936	106,736	109,940	(3,204)
Other services and charges	353,040	385,181	398,049	(12,868)
Capital outlay	<u>85,587</u>	<u>85,587</u>	<u>5,864</u>	<u>79,723</u>
Total police services	<u>5,375,832</u>	<u>5,758,279</u>	<u>5,954,660</u>	<u>(196,381)</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Communications:				
Personnel services	\$ 754,718	\$ 792,939	\$ 837,489	\$(44,550)
Supplies	8,813	11,813	13,269	(1,456)
Repairs and maintenance	3,903	3,903	3,840	63
Other services and charges	<u>11,932</u>	<u>9,697</u>	<u>7,900</u>	<u>1,797</u>
Total communications	<u>779,366</u>	<u>818,352</u>	<u>862,498</u>	<u>(44,146)</u>
Animal control:				
Personnel services	192,178	201,919	167,279	34,640
Supplies	19,540	20,641	20,233	408
Repairs and maintenance	2,304	2,304	5,013	(2,709)
Other services and charges	<u>14,464</u>	<u>14,464</u>	<u>13,936</u>	<u>528</u>
Total animal control	<u>228,486</u>	<u>239,328</u>	<u>206,461</u>	<u>32,867</u>
Fire and EMS:				
Personnel services	401,001	451,617	854,856	(403,239)
Supplies	20,102	122,228	192,560	(70,332)
Repairs and maintenance	8,865	8,865	8,184	681
Other services and charges	1,156,638	1,167,623	4,161,466	(2,993,843)
Capital outlay	<u>-</u>	<u>42,284</u>	<u>-</u>	<u>42,284</u>
Total fire and EMS	<u>1,586,606</u>	<u>1,792,617</u>	<u>5,217,066</u>	<u>(3,424,449)</u>
Total public safety	<u>7,970,290</u>	<u>8,608,576</u>	<u>12,240,685</u>	<u>(3,632,109)</u>
COMMUNITY DEVELOPMENT AND PUBLIC WORKS				
Administration:				
Personnel services	608,440	604,291	574,860	29,431
Supplies	7,761	8,011	3,394	4,617
Repairs and maintenance	618	618	100	518
Other services and charges	<u>15,942</u>	<u>46,035</u>	<u>43,409</u>	<u>2,626</u>
Total administration	<u>632,761</u>	<u>658,955</u>	<u>621,763</u>	<u>37,192</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
COMMUNITY DEVELOPMENT AND PUBLIC WORKS (Continued)				
Planning and zoning:				
Personnel services	\$ 109,260	\$ 118,936	\$ 118,262	\$ 674
Supplies	2,880	2,880	1,669	1,211
Other services and charges	<u>9,981</u>	<u>26,451</u>	<u>9,365</u>	<u>17,086</u>
Total planning and zoning	<u>122,121</u>	<u>148,267</u>	<u>129,296</u>	<u>18,971</u>
Engineering:				
Personnel services	59,833	59,107	55,362	3,745
Supplies	2,369	2,369	1,254	1,115
Repairs and maintenance	515	515	314	201
Other services and charges	<u>9,634</u>	<u>35,834</u>	<u>31,424</u>	<u>4,410</u>
Total engineering	<u>72,351</u>	<u>97,825</u>	<u>88,354</u>	<u>9,471</u>
Inspection:				
Personnel services	324,251	339,892	317,953	21,939
Supplies	12,996	12,996	12,797	199
Repairs and maintenance	1,133	1,133	837	296
Other services and charges	<u>57,518</u>	<u>67,142</u>	<u>15,870</u>	<u>51,272</u>
Total inspection	<u>395,898</u>	<u>421,163</u>	<u>347,457</u>	<u>73,706</u>
Streets:				
Personnel services	407,589	414,059	422,257	(8,198)
Supplies	61,678	61,678	69,022	(7,344)
Repairs and maintenance	636,857	626,810	599,240	27,570
Other services and charges	427,295	427,295	443,044	(15,749)
Capital outlay	<u>515,000</u>	<u>887,467</u>	<u>755,606</u>	<u>131,861</u>
Total streets	<u>2,048,419</u>	<u>2,417,309</u>	<u>2,289,169</u>	<u>128,140</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
COMMUNITY DEVELOPMENT AND PUBLIC WORKS (Continued)				
Drainage:				
Personnel services	\$ 291,781	\$ 298,668	\$ 271,755	\$ 26,913
Supplies	6,529	6,529	3,776	2,753
Repairs and maintenance	45,281	45,281	13,370	31,911
Other services and charges	6,191	25,163	32,011	(6,848)
Capital outlay	-	113,557	-	113,557
Total drainage	<u>349,782</u>	<u>489,198</u>	<u>320,912</u>	<u>168,286</u>
Sanitation:				
Other services and charges	-	3,750	4,559	(809)
Total sanitation	<u>-</u>	<u>3,750</u>	<u>4,559</u>	<u>(809)</u>
Total community development and public works	<u>3,621,332</u>	<u>4,236,467</u>	<u>3,801,510</u>	<u>434,957</u>
COMMUNITY SERVICES				
Administration:				
Personnel services	158,700	166,025	169,651	(3,626)
Supplies	3,679	3,679	3,403	276
Other services and charges	<u>21,475</u>	<u>26,475</u>	<u>31,297</u>	<u>(4,822)</u>
Total administration	<u>183,854</u>	<u>196,179</u>	<u>204,351</u>	<u>(8,172)</u>
Library:				
Personnel services	683,607	718,038	713,835	4,203
Supplies	152,635	168,440	159,539	8,901
Repairs and maintenance	2,575	2,575	-	2,575
Other services and charges	<u>25,212</u>	<u>24,712</u>	<u>24,412</u>	<u>300</u>
Total library	<u>864,029</u>	<u>913,765</u>	<u>897,786</u>	<u>15,979</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				(Negative)
EXPENDITURES (Continued)				
COMMUNITY SERVICES (Continued)				
Parks and recreation:				
Personnel services	\$ 581,923	\$ 580,388	\$ 593,106	\$(12,718)
Supplies	102,984	88,409	97,319	(8,910)
Repairs and maintenance	89,857	98,492	108,955	(10,463)
Other services and charges	524,990	538,845	498,771	40,074
Capital outlay	<u>60,000</u>	<u>138,456</u>	<u>85,949</u>	<u>52,507</u>
Total parks and recreation	<u>1,359,754</u>	<u>1,444,590</u>	<u>1,384,100</u>	<u>60,490</u>
Swimming pool:				
Personnel services	44,275	49,339	45,414	3,925
Supplies	34,256	36,037	29,167	6,870
Repairs and maintenance	11,623	11,623	11,150	473
Other services and charges	<u>23,909</u>	<u>23,909</u>	<u>46,503</u>	<u>(22,594)</u>
Total swimming pool	<u>114,063</u>	<u>120,908</u>	<u>132,234</u>	<u>(11,326)</u>
Building operations:				
Personnel services	-	-	4	(4)
Supplies	19,401	20,151	19,345	806
Repairs and maintenance	84,485	97,135	99,796	(2,661)
Other services and charges	456,292	496,157	614,583	(118,426)
Capital outlay	<u>34,000</u>	<u>416,589</u>	<u>206,322</u>	<u>210,267</u>
Total building operations	<u>594,178</u>	<u>1,030,032</u>	<u>940,050</u>	<u>89,982</u>
Total community services	<u>3,115,878</u>	<u>3,705,474</u>	<u>3,558,521</u>	<u>146,953</u>
Total expenditures	<u>19,252,178</u>	<u>20,906,069</u>	<u>23,701,608</u>	<u>(2,795,539)</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$(985,736)	\$(2,437,056)	\$(1,386,748)	\$ 1,050,308
OTHER FINANCING SOURCES (USES)				
Proceeds on sale of capital assets	-	-	22,600	22,600
Insurance recoveries	-	28,484	63,106	34,622
Transfers in	986,016	992,586	992,586	-
Transfers out	-	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>986,016</u>	<u>1,016,070</u>	<u>1,073,292</u>	<u>57,222</u>
NET CHANGE IN FUND BALANCES	280	(1,420,986)	(313,456)	1,107,530
FUND BALANCES, BEGINNING	<u>10,528,125</u>	<u>10,528,125</u>	<u>10,528,125</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 10,528,405</u>	<u>\$ 9,107,139</u>	<u>\$ 10,214,669</u>	<u>\$ 1,107,530</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular 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 expenditures.

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

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. Those who pay citations at the Friendswood Municipal Court contribute to these fees.

PERMANENT FUND

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 the City's parks.

CITY OF FRIENDSWOOD, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue			
	Police Investigation	Fire/EMS Donation	Park Land Dedication	Court Security and Technology
ASSETS				
Cash and investments	\$ 14,136	\$ 53,661	\$ 346,162	\$ 242,147
Receivable, net of allowances for uncollectibles:				
Customer accounts	-	31,364	-	-
Other	<u>72</u>	<u>301</u>	<u>1,926</u>	<u>3,682</u>
Total assets	<u>\$ 14,208</u>	<u>\$ 85,326</u>	<u>\$ 348,088</u>	<u>\$ 245,829</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,559	\$ 41,017	\$ 3,900	\$ -
Deferred revenue	-	-	-	3,675
Other accrued expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>
Total liabilities	<u>1,559</u>	<u>41,017</u>	<u>3,900</u>	<u>3,752</u>
Fund balances:				
Unreserved	<u>12,649</u>	<u>44,309</u>	<u>344,188</u>	<u>242,077</u>
Total fund balances	<u>12,649</u>	<u>44,309</u>	<u>344,188</u>	<u>242,077</u>
Total liabilities and fund balances	<u>\$ 14,208</u>	<u>\$ 85,326</u>	<u>\$ 348,088</u>	<u>\$ 245,829</u>

<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>1776 Park</u>	
\$ 29,906	\$ 686,012
-	31,364
<u>164</u>	<u>6,145</u>
<u>\$ 30,070</u>	<u>\$ 723,521</u>
\$ -	\$ 46,476
-	3,675
<u>-</u>	<u>77</u>
<u>-</u>	<u>50,228</u>
<u>30,070</u>	<u>673,293</u>
<u>30,070</u>	<u>673,293</u>
<u>\$ 30,070</u>	<u>\$ 723,521</u>

CITY OF FRIENDSWOOD, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue			
	Police Investigation	Fire/EMS Donation	Park Land Dedication	Court Security and Technology
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 53,305
Permits and fees	-	-	55,548	-
Intergovernmental	13,720	-	-	-
Investment earnings	764	1,241	12,498	-
Donations	-	234,615	-	-
Total revenues	14,484	235,856	68,046	53,305
EXPENDITURES				
Current:				
General government	-	-	-	30,054
Public safety	15,551	154,373	-	-
Debt service:				
Principal	-	80,029	-	-
Interest and other charges	-	544	-	-
Total expenditures	15,551	234,946	-	30,054
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,067)	910	68,046	23,251
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(6,570)	-
Total other financing sources and uses	-	-	(6,570)	-
NET CHANGE IN FUND BALANCES	(1,067)	910	61,476	23,251
FUND BALANCES, BEGINNING	13,716	43,399	282,712	218,826
FUND BALANCES, ENDING	\$ 12,649	\$ 44,309	\$ 344,188	\$ 242,077

<u>Permanent</u>	
<u>1776 Park</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 53,305
-	55,548
-	13,720
1,169	15,672
-	<u>234,615</u>
<u>1,169</u>	<u>372,860</u>
-	30,054
-	169,924
-	80,029
-	<u>544</u>
<u>-</u>	<u>280,551</u>
<u>1,169</u>	<u>92,309</u>
<u>-</u>	<u>(6,570)</u>
<u>-</u>	<u>(6,570)</u>
1,169	85,739
<u>28,901</u>	<u>587,554</u>
<u>\$ 30,070</u>	<u>\$ 673,293</u>

CITY OF FRIENDSWOOD, TEXAS

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

FIRE/EMS DONATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 1,200	\$ 1,241	\$ 41
Donations	<u>141,052</u>	<u>234,615</u>	<u>93,563</u>
Total revenues	<u>142,252</u>	<u>235,856</u>	<u>93,604</u>
EXPENDITURES			
Current:			
Public safety	-	154,373	(154,373)
Debt service:			
Principal	134,257	80,029	54,228
Interest and fiscal charges	<u>7,995</u>	<u>544</u>	<u>7,451</u>
Total expenditures	<u>142,252</u>	<u>234,946</u>	<u>(92,694)</u>
NET CHANGE IN FUND BALANCES	-	910	910
FUND BALANCES, BEGINNING	<u>43,399</u>	<u>43,399</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 43,399</u>	<u>\$ 44,309</u>	<u>\$ 910</u>

CITY OF FRIENDSWOOD, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,597,730	\$ 1,612,935	\$ 15,205
Interest on investments	<u>50,000</u>	<u>76,268</u>	<u>26,268</u>
Total revenues	<u>1,647,730</u>	<u>1,689,203</u>	<u>41,473</u>
EXPENDITURES			
Debt service:			
Principal	972,269	694,555	277,714
Interest and fiscal charges	<u>801,697</u>	<u>703,592</u>	<u>98,105</u>
Total expenditures	<u>1,773,966</u>	<u>1,398,147</u>	<u>375,819</u>
NET CHANGE IN FUND BALANCES	(126,236)	291,056	417,292
FUND BALANCES, BEGINNING	<u>1,813,320</u>	<u>1,813,320</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>1,687,084</u>	\$ <u>2,104,376</u>	\$ <u>417,292</u>

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

This part of the City of Friendswood, Texas' 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

	Page
Financial Trends	70
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	76
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	
Debt Capacity	80
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	85
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	87
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the 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 ASSETS BY COMPONENT

LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 49,742,075	\$ 29,632,831	\$ 32,533,863	\$ 32,849,446	\$ 71,777,140	\$ 70,591,236
Restricted	585,080	1,271,568	1,576,829	2,034,157	2,391,482	2,773,910
Unrestricted	<u>5,468,870</u>	<u>7,125,997</u>	<u>7,527,573</u>	<u>10,391,123</u>	<u>10,785,998</u>	<u>10,548,129</u>
Total governmental activities net assets	<u>\$ 55,796,025</u>	<u>\$ 38,030,396</u>	<u>\$ 41,638,265</u>	<u>\$ 45,274,726</u>	<u>\$ 84,954,620</u>	<u>\$ 83,913,275</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 17,656,296	\$ 17,174,525	\$ 16,823,526	\$ 16,815,130	\$ 16,884,376	\$ 20,375,620
Restricted	305,660	444,548	445,086	41,057	162,218	27,246
Unrestricted	<u>4,058,223</u>	<u>4,337,137</u>	<u>5,228,802</u>	<u>6,574,920</u>	<u>7,475,597</u>	<u>4,227,253</u>
Total business-type activities net assets	<u>\$ 22,020,179</u>	<u>\$ 21,956,210</u>	<u>\$ 22,497,414</u>	<u>\$ 23,431,107</u>	<u>\$ 24,522,191</u>	<u>\$ 24,630,119</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 67,398,371	\$ 46,807,356	\$ 49,357,389	\$ 49,664,576	\$ 88,661,516	\$ 90,966,856
Restricted	890,740	1,716,116	2,021,915	2,075,214	2,553,700	2,801,156
Unrestricted	<u>9,527,093</u>	<u>11,463,134</u>	<u>12,756,375</u>	<u>16,966,043</u>	<u>18,261,595</u>	<u>14,775,382</u>
Total primary government net assets	<u>\$ 77,816,204</u>	<u>\$ 59,986,606</u>	<u>\$ 64,135,679</u>	<u>\$ 68,705,833</u>	<u>\$ 109,476,811</u>	<u>\$ 108,543,394</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
EXPENSES						
Governmental activities:						
General government	\$ 2,923,552	\$ 3,375,283	\$ 3,438,849	\$ 3,330,439	\$ 4,472,602	\$ 4,339,620
Public safety	5,760,097	6,026,272	7,318,886	7,060,800	7,565,797	12,652,812
Community development and public works	3,383,229	2,569,356	2,576,447	2,813,857	5,475,447	4,921,298
Community services	2,747,438	3,081,717	3,075,023	3,098,013	3,420,244	3,841,387
Interest on long-term debt	128,192	465,770	478,495	857,602	835,511	803,733
Total governmental activities expenses	<u>14,942,508</u>	<u>15,518,398</u>	<u>16,887,700</u>	<u>17,160,711</u>	<u>21,769,601</u>	<u>26,558,850</u>
Business-type activities:						
Water	5,457,496	5,614,077	6,251,251	6,078,881	5,711,063	6,523,501
Interest on long-term debt	1,063,940	999,219	963,355	962,989	1,583,551	1,543,859
Total business-type activities expenses	<u>6,521,436</u>	<u>6,613,296</u>	<u>7,214,606</u>	<u>7,041,870</u>	<u>7,294,614</u>	<u>8,067,360</u>
Total primary government expenses	<u>\$ 21,463,944</u>	<u>\$ 22,131,694</u>	<u>\$ 24,102,306</u>	<u>\$ 24,202,581</u>	<u>\$ 29,064,215</u>	<u>\$ 34,626,210</u>
PROGRAM REVENUES						
Governmental activities:						
Charges for services:						
General government	\$ 647,958	\$ 958,665	\$ 1,176,086	\$ 1,238,631	\$ 1,353,160	\$ 1,178,523
Public safety	9,433	9,141	15,013	54,653	23,267	21,356
Community development and public works	1,865,086	822,927	758,487	805,710	998,625	838,060
Community services	66,862	65,850	66,281	112,681	219,944	132,244
Operating grants and contributions	661,568	778,261	1,271,119	771,477	489,707	4,021,908
Capital grants and contributions	749,772	239,200	235,300	-	-	-
Total governmental activities program revenues	<u>4,000,679</u>	<u>2,874,044</u>	<u>3,522,286</u>	<u>2,983,152</u>	<u>3,084,703</u>	<u>6,192,091</u>
Business-type activities:						
Charges for services:						
Water and wastewater	7,275,746	7,203,736	8,390,761	8,392,277	8,021,040	8,624,546
Total business-type activities program revenues	<u>7,275,746</u>	<u>7,203,736</u>	<u>8,390,761</u>	<u>8,392,277</u>	<u>8,021,040</u>	<u>8,624,546</u>
Total primary government program revenues	<u>\$ 11,276,425</u>	<u>\$ 10,077,780</u>	<u>\$ 11,913,047</u>	<u>\$ 11,375,429</u>	<u>\$ 11,105,743</u>	<u>\$ 14,816,637</u>

(continued)

CITY OF FRIENDSWOOD, TEXAS
CHANGES IN NET ASSETS
(Continued)
LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
NET (EXPENSE) REVENUES						
Governmental activities	\$(10,941,829)	\$(12,644,354)	\$(13,365,414)	\$(14,177,559)	\$(18,684,898)	\$(20,366,759)
Business-type activities	<u>754,310</u>	<u>590,440</u>	<u>1,176,155</u>	<u>1,350,407</u>	<u>726,426</u>	<u>557,186</u>
Total primary government net expense	<u>(10,187,519)</u>	<u>(12,053,914)</u>	<u>(12,189,259)</u>	<u>(12,827,152)</u>	<u>(17,958,472)</u>	<u>(19,809,573)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS						
Governmental activities:						
Taxes						
Property	9,706,202	10,931,393	11,352,598	11,304,684	11,876,246	12,512,950
Sales	2,875,071	1,119,328	3,199,136	3,658,699	3,904,436	3,767,526
Franchise	1,058,726	2,833,290	1,176,460	1,220,581	1,239,167	1,317,166
Other	79,691	71,028	53,790	11,940	16,186	25,429
Investment earnings	154,558	219,085	376,435	915,710	1,063,715	648,301
Gain on sale of capital assets	-	-	-	-	345,976	-
Miscellaneous	30,826	-	51,503	21,556	4,152	73,026
Transfers	<u>664,102</u>	<u>714,278</u>	<u>763,361</u>	<u>680,850</u>	<u>875,616</u>	<u>981,016</u>
Total governmental activities	<u>14,569,176</u>	<u>15,888,402</u>	<u>16,973,283</u>	<u>17,814,020</u>	<u>19,325,494</u>	<u>19,325,414</u>
Business-type activities:						
Investment earnings	160,629	59,869	114,932	262,761	1,236,092	531,758
Miscellaneous	12,777	-	13,478	1,375	4,182	-
Extraordinary item	100,000	-	-	-	-	-
Transfers	<u>(664,102)</u>	<u>(714,278)</u>	<u>(763,361)</u>	<u>(680,850)</u>	<u>(875,616)</u>	<u>(981,016)</u>
Total business-type activities	<u>(390,696)</u>	<u>(654,409)</u>	<u>(634,951)</u>	<u>(416,714)</u>	<u>364,658</u>	<u>(449,258)</u>
Total primary government	<u>14,178,480</u>	<u>15,233,993</u>	<u>16,338,332</u>	<u>17,397,306</u>	<u>19,690,152</u>	<u>18,876,156</u>
CHANGE IN NET ASSETS						
Governmental activities	3,627,347	3,244,048	3,607,869	3,636,461	640,596	(1,041,345)
Business-type activities	<u>363,614</u>	<u>(63,969)</u>	<u>541,204</u>	<u>933,693</u>	<u>1,091,084</u>	<u>107,928</u>
Total primary government	<u>\$ 3,990,961</u>	<u>\$ 3,180,079</u>	<u>\$ 4,149,073</u>	<u>\$ 4,570,154</u>	<u>\$ 1,731,680</u>	<u>\$ (933,417)</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF FRIENDSWOOD, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 650,599	\$ 849,908	\$ 451,293	\$ 1,196,255	\$ 683,459	\$ 635,182	\$ 511,197	\$ 1,313,829	\$ 601,646	\$ 1,037,279
Unreserved	<u>2,687,005</u>	<u>2,838,042</u>	<u>5,989,106</u>	<u>2,766,577</u>	<u>5,055,679</u>	<u>5,971,319</u>	<u>7,032,843</u>	<u>8,973,646</u>	<u>9,926,479</u>	<u>9,177,390</u>
Total general fund	<u>\$ 3,337,604</u>	<u>\$ 3,687,950</u>	<u>\$ 6,440,399</u>	<u>\$ 3,962,832</u>	<u>\$ 5,739,138</u>	<u>\$ 6,606,501</u>	<u>\$ 7,544,040</u>	<u>\$ 10,287,475</u>	<u>\$ 10,528,125</u>	<u>\$ 10,214,669</u>
All other governmental funds										
Reserved	\$ 73,344	\$ 68,627	\$ 77,175	\$ 109,799	\$ 254,568	\$ 829,701	\$ 1,395,767	\$ 4,220,225	\$ 3,575,592	\$ 2,310,481
Unreserved, reported in:										
Special revenue funds	11,694	77,039	268,247	177,390	263,242	411,229	175,192	404,749	558,653	643,223
Capital projects funds	-	-	-	-	7,342,304	5,171,662	8,584,781	3,943,654	1,957,116	323,597
Permanent fund	<u>21,358</u>	<u>22,549</u>	<u>23,892</u>	<u>24,707</u>	<u>25,232</u>	<u>25,587</u>	<u>26,292</u>	<u>27,477</u>	<u>28,901</u>	<u>30,070</u>
Total all other governmental funds	<u>\$ 106,396</u>	<u>\$ 168,215</u>	<u>\$ 369,314</u>	<u>\$ 311,896</u>	<u>\$ 7,885,346</u>	<u>\$ 6,438,179</u>	<u>\$ 10,182,032</u>	<u>\$ 8,596,105</u>	<u>\$ 6,120,262</u>	<u>\$ 3,307,371</u>

CITY OF FRIENDSWOOD, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES										
Taxes	\$ 8,987,983	\$ 10,145,912	\$ 11,414,585	\$ 12,515,917	\$ 13,688,737	\$ 14,843,855	\$ 15,779,126	\$ 16,190,756	\$ 16,961,818	\$ 17,606,273
Fines and penalties	332,659	416,722	550,854	631,066	639,678	879,369	1,112,916	1,163,984	1,288,794	1,161,903
Licenses, fees and permits	634,905	970,868	1,192,899	922,808	856,721	807,041	717,607	769,352	1,017,502	944,756
Intergovernmental	553,352	607,963	580,561	16,294,283	526,316	795,325	985,339	535,074	248,702	3,801,013
Investment earnings	292,886	399,712	424,412	269,109	153,848	218,419	375,123	906,552	1,054,698	639,402
Donations	-	-	-	-	235,749	215,535	213,381	219,353	229,939	265,535
Other revenues	386,084	482,054	483,063	509,560	794,228	152,616	414,923	277,995	279,788	37,876
Total revenues	11,187,869	13,023,231	14,646,374	31,142,743	16,895,277	17,912,160	19,598,415	20,063,066	21,081,241	24,456,758
EXPENDITURES										
General government	2,051,684	2,305,916	2,196,226	2,897,613	3,042,541	3,249,965	3,420,274	3,315,844	4,605,245	4,114,662
Public safety	4,166,008	4,265,750	5,115,933	4,961,812	5,530,953	5,810,503	7,127,975	6,903,806	7,482,603	12,404,745
Community development and public works	-	-	-	-	4,987,392	2,511,125	2,436,359	2,579,398	3,600,798	3,045,904
Public works	1,601,048	2,640,988	1,201,584	2,092,488	-	-	-	-	-	-
Community development	522,128	535,084	641,047	19,464,924	-	-	-	-	-	-
Community services	2,193,860	2,355,186	2,738,557	4,250,205	2,751,993	2,655,315	2,626,329	2,630,094	2,866,388	3,266,250
Capital outlay	-	652,206	98,987	195,385	1,442,339	4,033,197	7,040,173	4,292,854	3,711,569	4,339,546
Debt service										
Principal	512,594	525,897	616,470	548,205	468,987	469,930	459,422	608,184	658,073	774,584
Interest	185,952	450,762	511,175	188,958	213,741	476,207	594,076	757,402	739,487	704,136
Total expenditures	11,233,274	13,731,789	13,119,979	34,599,590	18,437,946	19,206,242	23,704,608	21,087,582	23,664,163	28,649,827

(continued)

CITY OF FRIENDSWOOD, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)**

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	\$(45,405)	\$(708,558)	\$ 1,526,395	\$(3,456,847)	\$(1,542,669)	\$(1,294,082)	\$(4,106,193)	\$(1,024,516)	\$(2,582,922)	\$(4,193,069)
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	-	15,826	-	-	187,345	785,942	22,600
Insurance recoveries	-	-	-	-	-	-	-	-	-	63,106
Bonds issued	-	-	-	-	8,701,495	-	8,024,224	-	-	-
Refunding bonds issued	-	-	-	1,629,707	-	-	-	-	-	-
Payments to escrow account	-	-	-	(1,611,304)	-	-	-	-	-	-
Proceeds from issuance of debt	149,780	574,856	47,393	229,460	-	-	-	-	-	-
Transfers in	792,169	546,113	555,713	17,225,350	1,955,635	853,073	923,361	904,955	1,226,304	992,586
Transfers out	(304,988)	-	-	(16,621,918)	(1,382,860)	(138,795)	(160,000)	(224,105)	(350,688)	(11,570)
Total other financing sources (uses)	636,961	1,120,969	603,106	851,295	9,290,096	714,278	8,787,585	868,195	1,661,558	1,066,722
NET CHANGE IN FUND BALANCES	<u>\$ 591,556</u>	<u>\$ 412,411</u>	<u>\$ 2,129,501</u>	<u>\$(2,605,552)</u>	<u>\$ 7,747,427</u>	<u>\$(579,804)</u>	<u>\$ 4,681,392</u>	<u>\$(156,321)</u>	<u>\$(921,364)</u>	<u>\$(3,126,347)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>6.2%</u>	<u>7.5%</u>	<u>8.7%</u>	<u>2.1%</u>	<u>4.0%</u>	<u>6.2%</u>	<u>6.3%</u>	<u>8.1%</u>	<u>7.0%</u>	<u>6.1%</u>

Note: From 1997 to 2002, Public Works and community Development were two separate departments. From 2003 to 2008, the departments were combined. In 2001 and 2002, the City participated in the FEMA Hazard Mitigation Grant Buyout Program. The City's participation costs resulted in a reduction of fund balance. In 2002, the City adopted a Financial Policy. Based on this policy, undesignated fund balance shall be allowed to accumulate to establish a 90-day operating reserve. After the reserve is established, additional undesignated funds are allowed to accumulate for future capital projects.

TABLE 5

CITY OF FRIENDSWOOD, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial and Industrial Property	Other Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
1999	\$ 1,014,445,395	\$ 70,521,900	\$ 163,226,772	\$ 74,176,040	\$ 1,322,370,107	0.6125	\$ 1,248,194,067
2000	1,115,454,667	80,732,240	182,202,628	81,388,930	1,459,778,465	0.6385	1,378,389,535
2001	1,235,737,251	88,524,370	185,220,540	88,005,650	1,597,487,811	0.6385	1,509,482,161
2002	1,418,354,411	101,081,380	170,988,340	90,631,200	1,781,055,331	0.6385	1,690,424,131
2003	1,549,261,881	109,659,080	176,329,200	96,366,250	1,931,616,411	0.6385	1,835,250,161
2004	1,770,911,545	116,739,133	186,106,639	105,017,040	2,178,774,357	0.6385	2,073,757,317
2005	1,868,119,395	119,696,390	173,923,130	121,988,410	2,283,727,325	0.6385	2,161,738,915
2006	1,984,426,335	122,337,518	167,808,785	125,184,070	2,399,756,708	0.6040	2,274,572,638
2007	2,147,192,985	151,086,039	193,971,876	147,461,610	2,639,712,510	0.5821	2,492,250,900
2008	2,289,027,422	154,237,707	202,571,688	149,658,030	2,795,494,847	0.5764	2,645,836,817

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

Note: Property in the City of Friendswood is reassessed once every two years on average. (Source: Galveston Central Appraisal District)

Tax rates per \$100 of assessed value

Residential property includes both single-family and multi-family properties.

CITY OF FRIENDSWOOD, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates				
	General	Debt Service	Total Direct Rate	Friendswood Independent School District	Clear Creek Independent School District	Galveston County Drainage District	Galveston County	Harris County
1999	\$ 0.5610	\$ 0.0515	\$ 0.6125	\$ 1.6720	\$ 1.6415	\$ 0.1500	\$ 0.5200	\$ 0.64173
2000	0.5542	0.0843	0.6385	1.5350	1.5986	0.1500	0.5450	0.64173
2001	0.5547	0.0838	0.6385	1.5850	1.7008	0.1500	0.5400	0.64173
2002	0.5547	0.0838	0.6385	1.6170	1.7250	0.1500	0.5654	0.63998
2003	0.5547	0.0838	0.6385	1.6370	1.7400	0.1550	0.6063	0.63998
2004	0.5547	0.0838	0.6385	1.6370	1.7300	0.1500	0.6063	0.63998
2005	0.5547	0.0838	0.6385	1.6370	1.7450	0.1483	0.6388	0.63998
2006	0.5243	0.0797	0.6040	1.5070	1.7750	0.1450	0.5874	0.63998
2007	0.5120	0.0701	0.5821	1.5700	1.6300	0.1450	0.5874	0.63998
2008	0.5016	0.0748	0.5764	1.1770	1.3200	0.1425	0.5686	0.62998

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

Notes: 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.

TABLE 7

CITY OF FRIENDSWOOD, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2008		1999	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Friendswood Estates, LTD	\$ 14,901,010	0.53%	\$ -	- %
Texas-New Mexico Power Co.	13,627,600	0.49%	11,353,480	1.11%
Reserve at Autumn Creek, LTD	12,600,000	0.45%	-	- %
Southwestern Bell Telephone Co.	9,246,010	0.33%	13,058,690	1.27%
Kroger Texas, LP	9,176,030	0.33%	-	- %
H. E. Butt Grocery Company	8,631,640	0.31%	-	- %
Southwest Properties, LP	7,350,000	0.26%	7,539,980	0.73%
Texas HCP Holding, LP	6,995,240	0.25%	-	- %
Autumn Creek Dev., LTD	6,627,210	0.24%	7,842,820	0.76%
MB Friendswood Parkwood	5,833,550	0.21%	-	- %
Friendswood Retirement	5,361,943	0.19%	8,346,695	0.81%
Exxon Corp.	4,337,707	0.16%	24,477,740	2.38%
Comcast of Houston, LLC	4,018,820	0.14%	-	- %
Timber Creek Holdings, LP	3,881,660	0.14%	-	- %
Centerpoint Energy, Inc.	3,670,920	0.13%	-	- %
Friendswood Huntington Woods	3,599,460	0.13%	-	- %
Maxi-Ban, LTD	3,597,530	0.13%	4,930,620	0.48%
Howard, Jack A.	3,524,260	0.13%	-	- %
Mystic, LTD	3,408,495	0.12%	3,933,640	0.38%
River Oaks @ Friendswood	3,342,020	0.12%	-	- %
Blackhawk Apartments	-	- %	8,766,020	0.85%
Albertson's Inc.	-	- %	5,592,330	0.54%
Total	<u>\$ 133,731,105</u>	<u>4.78%</u>	<u>\$ 95,842,015</u>	<u>9.31%</u>
All other taxpayers	<u>\$ 2,661,763,742</u>	95.22%		
	<u>\$ 2,795,494,847</u>			

Source: Galveston County Appraisal District

TABLE 8

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

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected With the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 6,292,040	\$ 6,229,896	99.01%	\$ 59,064	\$ 6,288,960	99.95%
2000	7,239,468	7,125,877	98.43%	107,959	7,233,836	99.92%
2001	7,906,786	7,809,643	98.77%	90,410	7,900,053	99.91%
2002	8,863,904	8,721,196	98.39%	132,358	8,853,554	99.88%
2003	9,642,413	9,496,887	98.49%	128,742	9,625,629	99.83%
2004	10,785,308	10,630,820	98.57%	133,235	10,764,055	99.80%
2005	11,221,282	11,078,265	98.73%	115,318	11,193,583	99.75%
2006	11,151,572	11,019,314	98.81%	88,826	11,108,140	99.61%
2007	11,740,541	11,532,882	98.23%	135,201	11,668,083	99.38%
2008	12,351,183	12,193,715	98.73%	-	12,193,715	98.73%

Sources: Galveston County Tax Assessor/Collector and City of Friendswood Records

TABLE 9

CITY OF FRIENDSWOOD, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Capital Leases	General Obligation Bonds	Certificates of Obligation	Water Revenue Bonds			
1999	\$ 888,677	\$ 1,910,000	\$ -	\$ 198,688	\$ 2,091,213	\$ 5,425,000	\$ -	\$ 10,513,578	0.16%	\$ 341
2000	600,219	1,830,000	-	775,443	1,603,691	5,255,000	8,388,842	18,453,195	0.25%	581
2001	445,725	1,760,000	-	713,430	1,246,827	5,080,000	14,074,887	23,320,869	0.30%	713
2002	1,915,518	-	-	713,060	2,994,109	2,714,826	14,091,221	22,428,734	0.28%	670
2003	10,375,891	-	-	510,858	2,468,558	2,635,000	14,185,000	30,175,307	0.36%	893
2004	10,059,865	-	-	362,154	1,830,135	2,535,000	14,160,000	28,947,154	0.33%	848
2005	17,590,000	-	-	237,597	3,310,000	470,000	14,020,000	35,627,597	0.39%	1,040
2006	17,150,000	-	-	168,957	2,855,000	280,000	30,665,000	51,118,957	0.50%	1,490
2007	16,660,000	-	-	96,380	2,375,000	50,000	30,515,000	49,696,380	N/A	1,430
2008	16,065,000	-	-	16,351	1,680,000	-	30,355,000	48,116,351	N/A	1,340

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. Personal income data provided on Table 14 is for the County of Galveston. Data was not available specific to the City of Friendswood and therefore is not included on this table.

N/A - Information is not available.

CITY OF FRIENDSWOOD, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value	Net General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
			General Obligation Bonds	Less Debt Service Funds	Net Bonded Debt		
1999	31,192	\$ 1,322,370,107	\$ 2,798,677	\$ 73,344	\$ 2,725,333	0.21%	\$ 87
2000	31,761	1,459,778,465	2,430,219	68,627	2,361,592	0.16%	74
2001	32,720	1,597,487,811	2,205,725	77,175	2,128,550	0.13%	65
2002	33,500	1,781,055,331	1,915,518	109,799	1,805,719	0.10%	54
2003	33,800	1,931,616,411	10,375,891	254,568	10,121,323	0.52%	299
2004	34,152	2,178,774,357	10,059,865	829,701	9,230,164	0.42%	270
2005	34,272	2,283,727,325	17,590,000	1,395,767	16,194,233	0.71%	473
2006	34,306	2,399,756,708	17,150,000	1,595,397	15,554,603	0.65%	453
2007	34,759	2,639,712,510	16,660,000	1,813,320	14,846,680	0.56%	427
2008	35,500	2,795,494,847	16,065,000	2,104,376	13,960,624	0.50%	393

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

CITY OF FRIENDSWOOD, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Friendswood Independent School District	\$ 120,885,554	100.000%	\$ 120,885,554
Clear Creek Independent School District	619,078,774	2.866%	17,742,798
Galveston County	203,838,000	7.945%	16,194,929
Harris County	3,122,164,000	0.595%	18,576,876
Subtotal overlapping debt			173,400,157
City direct debt			<u>16,081,351</u>
Total direct and overlapping debt			<u>\$ 189,481,508</u>

Sources: 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. 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****AS OF SEPTEMBER 30, 2008**

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 pose 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 ending September 30, 2008, is \$.5764 per \$100 of assessed valuation with assessed valuation being 100% of market value.

CITY OF FRIENDSWOOD, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Waterworks and Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 5,482,707	\$ 2,781,480	\$ 2,701,227	\$ 33,000	\$ 3,032	\$ 74.97
2000	7,211,716	3,310,375	3,901,341	-	441,600	8.83
2001	6,599,787	3,253,593	3,346,194	325,000	546,621	3.84
2002	7,506,333	3,797,453	3,708,880	25,000	850,874	4.23
2003	7,275,746	4,401,694	2,874,052	25,000	772,351	3.60
2004	7,203,736	4,238,810	2,964,926	25,000	769,936	3.73
2005	8,390,761	4,769,885	3,620,876	140,000	766,788	3.99
2006	8,392,277	4,660,868	3,731,409	160,000	445,351	6.16
2007	8,021,040	4,338,819	3,682,221	150,000	1,441,234	2.31
2008	8,624,546	5,143,516	3,481,030	160,000	1,416,465	2.21

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1999	31,192	\$ 6,725,063,000	\$ 27,020	3.2%
2000	31,761	7,384,627,000	29,449	2.8%
2001	32,720	7,677,185,000	30,116	3.1%
2002	33,500	7,964,860,000	30,537	3.4%
2003	33,800	8,356,254,000	31,313	3.8%
2004	34,152	8,719,688,000	32,055	3.5%
2005	34,272	9,192,246,000	33,146	3.9%
2006	34,306	10,144,967,000	36,284	3.0%
2007	34,759	-	-	3.4%
2008	35,500	-	-	4.9%

Sources: Population information was provided from past financial reports. Unemployment rates were obtained from the U. S. Department of Labor Bureau of Labor Statistics website or the Texas Workforce Commission website. Personal Income and Per Capita Personal Income were obtained from the U. S. Bureau of Economic Analysis website.

Note: Personal Income and Per Capita Personal Income numbers are for Galveston County; 2007 and 2008 numbers were not available.

CITY OF FRIENDSWOOD, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2008		1999	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Friendswood ISD	711	31.54%	628	51.06%
HEB	280	12.42%	80	6.50%
City of Friendswood	228	10.12%	132	10.73%
Kroger	225	9.98%	52	4.23%
Friendship Haven Nursing Home	150	6.65%	100	8.13%
UTMB	97	4.30%	-	- %
Summerville (Park Place)	86	3.82%	40	3.25%
McDonalds	80	3.55%	-	- %
Friendswood Healthcare Center (Autumn Hills)	70	3.11%	85	6.91%
U. S. Post Office	70	3.11%	70	5.69%
Timber Creek Golf Club	65	2.88%	-	- %
Sonic	64	2.84%	-	- %
Gary Greene Realtors	48	2.13%	-	- %
Luna's	40	1.77%	-	- %
Village on the Park	40	1.77%	43	3.50%
Total	<u>2,254</u>	<u>100.00%</u>	<u>1,230</u>	<u>100.00%</u>

Source: City Economic Development Division

CITY OF FRIENDSWOOD, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fulltime Equivalent Employees as of June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
City manager	3.50	4.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
City secretary	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
Administrative services	17.12	18.64	19.64	20.64	21.70	22.72	24.44	25.81	26.19	27.20
Public safety										
Police	55.94	56.94	59.94	62.94	65.06	67.40	70.07	72.06	81.41	83.90
Fire marshal and fire	11.50	12.50	12.50	12.50	12.58	12.85	12.85	4.50	6.11	6.10
Public works	17.00	17.00	17.00	17.00	-	-	-	-	-	-
Community development	11.00	14.00	14.00	15.00	-	-	-	-	-	-
Community development and public works	-	-	-	-	34.00	34.00	34.00	35.00	36.00	36.00
Community services	28.86	29.86	29.92	30.42	30.43	30.43	30.43	31.01	32.18	32.20
Water	6.00	6.00	6.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Wastewater	5.00	5.00	5.00	6.00	6.00	7.00	7.00	8.00	8.00	8.00
Total	<u>158.92</u>	<u>168.44</u>	<u>172.50</u>	<u>183.00</u>	<u>188.27</u>	<u>192.90</u>	<u>197.29</u>	<u>194.88</u>	<u>209.39</u>	<u>212.90</u>

Source: City of Friendswood Budget Documents

Notes: Beginning with fiscal year 2006, the fulltime equivalent for Fire Marshal and Fire include only the Fire Marshal Department. The City has a contract with the Friendswood Volunteer Fire Department and there are no employees paid directly by the City.

From 1998 to 2002, public works and community development were two separate departments. From 2003 to 2008, the departments were combined.

TABLE 17

CITY OF FRIENDSWOOD, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Building permits issued	840	1,125	1,252	1,266	1,048	851	1,129	882	975	872
Building inspections conducted	8,654	11,121	15,576	12,554	10,841	10,051	12,641	12,264	11,135	11,472
Police										
Physical arrests	491	463	556	625	752	1,189	1,041	1,804	1,923	1,868
Parking violations	118	30	31	34	74	45	22	30	34	46
Traffic violations	3,915	4,436	6,117	6,387	9,754	11,196	12,053	12,623	11,374	7,897
Fire marshal										
Inspections	623	671	451	383	1,065	812	731	668	1,300	1,312
Fire										
Emergency responses	1,925	2,051	2,283	2,264	2,285	2,395	2,453	2,497	2,723	2,794
Fires extinguished	118	110	105	84	79	82	93	75	74	118
Parks and recreation										
Recreation participants	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,547
Facility reservations	NA	NA	NA	NA	NA	NA	NA	NA	1,115	1,065
Library										
Volumes in collection	86,933	87,357	87,181	87,639	88,185	88,737	90,163	92,633	93,028	96,100
Total volumes borrowed	254,917	263,374	274,204	279,850	290,044	280,520	281,060	300,241	308,718	323,323
Water										
New connections	770	300	665	242	270	388	208	209	289	202
Water main breaks	-	-	-	-	10	54	76	105	44	73
Average daily consumption (thousands of gallons)	3,990	5,257	3,803	4,008	4,172	3,957	4,094	3,886	3,472	4,217
Peak daily consumption (thousands of gallons)	12,336	11,479	8,649	10,081	11,491	10,718	9,935	7,030	6,358	11,004
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,305	2,107	3,050	3,050	3,332	3,258	3,081	3,064	3,425	3,120
Maximum daily flow (thousands of gallons)	8,750	6,117	13,913	13,913	10,180	8,563	10,587	10,484	10,484	7,520

Source: Various City departments and prior year CAFRs

NA - Information is not available.

TABLE 18

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	14	14	14	15	15	16	18	28	27
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Public works										
Streets -paved (miles)	98	98	105	105	105	157	157	179	150	159
Streets - unpaved (miles)	2	2	1	1	1	4	4	1	-	2
Traffic signals	-	-	-	-	-	3	3	3	3	3
Parks and recreation										
Acreage	111	189	189	189	189	189	189	189	189	18
Parks	6	8	8	8	8	8	8	8	8	8
Swimming pool	1	1	1	1	1	1	1	1	1	1
Tennis courts	4	4	4	4	4	4	4	4	4	4
Library	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	120	151	155	157	160	160	165	179	180	180
Fire hydrants	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,275	1,275
Connections	9,123	9,423	10,088	10,330	10,600	10,988	11,196	11,405	11,748	11,982
Storage capacity (thousands of gallons)	5,993	5,993	5,993	5,993	5,993	5,993	5,993	5,993	5,993	5,993
Wastewater										
Sanitary sewers (miles)	120	151	155	155	160	160	165	153	155	155
Connections	8,679	8,979	9,414	9,658	10,240	10,331	10,537	10,682	10,902	11,115
Storm sewers (miles)	85	85	85	85	86	92	92	-	95	95
Treatment capacity (thousands of gallons)	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850

Source: Various City departments and prior year CAFRs