

CITY OF SUGAR LAND

**CITY OF SUGAR LAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2013



CITY OF SUGAR LAND

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**CITY OF SUGAR LAND, TEXAS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2013**

**Officials Issuing Report**

**Allen Bogard  
City Manager**

**Karen Daly  
Steve Griffith  
Assistant City Managers**

**Alka B. Shah  
Chief Accountant**



# MAYOR AND CITY COUNCIL MEMBERS



*List in order: (L to R)*

- Himesh Gandhi.....Council Member, At Large Position One
- Amy L. Mitchell ..... Council Member, District Three
- James A. Thompson ..... Mayor
- Joe R. Zimmerman ..... Council Member, At Large Position Two
- Bridget R. Yeung..... Council Member, District Two
- Harish C. Jajoo..... Council Member, District Four
- Steve R. Porter ..... Council Member, District One

Presented by:

Allen Bogard..... City Manager



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## **INTRODUCTORY SECTION**

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## CITY OF SUGAR LAND

February 4, 2014

Honorable Mayor James Thompson and  
Members of the City Council  
City of Sugar Land, Texas

Dear Mayor and Council Members

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2013. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **PROFILE OF THE GOVERNMENT**

The City of Sugar Land, incorporated in 1959, has adopted a Council-Manager form of government. The Council is comprised of a mayor and six council members. The Mayor and two Council members are elected at large, and the remaining four are elected by district. All elected officials serve two-year terms. No person can be elected to more than four consecutive regular two-year terms as mayor or council member. The City Manager is appointed by Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission and the Parks and Recreation Policy Advisory Board meet on a regular basis. Other boards and commissions that meet as needed include the Zoning Board of Adjustment, Building Standards Commission, and Animal Control Advisory Board. Specialized committees such as the Charter Review Committee or Citizens Bond Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City’s success.

## **PROFILE OF THE GOVERNMENT (continued)**

A full range of municipal services is provided by the City of Sugar Land including public safety (police, fire, dispatch and emergency management); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal control; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), Imperial Redevelopment District (TIRZ 3) and Sugar Land Tax Increment Reinvestment Zone No. 4 (TIRZ 4) are considered to meet the criteria of component units. The SL4B, TIRZ 1, TIRZ 3 and TIRZ 4 have been included in the report as discretely presented component units. The SLDC has been included with the special revenue funds as it is treated as a blended component unit. The SLDC and the SL4B Corporations were created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City. TIRZ 1 was created in December 1998 and TIRZ 3 was created in December 2007 for the purposes of development and redevelopment in the Zone Areas. TIRZ 4 was created in December 2009 for the purposes of development and redevelopment in the Zone Area. The City participates in each Zone by contributing tax increments produced in the Zone to the Tax Increment Fund.

## **LOCAL ECONOMY**

In 2013, the City continued to see economic growth. Building activity remains strong, with significant activity in commercial development and continued residential growth. Net property values grew 2.57% to \$9.7 billion as of January 1, 2012; an increase of \$242 million over 2011 values. New development accounted for \$133 million of the increase, while existing property values increased by \$91 million. The City adjusted the tax rate to \$0.30895 for 2012, which generated approximately 2% more revenues as the prior year excluding new value to the tax roll. The residential homestead exemption remained at 7%.

Residential development continues, but at a slower pace than seen in prior years. New single-family housing permits for fiscal year 2013 totaled 195, a 50% decrease from 2012; however the average permitted value of \$406,592 was an increase of 35.9% over the prior year. Development continues in the Telfair and Lake Pointe developments with 149 of the 195 single family permits located in Telfair. A total of 2,991 single family homes have been permitted in Telfair since development began in 2006.

New commercial construction valuation totaled \$126 million in value for 25 permits issued; of these permits, all were taxable properties; an increase of \$101.4 million from the prior year. A total of 1.491 million square feet of commercial value were permitted for construction during the year. Some of the larger commercial projects that occurred in 2013 include Accredo Phase II, Costco, Telfair Exchange Lofts, and Texas Instruments. These large developments are a result of a high level of work effort put forth by City staff, the Planning and Zoning Commission, and City Council to ensure Sugar Land is a preferred destination in the Houston region.

The City saw an increase of approximately 4.1% in sales tax over the prior year, as the economy continued to grow. Sales Tax revenues were budgeted at a 3% increase from the previous year, and surpassed those estimates. The City ended the year even better than anticipated; with sales tax revenues totaling \$44.96 million compared to \$43.2 million in the prior year.

## **LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES**

The City annually adopts a one-year budget, including a five-year capital improvement program, through its fully coordinated long-range financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the City.

The City has adopted Financial Management Policy Statements (FMPS) that establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health. One benefit of this is reflected in the City's strong bond ratings as further described in Management's Discussion and Analysis.

As identified in the FMPS, a five year forecasts has been prepared for each of the major operating funds. In the General Fund, the forecast demonstrates continued structural balance, including the ability to provide merit increases to employees and implement Emergency Medical Services. The Debt Service Fund is able to maintain balances over the policy requirement of 10% of annual debt service. In addition, the Debt Service Fund shows capacity for additional debt issuance to support the rehabilitation of existing infrastructure. However, both funds lack the capacity to support funding all identified capital projects; the City placed a bond referendum on the November 2013 ballot for the voters to consider three propositions to support funding for Parks projects and the tax increase that may be necessary to support repayment of debt and operations and maintenance needs. The forecast shows utility rates will need to be adjusted in FY17 after the implementation of the surface water fees is complete; water and wastewater rates have not been adjusted for several years to minimize the impact to ratepayers of the surface water conversion.

The forecast outcome is highly dependent on several key assumptions that are based on information available at the time of preparation. A change in one or more of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity for future needs. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Support the surface water treatment plant and debt repayment
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Fund the recommended Five-Year CIP and resulting operating expenditures
- Continued Economic Development and Tourism efforts such as a Performing Arts Center

The City Council elected to maintain the homestead exemption at 7% for the 2013 tax year, with a \$5,000 minimum. According to the City's Financial Management Policy Statements, when the financial health of the City's finances and the economic and market conditions of the local economy justify, an increase may be considered. The 2013 tax roll showed approximately 2.5% average increase to residential values; and since the adopted tax rate was the same rate as 2012, no adjustment was made to the homestead exemption.

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as public safety; planning; community development & code enforcement; public improvements; repair & maintenance of infrastructure; animal control; recreational and community activities; and general administrative & support services. The General Fund continues to fund all current services throughout the forecast. The forecast includes additions to operating expenditures as identified in the Five Year CIP for FY14-FY18 and modest annual

merit increases for employees. Recurring operating expenditures increase by 7.4% from FY14 to FY18 due to additions to the budget for the implementation of emergency medical services and growth in personnel costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast due to its focus on structural balance. The forecast shows a dip below policy in FY15 & FY16 due to the implementation of EMS but the FY13 actual ending fund balance will provide a surplus that will help minimize this draw of fund balance.

The Debt Service Fund is anticipated to be able to support approximately \$54 million in new debt for projects in the five year CIP, due to decreases in debt service requirements and an assumed growth in tax revenues. This does not include the impact of the GO bond propositions, which will likely require an increase to the tax rate to implement.

The City's Five-Year CIP totals \$267.5 million for FY14-FY18. Funding sources were identified as capacity was determined in the various financial plans and the timing of projects was adjusted to meet affordability. All projects included in the approved CIP have identified funding sources. However, an additional \$65 million in projects that were requested are not funded in the five year CIP. Some projects exceed the available debt capacity, while some have an operating impact that cannot be supported within available resources. The November 2013 GO bond election addressed \$50 million of these projects, while the remaining \$15 million have no identified funding source.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

The City continues to receive recognitions as a well managed, economically growing city and a great place to live. The City carries the AAA bond rating from both Fitch Ratings and Standard & Poor's. The City joined an elite group of cities in Texas to carry the AAA rating from two rating agencies. In addition, the rating agencies have both assigned their AA+ rating to the City's utility revenue bonds.

In October 2012, the newly renovated T.E. Harman Center opened as the new home to senior adult programs and activities. The City renovated an existing community center to house the growing senior programs and population in the City. The facility is named for the City's first mayor.

In January 2013, City Council passed a Resolution stating the City's intent to place GO bond propositions on the November 2013 ballot; the first GO bond election in the City since 1999. Council established the Citizens Bond Committee and over 100 citizens volunteered and contributed toward the final recommendations on four quality of life projects. The City Council packaged the projects into three propositions totaling \$50 million for the November ballot. Two of the three propositions totaling \$31.5 million were approved by the voters.

The City Council approved a development agreement in July with ACE Sugar Land LLC, for design, development and construction of a future performing arts center. In September, the Sugar Land Development Corporation entered into a contract with Martinez & Johnson Architects for design of the center. Construction of the center is expected to begin in 2014 and take about two years. The venue will be located on a portion of 38.5 acres of City-owned property in the Telfair commercial district.

Construction of several major roadway projects was completed during the year. In February, a new 1.8 mile stretch of University Boulevard was opened from Commonwealth to the Riverstone development. The project provides an alternative to the heavily traveled State Highway 6. Dulles Avenue was reconstructed from U.S. Highway 90A to State Highway 6, providing additional capacity and safety along this route.

Construction of the City's Surface Water Treatment Plant neared completion in 2013 with the plant becoming operational in November 2013; the plant has capacity to provide nine million gallons per day of treated water to city water customers. The surface water plant is the city's largest single capital construction project to date.

There was significant activity during the year in the economic development area including recruitment & expansion of locations for Texas Instruments, a division of United Health Care called OptumRX, Cosentino North America, Inc., CVR Energy, World Trading and Costco. Future expansion and construction are anticipated from Nalco Champion and Schlumberger. Fluor Enterprises, Inc. has entered into a memorandum of understanding with the City for a future multi-facility corporate campus that will be located on a 50 acre site in the Telfair commercial district along US59 and University Blvd. Projected capital investment is \$165 million for the project with retention of at least 2,000 jobs in the City upon relocation

Other accomplishments for FY 2013 included:

- Constellation Field – home of the Sugar Land Skeeters minor league baseball team – was awarded 2013 Landmark Awards from the Houston Business Journal in two categories: Community Impact and Hospitality / Entertainment.
- Fire Station No. 7 achieved Leadership in Energy and Environmental Design (LEED) certification. The fire station's environmentally conscious construction and sustainable practices make it the City's first LEED certified building.
- Sugar Land was recently named America's 20th Safest City, a distinction based on an analysis of FBI crime statistics. The distinction makes Sugar Land the second safest city in Texas.
- The Keep Texas Beautiful "Government Award" and the Texas Solid Waste Association of North America Recycling "Excellence Award" recognized the City's enhanced solid waste and recycle programs implemented in December 2011.
- Texas Commission on Environmental Quality (TCEQ) Outstanding Public Water System Award for 2013
- GlobalSelect Rated #4 of Top 10 US FBOs & in Top 5% of FBOs in the Americas
- The Sugar Land Development Corporation (SLDC) and the Sugar Land 4B Corporation (SL4B) were each awarded a Certificate for Achievement of Economic Excellence at the Texas Economic Development Council's 2013 conference, for the fifth year.
- The Anti-Defamation League recognized Sugar Land for the sixth straight year as a Community of Respect for its ongoing commitment to foster an inclusive and respectful community.

## **FINANCIAL MANAGEMENT AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sugar Land for its Comprehensive Annual Financial Report for the year ended September 30, 2012.

This was the twenty-ninth year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2012- September 30, 2013. This was the seventeenth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished

Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efforts and dedicated services of the entire staff of the Finance Department. Appreciation is also expressed to City employees throughout the organization, for their commitment to our financial policies and procedures. We also thank the Mayor and members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Allen Bogard". The signature is written in a cursive, slightly slanted style.

Allen Bogard, City Manager

**CITY OF SUGAR LAND, TEXAS**  
**PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2013**

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
James A. Thompson	Mayor	2014
Himesh Gandhi	Council Member at Large - Position One	2014
Joe R. Zimmerman	Council Member at Large - Position Two	2014
Steve R. Porter	Council Member District One	2015
Bridget Yeung	Council Member District Two, Mayor Pro Tem	2015
Amy Mitchell	Council Member District Three	2015
Harish Jajoo	Council Member District Four	2015

<b>Key Staff</b>	<b>Position</b>
Allen Bogard	City Manager
Karen Daly	Assistant City Manager
Steve Griffith	Assistant City Manager
Alka B. Shah	Chief Accountant
Glenda A. Gundermann	City Secretary
Mary Ann Powell	City Attorney
Jim Callaway	Executive Director of Community Development
Mike Goodrum	Executive Director of Management Services
Juan Adame	Fire Chief
Doug Brinkley	Police Chief

**CITY OF SUGAR LAND**  
**EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2013**

## Organizational Chart

### City of Sugar Land Organizational Chart



[City Manager Allen Bogard](#)

- City Secretary
- Community Development
- Economic Development
- Intergovernmental Relations
- Legal
- Public Affairs
- Strategic Planning



[Karen Daly](#)  
Assistant City Manager  
Public Services

- Engineering
- Parks and Recreation
- Public Works
- Water Utilities



[Steve Griffith](#)  
Assistant City Manager  
Public Safety

- Emergency Mgmt.
- Fire
- Police
- Public Safety  
Communications
- Sugar Land Regional  
Airport
- Municipal Court



Jim Callaway  
Executive Director of  
Community Development

- Planning and Code  
Services
- Transportation and  
Long-Range Planning
- Permits & Inspections
- Community  
Development



[Mike Goodrum](#)  
Executive Director of  
Management Services

- Human Resources
- Budget & Research
- Treasury
- Support Services
- Accounting
- Information  
Technology



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sugar Land  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

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**FINANCIAL SECTION**

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## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

## **Opinions**

In our opinion, 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 units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 16 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities* as of September 30, 2013. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, budgetary comparison information on pages 72 through 73, pension system supplementary information on page 74, and other post-employment benefit supplementary information on page 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

**Other Matters (continued)**

*Other Information (continued)*

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

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

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

Houston, Texas  
February 4, 2014

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Sugar Land offers 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, 2013.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$596.4 million (*net position*). Of this amount, \$56.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$37.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51.1 million, a decrease of \$8.0 million over the prior year. Approximately 50% of this total amount, \$25.7 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$25.7 million, or 41% of total general fund expenditures.
- The City's total long-term liabilities decreased by \$19.0 million due primarily to scheduled debt retirement.

**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.

**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 position* presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, administrative services, public safety, public works, parks and recreation and community development. The business-type activities of the City include utility system and solid waste operations as well as the operations of a regional airport facility.

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

**Government-wide Financial Statements (continued)**

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's four discretely presented component units consist of the following:

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 19 through 21 of this report.

**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. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 80 through 85. The three funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

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

**Fund Financial Statements (continued)**

**Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system, surface water plant, and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system and solid waste operations as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

**Combining Component Unit Financial Statements**

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 69 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 72 through 75 of this report.

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$596.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 86%, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2013. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**

*September 30, 2013 and 2012*

*Amounts in (000's)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012*</b>	<b>2013</b>	<b>2012*</b>	<b>2013</b>	<b>2012*</b>
Current and other assets	\$ 72,430	\$ 82,414	\$ 72,595	\$ 122,779	\$ 145,025	\$ 205,193
Capital assets	400,505	374,769	387,409	348,236	787,914	723,005
<b>Total Assets</b>	<b>472,935</b>	<b>457,183</b>	<b>460,004</b>	<b>471,015</b>	<b>932,939</b>	<b>928,198</b>
<b>Total Deferred Outflows of Resources</b>	1,188	1,322	880	109	2,068	1,431
Other liabilities	11,441	14,809	14,864	24,322	26,305	39,131
Long-term liabilities	129,745	142,822	182,602	188,780	312,347	331,602
<b>Total Liabilities</b>	<b>141,186</b>	<b>157,631</b>	<b>197,466</b>	<b>213,102</b>	<b>338,652</b>	<b>370,733</b>
<b>Net Position</b>						
Net investment in capital assets	280,082	255,293	231,676	240,741	511,758	496,034
Restricted	20,304	18,864	8,067	7,926	28,371	26,790
Unrestricted	32,551	26,717	23,675	9,355	56,226	36,072
<b>Total Net Position</b>	<b>\$ 332,937</b>	<b>\$ 300,874</b>	<b>\$ 263,418</b>	<b>\$ 258,022</b>	<b>\$ 596,355</b>	<b>\$ 558,896</b>

\* As restated

An additional portion of the City's net position (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$56.2 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

**Government-wide Financial Analysis (continued)**

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*For the Years Ended September 30, 2013 and 2012*

*Amounts in (000's)*

	Governmental Activities		Business-type Activities		Totals	
	2013	2012*	2013	2012*	2013	2012*
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 11,057	\$ 11,373	\$ 68,726	\$ 61,288	\$ 79,783	\$ 72,661
Operating grants and contributions	1,517	1,567	65	84	1,582	1,651
Capital grants and contributions	27,029	43,197	11,561	6,297	38,590	49,494
<b>General revenues:</b>						
Property taxes	29,920	28,282			29,920	28,282
Sales tax	39,790	40,549			39,790	40,549
Franchise and other taxes	8,020	5,162			8,020	5,162
Other	1,564	1,305	623	429	2,187	1,734
<b>Total Revenues</b>	<b>118,897</b>	<b>131,435</b>	<b>80,975</b>	<b>68,098</b>	<b>199,872</b>	<b>199,533</b>
<b>Expenses</b>						
General government	13,088	11,464			13,088	11,464
Administrative services	10,471	9,802			10,471	9,802
Public safety - Police	18,333	18,354			18,333	18,354
Public safety - Fire	10,838	10,899			10,838	10,899
Public works	23,482	22,312			23,482	22,312
Parks and recreation	8,177	8,504			8,177	8,504
Community development	4,667	4,856			4,667	4,856
Interest on long-term debt	5,066	5,909			5,066	5,909
Utility			39,919	28,574	39,919	28,574
Regional Airport			16,634	16,003	16,634	16,003
Surface Water			6,670		6,670	
Solid Waste Management			5,068	5,088	5,068	5,088
<b>Total Expenses</b>	<b>94,122</b>	<b>92,100</b>	<b>68,291</b>	<b>49,665</b>	<b>162,413</b>	<b>141,765</b>
Increase (decrease) in net position before transfers	24,775	39,335	12,684	18,433	37,459	57,768
<b>Transfers</b>	<b>7,288</b>	<b>7,246</b>	<b>(7,288)</b>	<b>(7,246)</b>		
Increase (decrease) in net position	32,063	46,581	5,396	11,187	37,459	57,768
<b>Net position - beginning</b>	<b>300,874</b>	<b>254,293</b>	<b>258,022</b>	<b>246,835</b>	<b>558,896</b>	<b>501,128</b>
<b>Net position - ending</b>	<b>\$ 332,937</b>	<b>\$ 300,874</b>	<b>\$ 263,418</b>	<b>\$ 258,022</b>	<b>\$ 596,355</b>	<b>\$ 558,896</b>

\* As restated

The government's net position increased by approximately \$37.5 million, which was a result of an increase in net position of both governmental and business-type activities. The increase in net position of governmental activities was a result of capital contribution of \$27 million and an increase in various sources of revenues including sales tax, property tax & franchise tax. The increase in net position of business-type activities was primarily a result of capital contribution of \$8.5million for the regional airport and increase in charges of services due to a rate increase for surface water.

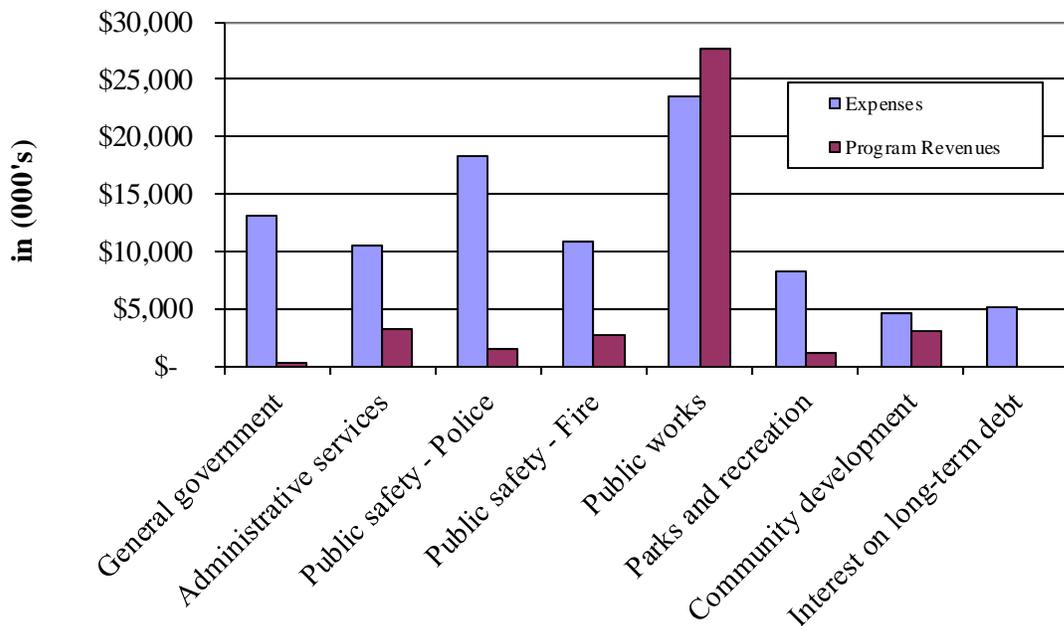
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

Governmental activities increased the City's net position by \$32.1 million. Key elements of this increase are as follows:

- An increase in sales & use tax revenues by \$1.9 million.
- An increase in property tax revenues by \$1.6 million.
- Operating grants and contributions of \$1.5 million.
- Capital grants and contributions of \$27 million consisting of drainage assets of \$15 million transferred from the utility fund, contribution of \$8.5 million by the developers in the Telfair, Riverstone and Imperial subdivision assets, contribution of \$1.6 million by SL4B Corporation for the Performing Art Center project and the remaining funds were contributed by Ft. Bend County & Txdot for the University Blvd. expansion project.

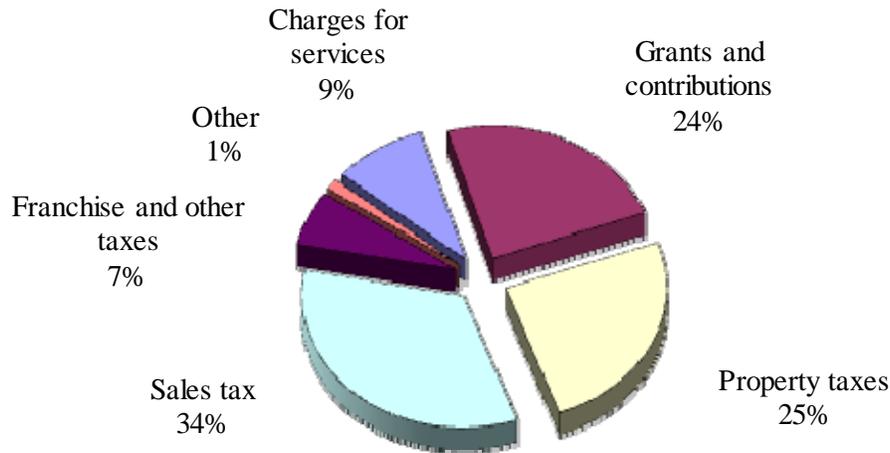
**Expenses and Program Revenues - Governmental Activities**



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

**Governmental Activities (continued)**

**Revenues by Source - Governmental Activities**



**Business-type Activities**

Business-type activities increased the City's net position by \$5.4 million. Key elements of this increase are as follows:

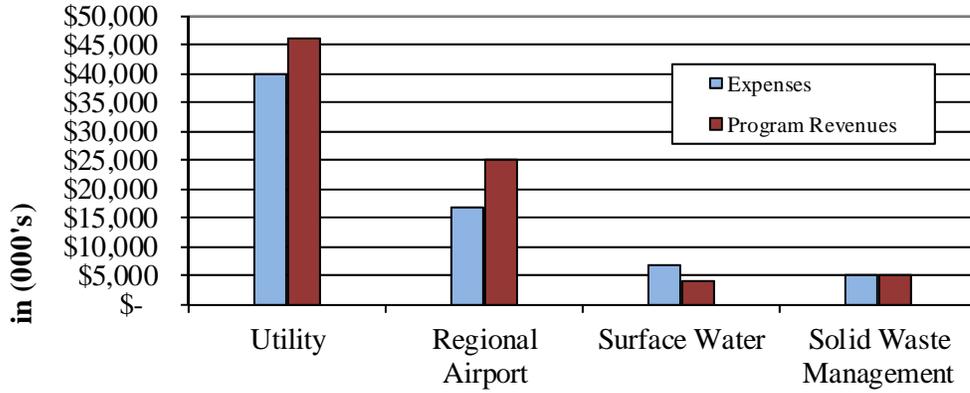
- Capital contribution of \$2.8 million from developers of subdivision assets.
- Capital grants of \$8.5 million for the Regional Airport.
- Charges for services in both Utility and Surface Water funds resulted in an increase in revenues of approximately \$6.6 million as a result of an increase in surface water rates.
- Charges for service for the Regional Airport resulted in an increase in revenues of \$0.9 million as a result of increases in fuel sales, hanger leases & miscellaneous revenues.

The Regional Airport increase noted above is offset by the higher cost for fuel, as a result of increased activities.

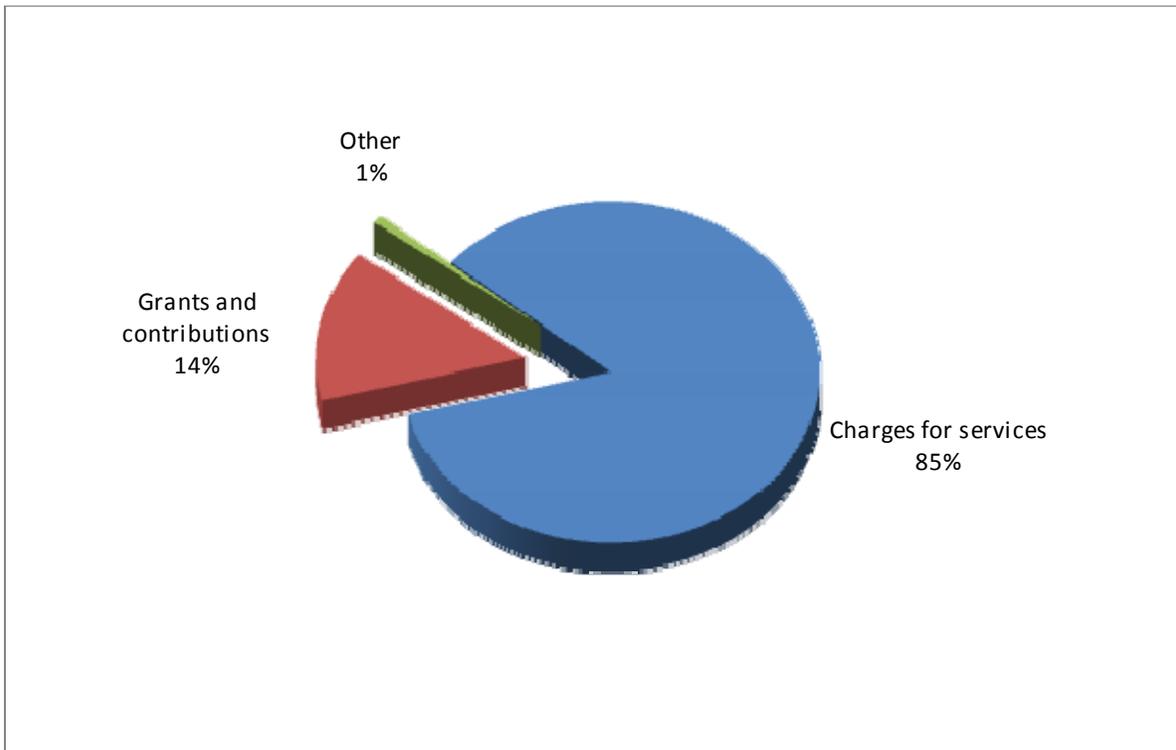
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities (continued)**

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source – Business-type Activities**



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

**Financial Analysis of the City's Funds**

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51.1 million, a decrease of \$8.0 million from the prior year. Approximately 50% of the combined ending fund balances, \$25.7 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with a decrease of \$11.9 million. This decrease is primarily due to capital outlay expenditures of \$14.6 million, pavement rehab expenditures of \$1 million and sidewalk rehab expenditures of \$1.3 million in the current year. The decrease in fund balance was offset by the intergovernmental revenues of \$2.4 million and transfers from other funds of \$6.7 million. Other significant activity in governmental funds relates to the increase of fund balance of approximately \$1.0 million in the Tourism Fund. This increase was primarily due to an increase in hotel occupancy tax revenues and decrease in capital outlay. The Debt Reduction fund has an increase of \$1.3 million due to intergovernmental revenues of \$0.8 million and transfer of \$0.5 million.

Fund balance in the General Fund increased from prior year, by \$1.5 million, resulting in an ending fund balance of \$26.7 million at year end. The unassigned fund balance of \$25.7 million represents 41% of annual fund expenditures.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund has unrestricted net position at fiscal year-end of million. The Solid Waste Fund has approximately thousand in unrestricted net position, and the Airport Fund's unrestricted net position amounted to just over million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Budget estimates for revenues between the original and final amended budget increased by \$1.2 million. This increase was primarily due to increases in budgeted revenues for franchise and other taxes and licenses and permits as a result of greater than originally anticipated activity in these areas.

During the year there were increases between the original and final amended budget appropriations of \$902.6 thousand. The increase in appropriations was primarily due to carryover of appropriations from the prior year.

The most significant difference between final amended revenues and actual revenues was the \$1.1 million positive variance in sales tax revenue due to the improved economic climate the City experienced in FY 2013.

A review of actual expenditures compared to the appropriations in the final amended budget resulted in no significant variances.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2013, the City's governmental activities and business-type activities had invested \$400.5 million and \$387.4 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$25.7 million or 6.9% over the end of last fiscal year for the governmental activities' capital assets and a change of \$39.2 million or 11.2% percent for the business-type activities' capital assets.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land and intangibles	\$ 84,569	\$ 81,411	\$ 20,007	\$ 13,165	\$ 104,577	\$ 94,576
Construction in progress	39,364	48,078	126,641	84,805	166,006	132,883
Infrastructure	167,596	131,680	222,300	231,910	389,897	363,590
Buildings and improvements	95,203	99,075	13,825	13,677	109,028	112,752
Equipment and furniture	13,773	14,525	4,636	4,679	18,409	19,204
<b>Total Capital Assets</b>	<b>\$ 400,505</b>	<b>\$ 374,769</b>	<b>\$ 387,409</b>	<b>\$ 348,236</b>	<b>\$ 787,915</b>	<b>\$ 723,005</b>

Construction in progress at year-end represents numerous ongoing projects the largest of which relate to street, parks, and utility improvement projects including construction of a surface water treatment plant. Additional information on capital assets can be found in Note 4 to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$312.3 million. Of this amount, \$77.9 million was general obligation debt (including \$5.2 million of annexed/dissolved utility district bonds), and \$84.6 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and capital lease obligations account for \$140.5 million and \$1.3 million respectively.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
General obligation bonds	\$ 72,280	\$ 79,620	\$ 5,610	\$	\$ 77,890	\$ 79,620
Revenue bonds	8,935	9,485	75,670	80,400	84,605	89,885
Certificates of obligation	40,880	45,377	99,645	107,968	140,525	153,345
Premiums or discounts	1,847	1,760	1,419	147	3,266	1,907
Capital leases payable	1,288	1,665			1,288	1,665
Other obligations	4,515	4,671	258	264	4,773	4,935
	<b>\$ 129,745</b>	<b>\$ 142,578</b>	<b>\$ 182,602</b>	<b>\$ 188,779</b>	<b>\$ 312,347</b>	<b>\$ 331,357</b>

The net decrease in debt for the year was \$19.0 million or 6 percent. This was primarily due to principal payments made during the fiscal year.

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

**Capital Assets and Debt Administration (continued)**

**Long-Term Debt (continued)**

The most recent ratings on debt issues are as follows:

	<b>Standard and Poor's</b>	<b>Fitch Investors Service</b>
General obligation bonds	AAA	AAA
Revenue bonds	AA+	AA+

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. The bonds are rated "A1" and "A" from Moody's and Standard & Poor's, respectively. Their bonds have also qualified for bond insurance. Therefore, the SLDC and SL4B bonds are rated "Aaa" and "AAA" by Moody's and Standard & Poor's, respectively.

Additional information on long-term debt can be found in Note 5 to the financial statements.

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

The unemployment rate for the City of Sugar Land as of September 2013 was 4.9%, while Fort Bend County had a 5.7% unemployment rate. The Houston-Sugar Land-Baytown MSA rate was 6.2%, the Texas rate was 6.3% and the U.S. unemployment rate was 7.2% as of September 2013.

The City continued to experience growth in sales tax revenues, but at a lesser rate than seen in the prior year. Fiscal year 2013 ended with collections slightly higher than the 3% growth budgeted. For budgeting purposes, sales tax revenues were estimated to grow 2.7% over fiscal year 2013 projected revenues, and include growth from the opening of Costco in July 2013. Property tax revenues are based on the adopted tax rate of \$0.30895 per \$100 taxable value, and a tax roll of \$10.3 billion.

As with any financial forecast, strategies are in place to deal with any divergence from the planned course; these are outlined in the City Council adopted Financial Management Policy Statements (FMPS). Due to its dependence on sales tax revenues, the City strives to maintain sales tax for operations at less than 55%; this is accomplished by setting aside 10% of base sales tax collections toward pay-as-you-go capital improvement projects. This policy provides over \$3 million per year in funding for rehabilitation projects and helps reduce the amount of debt issued for capital improvements. The City maintains a structurally balanced budget where recurring expenditures are funded from recurring revenue sources and one-time resources are allocated during the budget discussions for one-time funding needs.

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

**Economic Factors and Next Year's Budgets and Rates (continued)**

The total budget for fiscal year 2014 is \$207.57 million and includes \$37.85 million in capital projects funding. One of the most significant milestones in FY14 will be bringing the surface water treatment plant (SWTP) online. The budget incorporates the seven new staff members and associated O&M required for plant operations. The rate adjustment, staff additions, and O&M to support the SWTP that are included in the budget are consistent with the financial plans that have been presented to City Council over the last several years. The City Council priority of dedicated EMS service in Sugar Land is also addressed in the FY14 budget. Adding EMS will allow for better utilization of Fire Department resources and ensure that Sugar Land residents receive a quick response to emergency calls. One-time resources are included in the General Fund budget to begin implementation of EMS in January 2015. Also included are a battalion chief and two public safety dispatchers that will be necessary as part of the implementation.

Overall positions in the budget are increasing by 14.5 full-time equivalent positions, with 7.0 included for the operation of the SWTP, 3.0 for the implementation of EMS services, 1.5 positions in response to increased workload, 2.0 positions for environmental monitoring, and 1.0 position to support the implementation of the Tourism program. These additions will give the City 676 authorized full-time equivalent positions, a ratio of 7.99 employees per 1,000 residents. The approved budget includes funding for an average 3% merit increase to employees based on annual performance evaluations, effective January 2014.

The 2013 tax rate for the City, at \$0.30895 per \$100 valuation, remains one of the lowest rates in the state. The adopted rate is the same as the 2012 tax rate. There is no change recommended to the homestead exemption in 2013. The information available on the tax roll by the deadline of June 30th indicated that it was in the City's best interest to leave the exemption amount at its current level of 7 percent. The adopted tax rate will result in an increase of 2.4% to the average residential tax bill. This increase in the tax bill is consistent with our historical increases.

Water and wastewater rates remain unchanged for fiscal year 2014 while the City implements the final increases necessary to implement the mandated reduction in groundwater usage. The pumpage rate for Groundwater Reduction Plan (GRP) participants will increase from \$1.50 to \$1.75 per 1,000 gallons pumped, and city customers will see a corresponding increase in their surface water rates from \$1.61 to \$1.88 per 1,000 gallons of water usage. Residential solid waste rates will also increase from \$16.00 to \$16.40 per month.

Fee adjustments were approved by Ordinance No. 1933 on October 1, 2013, and became effective January 1, 2014.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Alka B. Shah, Chief Accountant, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general City information, visit the City's website at [www.sugarlandtx.gov](http://www.sugarlandtx.gov).

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2013

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and equivalents	\$ 19,961,717	\$ 13,585,463	\$ 33,547,180	\$ 1,352,283
Cash with fiscal agent	2,086,527		2,086,527	
Investments	34,250,166	26,005,732	60,255,898	1,499,717
Receivables, net of allowance for uncollectibles	12,233,877	6,727,185	18,961,062	1,034,463
Interest receivable	26,027	31,119	57,146	2,560
Internal balances	2,125,548	(2,125,548)		
Due from other governments	1,006,348	50,000	1,056,348	
Inventories	209,793	409,208	619,001	
Prepaid items	53,348	22,215	75,563	1,639
Restricted assets	476,482	27,889,217	28,365,699	4,096,631
Capital assets not being depreciated:				
Land	83,756,850	19,885,932	103,642,782	
Construction in progress	39,364,314	126,641,264	166,005,578	
Intangibles	762,932		762,932	
Capital assets net of depreciation:				
Infrastructure	167,596,459	222,300,103	389,896,562	
Buildings and improvements	95,202,884	13,824,658	109,027,542	
Equipment and furniture	13,772,764	4,636,029	18,408,793	
Intangibles	49,633	121,319	170,952	
<b>Total Capital Assets</b>	<u>400,505,836</u>	<u>387,409,305</u>	<u>787,915,141</u>	
<b>Total Assets</b>	<u>472,935,669</u>	<u>460,003,896</u>	<u>932,939,565</u>	<u>7,987,293</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	1,187,607	880,236	2,067,843	246,410
<b>Total Deferred Outflows of Resources</b>	<u>1,187,607</u>	<u>880,236</u>	<u>2,067,843</u>	<u>246,410</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	10,473,210	11,012,496	21,485,706	35,549
Unearned revenue	249,991		249,991	
Customer deposits	83,721	2,934,100	3,017,821	
Accrued interest	634,573	917,323	1,551,896	212,879
<b>Long-term liabilities:</b>				
Due within one year	12,911,211	7,369,919	20,281,130	1,775,757
Due in more than one year	116,833,530	175,232,259	292,065,789	38,646,598
<b>Total Liabilities</b>	<u>141,186,236</u>	<u>197,466,097</u>	<u>338,652,333</u>	<u>40,670,783</u>
<b>Net Position</b>				
Net investment in capital assets	280,081,579	231,675,603	511,757,182	
<b>Restricted for:</b>				
Debt service	8,785,057	8,067,725	16,852,782	3,878,702
Development activities	11,289,169		11,289,169	116,950
Public safety	230,282		230,282	
Unrestricted	32,550,953	23,674,707	56,225,660	(36,432,732)
<b>Total Net Position</b>	<u>\$ 332,937,040</u>	<u>\$ 263,418,035</u>	<u>\$ 596,355,075</u>	<u>\$ (32,437,080)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2013

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<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 13,087,580	\$ 73,931	\$ 110,865	\$
Administrative services	10,471,115	3,261,324		
Public safety - Police	18,333,422	1,460,342	79,733	
Public safety - Fire	10,838,009	2,229,152	446,137	
Public works	23,481,443	707,302	8,458	27,028,874
Parks and recreation	8,177,350	506,821	683,460	
Community development	4,667,336	2,817,871	188,689	
Interest on long-term debt	5,066,337			
<b>Total governmental activities</b>	<u>94,122,592</u>	<u>11,056,743</u>	<u>1,517,342</u>	<u>27,028,874</u>
Business-type activities:				
Utility	39,919,147	42,958,217		3,035,703
Regional Airport	16,633,872	16,576,205	50,000	8,525,110
Surface Water	6,670,417	4,184,027		
Solid Waste Management	5,067,548	5,007,131	15,091	
<b>Total business-type activities</b>	<u>68,290,984</u>	<u>68,725,580</u>	<u>65,091</u>	<u>11,560,813</u>
<b>Total primary government</b>	<u>\$ 162,413,576</u>	<u>\$ 79,782,323</u>	<u>\$ 1,582,433</u>	<u>\$ 38,589,687</u>
<b>Component Units</b>				
Sugar Land 4B Corporation	\$ 4,079,515		\$ 152,325	
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	912,522		3,189	
<b>Total component units</b>	<u>\$ 4,992,037</u>		<u>\$ 155,514</u>	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2013

Page 2 of 2

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>				
<b>Functions/Programs</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Primary government</b>				
Governmental Activities:				
General government	\$ (12,902,784)	\$	\$ (12,902,784)	
Administrative services	(7,209,791)		(7,209,791)	
Public safety - Police	(16,793,347)		(16,793,347)	
Public safety - Fire	(8,162,720)		(8,162,720)	
Public works	4,263,191		4,263,191	
Parks and recreation	(6,987,069)		(6,987,069)	
Community development	(1,660,776)		(1,660,776)	
Interest on long-term debt	(5,066,337)		(5,066,337)	
<b>Total governmental activities</b>	<b>(54,519,633)</b>		<b>(54,519,633)</b>	
Business-type activities:				
Utility		6,074,773	6,074,773	
Regional Airport		8,517,443	8,517,443	
Surface Water		(2,486,390)	(2,486,390)	
Solid Waste Management		(45,326)	(45,326)	
<b>Total business-type activities</b>		<b>12,060,500</b>	<b>12,060,500</b>	
<b>Total primary government</b>	<b>\$ (54,519,633)</b>	<b>\$ 12,060,500</b>	<b>\$ (42,459,133)</b>	
<b>Component Units</b>				
Sugar Land 4B Corporation				\$ (3,927,190)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1				(909,333)
<b>Total component units</b>				<b>(4,836,523)</b>
<b>General revenues:</b>				
Property taxes	29,920,274		29,920,274	892,860
Sales tax	39,790,138		39,790,138	5,684,306
Franchise and other taxes	8,019,976		8,019,976	
Investment earnings	236,117	218,645	454,762	10,687
Miscellaneous	1,328,239	404,274	1,732,513	502,977
<b>Transfers</b>	<b>7,287,990</b>	<b>(7,287,990)</b>		
<b>Total general revenues and transfers</b>	<b>86,582,734</b>	<b>(6,665,071)</b>	<b>79,917,663</b>	<b>7,090,830</b>
Change in net position	32,063,101	5,395,429	37,458,530	2,254,307
<b>Net position - beginning, as restated</b>	<b>300,873,939</b>	<b>258,022,606</b>	<b>558,896,545</b>	<b>(34,691,387)</b>
<b>Net position - ending</b>	<b>\$ 332,937,040</b>	<b>\$ 263,418,035</b>	<b>\$ 596,355,075</b>	<b>\$ (32,437,080)</b>

**CITY OF SUGAR LAND, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2013

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,930,383	\$ 1,729,477	\$ 4,423,962	\$ 7,164,323	\$ 17,248,145
Cash with fiscal agent			544,263	1,200,264	1,744,527
Investments	20,751,720	1,500,297	999,140	9,250,901	32,502,058
Receivables, net of allowance for uncollectibles	7,672,115	184,003	1,070,109	3,294,829	12,221,056
Interest receivable	14,505	434	721	8,769	24,429
Due from other governments	236,230		737,770	32,348	1,006,348
Inventories	209,793				209,793
Prepaid items	30,008			2,740	32,748
Restricted Cash			476,482		476,482
<b>Total Assets</b>	<b>\$32,844,754</b>	<b>\$3,414,211</b>	<b>\$ 8,252,447</b>	<b>\$ 20,954,174</b>	<b>\$ 65,465,586</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,319,019	\$	\$ 3,262,191	\$ 1,694,621	\$ 8,275,831
Accrued expenditures	2,065,557			6,715	2,072,272
Other payables	83,721				83,721
Unearned revenue	134,151		115,840		249,991
<b>Total Liabilities</b>	<b>5,602,448</b>		<b>3,378,031</b>	<b>1,701,336</b>	<b>10,681,815</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	578,802	184,003	1,356,738	1,541,225	3,660,768
<b>Total Deferred Inflows of Resources</b>	<b>578,802</b>	<b>184,003</b>	<b>1,356,738</b>	<b>1,541,225</b>	<b>3,660,768</b>
<b>Fund Balances</b>					
Nonspendable					
Inventories	209,793				209,793
Prepaid items	30,008			2,740	32,748
Restricted					
Debt service		3,230,208		6,189,422	9,419,630
Capital projects			3,517,678		3,517,678
Development activities				11,289,169	11,289,169
Public safety				230,282	230,282
Committed	463,599				463,599
Assigned	219,357				219,357
Unassigned	25,740,747				25,740,747
<b>Total Fund Balances</b>	<b>26,663,504</b>	<b>3,230,208</b>	<b>3,517,678</b>	<b>17,711,613</b>	<b>51,123,003</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$32,844,754</b>	<b>\$3,414,211</b>	<b>\$ 8,252,447</b>	<b>\$ 20,954,174</b>	<b>\$ 65,465,586</b>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**

**STATEMENT OF NET POSITION**

*September 30, 2013*

Total fund balance, governmental funds \$ 51,123,003

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$653,680,709 and the accumulated depreciation is \$255,535,736. 398,144,973

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 3,660,768

Deferred charge on refunding 1,187,607

Long-term liabilities, including bonds payable, compensated absences, and sales tax payable are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

Bonds payable, at maturity	(122,094,597)	
Accrued interest on the bonds	(634,573)	
Premium/discount of bonds payable	(1,847,338)	
Capital lease obligation	(1,287,783)	
Compensated absences	(2,293,496)	
Sales tax payable	(1,226,192)	
		(129,383,979)

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 8,204,668

Net Position of Governmental Activities in the Statement of Net Position \$ 332,937,040

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

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

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2013*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$ 16,788,716	\$ 13,085,899	\$	\$	\$ 29,874,615
Sales tax	33,723,873			5,620,646	39,344,519
Franchise and other taxes	5,718,715			2,301,261	8,019,976
Licenses and permits	2,817,871				2,817,871
Fines and forfeitures	1,999,800			1,364,998	3,364,798
Charges for services	3,173,081		476,482		3,649,563
Investment earnings	176,912	8,864	16,315	28,451	230,542
Intergovernmental	605,665		2,415,453	1,456,847	4,477,965
Other	441,355	489,528	500,000	13,844	1,444,727
<b>Total Revenues</b>	<u>65,445,988</u>	<u>13,584,291</u>	<u>3,408,250</u>	<u>10,786,047</u>	<u>93,224,576</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	10,291,668			1,727,843	12,019,511
Administrative services	6,309,105	1,142,301	12,900	243,885	7,708,191
Public Safety - Police	16,881,735			855,713	17,737,448
Public Safety - Fire	10,214,191				10,214,191
Public Works	8,587,537		5,868,641		14,456,178
Parks and recreation	5,440,839		1,341,482		6,782,321
Community development	4,592,647				4,592,647
<b>Debt Service:</b>					
Principal	392,111	11,587,399		550,000	12,529,510
Interest and other charges	41,791	4,811,071		408,299	5,261,161
<b>Capital Outlay</b>					
			14,598,935	663,283	15,262,218
<b>Total Expenditures</b>	<u>62,751,624</u>	<u>17,540,771</u>	<u>21,821,958</u>	<u>4,449,023</u>	<u>106,563,376</u>
Excess (deficiency) of revenues over expenditures	<u>2,694,364</u>	<u>(3,956,480)</u>	<u>(18,413,708)</u>	<u>6,337,024</u>	<u>(13,338,800)</u>
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued		4,295,000			4,295,000
Premium on debt issued		491,941			491,941
Payment to escrow agent		(4,758,878)			(4,758,878)
Sale of capital assets	78,516				78,516
Transfers in	4,353,546	4,679,392	6,689,661	461,046	16,183,645
Transfers (out)	(5,579,851)	(53,739)	(202,000)	(5,152,258)	(10,987,848)
<b>Total other Financing Sources and Uses</b>	<u>(1,147,789)</u>	<u>4,653,716</u>	<u>6,487,661</u>	<u>(4,691,212)</u>	<u>5,302,376</u>
Net change in fund balances	1,546,575	697,236	(11,926,047)	1,645,812	(8,036,424)
<b>Fund balances - beginning</b>	<u>25,116,929</u>	<u>2,532,972</u>	<u>15,443,725</u>	<u>16,065,801</u>	<u>59,159,427</u>
<b>Fund balances - ending</b>	<u>\$ 26,663,504</u>	<u>\$ 3,230,208</u>	<u>\$ 3,517,678</u>	<u>\$ 17,711,613</u>	<u>\$ 51,123,003</u>

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**BALANCES OF**

**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2013*

Net change in fund balances - total governmental funds: \$ (8,036,424)

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

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

This is the amount by which depreciation (\$13,680,155) is exceeded by capital outlays (\$15,461,161) in the current period. 1,781,006

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. 24,925,504

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (11,137)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 642,684

Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. 12,560,084

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Changes in accrued interest 68,141  
Changes in accrued compensated absences (58,994)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 820,415

Change in net position of governmental activities \$ 32,691,279

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2013

	Business-type Activities - Enterprise Funds					Governmental
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 5,409,187	\$ 2,498,010	\$ 5,678,266	\$	\$ 13,585,463	\$ 3,223,780
Cash with fiscal agent						342,000
Investments	7,998,092	999,509	17,008,131		26,005,732	1,748,108
Accounts receivable, net of allowance for doubtful accounts	5,328,048	227,768	670,496	500,873	6,727,185	12,821
Receivables from other governments		50,000			50,000	
Interest receivable	16,937	782	13,400		31,119	1,598
Inventories	173,567	235,641			409,208	
Prepaid items	5,729		16,486		22,215	20,600
Restricted cash and investments	26,656,334	477,515	755,368		27,889,217	
<b>Total current assets</b>	<b>45,587,894</b>	<b>4,489,225</b>	<b>24,142,147</b>	<b>500,873</b>	<b>74,720,139</b>	<b>5,348,907</b>
<b>Non-current assets:</b>						
<b>Capital Assets:</b>						
Land	2,321,552	16,848,126	716,254		19,885,932	
Construction in progress	22,579,290	3,520,859	100,541,115		126,641,264	
Infrastructure	310,702,892	39,483,846	4,755,141		354,941,879	
Buildings and improvements	1,127,898	17,370,595	25,277		18,523,770	
Equipment and furniture	4,184,314	3,866,088	90,597		8,140,999	8,344,119
Intangibles	127,704				127,704	
Less Accumulated depreciation	(122,019,597)	(18,572,047)	(260,599)		(140,852,243)	(5,983,256)
<b>Total non-current assets</b>	<b>219,024,053</b>	<b>62,517,467</b>	<b>105,867,785</b>		<b>387,409,305</b>	<b>2,360,863</b>
<b>Total assets</b>	<b>264,611,947</b>	<b>67,006,692</b>	<b>130,009,932</b>	<b>500,873</b>	<b>462,129,444</b>	<b>7,709,770</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	571,303	308,933			880,236	
<b>Total deferred outflows of resources</b>	<b>571,303</b>	<b>308,933</b>			<b>880,236</b>	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	7,912,972	542,169	2,119,146	438,209	11,012,496	1,630,650
Accrued interest payable	338,636	47,612	531,075		917,323	
Customer deposits	2,846,765	87,335			2,934,100	
Compensated absences	10,000				10,000	
Bonds and certificates of obligation payable	4,132,524	617,399	2,402,476		7,152,399	
<b>Total current liabilities</b>	<b>15,240,897</b>	<b>1,294,515</b>	<b>5,052,697</b>	<b>438,209</b>	<b>22,026,318</b>	<b>1,630,650</b>
<b>Non-current liabilities:</b>						
Compensated absences	133,747	91,233	17,513	4,960	247,453	
Bonds and certificates of obligation payable	60,673,458	9,976,184	104,542,684		175,192,326	
<b>Total non-current liabilities</b>	<b>60,807,205</b>	<b>10,067,417</b>	<b>104,560,197</b>	<b>4,960</b>	<b>175,439,779</b>	
<b>Total liabilities</b>	<b>76,048,102</b>	<b>11,361,932</b>	<b>109,612,894</b>	<b>443,169</b>	<b>197,466,097</b>	<b>1,630,650</b>
<b>Net Position</b>						
Net investment in capital assets	172,914,261	52,121,776	6,639,566		231,675,603	2,360,863
Restricted for debt service	6,889,842	477,515	700,368		8,067,725	
Unrestricted	9,331,045	3,354,402	13,057,104	57,704	25,800,255	3,718,257
<b>Total Net Position</b>	<b>\$ 189,135,148</b>	<b>\$ 55,953,693</b>	<b>\$ 20,397,038</b>	<b>\$ 57,704</b>	<b>\$ 265,543,583</b>	<b>\$ 6,079,120</b>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

(2,125,548)

Total Net Position per Government-Wide financial statements

\$ 263,418,035

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Revenues</b>						
Charges for services	\$ 42,958,217	\$ 16,576,205	\$ 4,184,027	\$ 5,007,131	\$ 68,725,580	\$ 6,264,161
Miscellaneous			370,040		370,040	227
<b>Total Operating Revenues</b>	<u>42,958,217</u>	<u>16,576,205</u>	<u>4,554,067</u>	<u>5,007,131</u>	<u>69,095,620</u>	<u>6,264,388</u>
<b>Operating Expenses</b>						
Personnel services	3,104,254	2,063,302	417,996	115,041	5,700,593	
Supplies and materials	970,340	10,720,120	111,958	5,868	11,808,286	645,788
Contractual services	6,906,399	674,231	894,943	4,926,716	13,402,289	106,166
Repairs and maintenance	2,240,507	112,708	42,599	1,378	2,397,192	111,648
Other expenses	759,026	400,927	167,019	18,545	1,345,517	7,039,423
Depreciation	7,948,488	2,001,428	127,687		10,077,603	1,134,706
<b>Total Operating Expenses</b>	<u>21,929,014</u>	<u>15,972,716</u>	<u>1,762,202</u>	<u>5,067,548</u>	<u>44,731,480</u>	<u>9,037,731</u>
Operating income (loss)	<u>21,029,203</u>	<u>603,489</u>	<u>2,791,865</u>	<u>(60,417)</u>	<u>24,364,140</u>	<u>(2,773,343)</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest and investment revenue	97,972	4,519	116,141	13	218,645	5,575
Miscellaneous revenue	25,535		8,699		34,234	
Intergovernmental		50,000		15,091	65,091	
Gain (loss) on disposal of capital assets	238				238	47,397
Interest expense	(2,414,224)	(389,168)	(4,908,215)		(7,711,607)	
Assets transferred to governmental activities	(15,272,223)				(15,272,223)	
<b>Total Non-operating Revenue (Expenses)</b>	<u>(17,562,702)</u>	<u>(334,649)</u>	<u>(4,783,375)</u>	<u>15,104</u>	<u>(22,665,622)</u>	<u>52,972</u>
Income (loss) before contributions and transfers	3,466,501	268,840	(1,991,510)	(45,313)	1,698,518	(2,720,371)
Capital contributions	3,035,703	8,525,110			11,560,813	
Transfers in	87,504,405	171,857	110,191,236	65,227	197,932,725	2,132,193
Transfers out	(116,737,026)	(667,755)	(87,802,688)	(13,246)	(205,220,715)	(40,000)
Change in net position	(22,730,417)	8,298,052	20,397,038	6,668	5,971,341	(628,178)
<b>Total net position - beginning</b>	<u>211,865,565</u>	<u>47,655,641</u>		<u>51,036</u>	<u>259,572,242</u>	<u>6,707,298</u>
<b>Total net position - ending</b>	<u>\$ 189,135,148</u>	<u>\$ 55,953,693</u>	<u>\$ 20,397,038</u>	<u>\$ 57,704</u>	<u>\$ 265,543,583</u>	<u>\$ 6,079,120</u>
Change in net position per above					\$ 5,971,341	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.					(575,912)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements					<u>\$ 5,395,429</u>	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>	
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Internal Service Funds</b>	
				<b>Total</b>		
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers and users	\$ 42,171,331	\$ 16,641,308	\$ 3,870,171	\$ 5,069,086	\$ 67,751,896	\$ 6,265,134
Disbursed for personnel services	(3,173,780)	(2,063,585)	(396,383)	(112,632)	(5,746,380)	
Disbursed for goods and services	(21,064,505)	(12,443,297)	864,528	(5,023,538)	(37,666,812)	(7,931,143)
<b>Net cash provided (used) by operating activities</b>	<b>17,933,046</b>	<b>2,134,426</b>	<b>4,338,316</b>	<b>(67,084)</b>	<b>24,338,704</b>	<b>(1,666,009)</b>
<b>Activities:</b>						
Transfers from other funds	87,504,405	171,857	110,191,236	65,227	197,932,725	2,132,193
Transfers to other funds	(116,737,026)	(667,755)	(87,802,688)	(13,246)	(205,220,715)	(40,000)
Operating grants and contributions		46,678		15,091	61,769	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(29,232,621)</b>	<b>(449,220)</b>	<b>22,388,548</b>	<b>67,072</b>	<b>(7,226,221)</b>	<b>2,092,193</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the sale of equipment	238				238	105,067
Proceeds from the sale of bonds	9,025,000	5,610,000			14,635,000	
Interest payments on debt	(2,990,063)	(401,810)	(4,377,140)		(7,769,013)	
Principal payments on debt	(13,218,316)	(6,522,601)	(2,336,684)		(22,077,601)	
Acquisition and construction of capital assets	(53,808,245)	(929,241)	3,325,984		(51,411,502)	(800,672)
<b>Net cash used by capital and related financing activities</b>	<b>(60,991,386)</b>	<b>(2,243,652)</b>	<b>(3,387,840)</b>		<b>(66,622,878)</b>	<b>(695,605)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of investments		(999,509)	(17,008,131)		(18,007,640)	
Sale of investments	18,540,596				18,540,596	(1,748,108)
Interest received	119,419	4,519	102,741	12	226,691	4,172
<b>Net cash provided (used) by investing activities</b>	<b>18,660,015</b>	<b>(994,990)</b>	<b>(16,905,390)</b>	<b>12</b>	<b>759,647</b>	<b>(1,743,936)</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(53,630,946)</b>	<b>(1,553,436)</b>	<b>6,433,634</b>		<b>(48,750,748)</b>	<b>(2,013,357)</b>
Cash and equivalents, beginning of year	67,180,738	4,528,961			71,709,699	5,237,137
<b>Cash and equivalents, at end of year</b>	<b>\$ 13,549,792</b>	<b>\$ 2,975,525</b>	<b>\$ 6,433,634</b>	<b>\$</b>	<b>\$ 22,958,951</b>	<b>\$ 3,223,780</b>
Unrestricted cash and equivalents	\$ 5,409,187	\$ 2,498,010	\$ 5,678,266	\$	\$ 13,585,463	\$ 3,223,780
Restricted cash and equivalents	8,140,605	477,515	755,368		9,373,488	
	<u>\$ 13,549,792</u>	<u>\$ 2,975,525</u>	<u>\$ 6,433,634</u>	<u>\$</u>	<u>\$ 22,958,951</u>	<u>\$ 3,223,780</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 21,029,203	\$ 603,489	\$ 2,791,865	\$ (60,417)	\$ 24,364,140	\$ (2,773,343)
<b>Adjustments to reconcile operating income to cash provided by operating activities:</b>						
Depreciation	7,948,488	2,001,428	127,687		10,077,603	1,134,706
(Increase) decrease in accounts receivable	604,548	57,838	(683,896)	61,955	40,445	1,370
(Increase) decrease in inventory	(45,330)	41,128			(4,202)	
(Increase) decrease in prepaid items	(415,336)	(308,933)	(16,486)		(740,755)	14,400
Increase (decrease) in accounts payable	(9,727,567)	(267,506)	2,097,533	(71,031)	(7,968,571)	(42,451)
Increase (decrease) in salaries payable	(69,526)	(283)	21,613	2,409	(45,787)	
Increase (decrease) in customer deposits	(1,391,434)	7,265			(1,384,169)	(691)
<b>Net cash provided by operating activities</b>	<b>\$ 17,933,046</b>	<b>\$ 2,134,426</b>	<b>\$ 4,338,316</b>	<b>\$ (67,084)</b>	<b>\$ 24,338,704</b>	<b>\$ (1,666,009)</b>
<b>Non-cash Transactions:</b>						
Capital assets contributed to City	\$ 3,035,703	\$ 8,525,110	\$	\$	\$ 11,560,813	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF NET POSITION**  
*September 30, 2013*

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Assets</b>					
Cash and equivalents	\$ 1,241,713	\$ 61,513	\$ 45,688	\$ 3,369	\$ 1,352,283
Investments	1,499,717				1,499,717
Receivables-less allowance for uncollectibles	1,035,693	1,330			1,037,023
Prepaid items	1,639				1,639
Restricted cash and investments	4,091,581		5,050		4,096,631
<b>Total Assets</b>	<u>7,870,343</u>	<u>62,843</u>	<u>50,738</u>	<u>3,369</u>	<u>7,987,293</u>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	246,410				246,410
<b>Total Deferred Outflows of Resources</b>	<u>246,410</u>				<u>246,410</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	35,549				35,549
Accrued interest	212,879				212,879
<b>Non-current liabilities:</b>					
Due within one year	1,775,757				1,775,757
Due in more than one year	38,646,598				38,646,598
<b>Total Liabilities</b>	<u>40,670,783</u>				<u>40,670,783</u>
<b>Net Position</b>					
Restricted-debt service	3,878,702				3,878,702
Restricted-development activities		62,843	50,738	3,369	116,950
Unrestricted	(36,432,732)				(36,432,732)
<b>Total Net Position</b>	<u>\$ (32,554,030)</u>	<u>\$ 62,843</u>	<u>\$ 50,738</u>	<u>\$ 3,369</u>	<u>\$ (32,437,080)</u>

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position				Totals
		Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	
Component Unit:							
Sugar Land 4B Corporation	\$ 4,079,515	\$ 152,325	\$ (3,927,190)	\$	\$	\$	\$ (3,927,190)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	912,522	3,189		(909,333)			(909,333)
Sugar Land Reinvestment Zone No. 3							
Sugar Land Reinvestment Zone No. 4							
	<u>\$ 4,992,037</u>	<u>\$ 155,514</u>	<u>(3,927,190)</u>	<u>(909,333)</u>			<u>(4,836,523)</u>
<b>General revenues</b>							
Taxes:							
Property taxes				882,112	9,508	1,240	892,860
Sales tax			5,684,306				5,684,306
Miscellaneous			502,977				502,977
Unrestricted investment earnings			9,295	1,327	62	3	10,687
<b>Total general revenues</b>			<u>6,196,578</u>	<u>883,439</u>	<u>9,570</u>	<u>1,243</u>	<u>7,090,830</u>
Change in net position			2,269,388	(25,894)	9,570	1,243	2,254,307
<b>Net position, beginning</b>			<u>(34,823,418)</u>	<u>88,737</u>	<u>41,168</u>	<u>2,126</u>	<u>(34,691,387)</u>
<b>Net position, ending</b>			<u>\$ (32,554,030)</u>	<u>\$ 62,843</u>	<u>\$ 50,738</u>	<u>\$ 3,369</u>	<u>\$ (32,437,080)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

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

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of which are elected at large and four of which are elected by District, each serving two-year terms. The Mayor and Council Members can serve no more than four consecutive regular two-year terms.

The Mayor presides at Council meetings and is entitled to vote on all matters considered by Council. All powers of the City are vested in the Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

**A. Financial Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. No other entities have been included in the City's reporting entity. 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.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are 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 fiscally independent of other state and local governments. Additionally 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 component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

**A. Financial Reporting Entity (continued)**

**Blended Component Unit:**

**Sugar Land Development Corporation**

The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the Board of Directors consists of members of the City Council. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

**Discretely Presented Component Units:**

**Sugar Land 4B Corporation**

In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The 4B Corporation, which has one fund, has been included as a discretely presented component unit in the City's financial statements. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the 4B Corporation shall be conveyed to the City.

**Sugar Land Town Square Tax Increment Reinvestment Zone No. 1**

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

**Sugar Land Reinvestment Zone No. 3**

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property and sales taxes to be utilized in providing public improvements in TIRZ 3. TIRZ 3, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members. The City Council has the authority to appoint the members; however, Fort Bend County shall be entitled to appoint a member if the County approves a payment to the tax increment fund in which the tax collections will be held. The remaining four members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 3 projects.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

**A. Financial Reporting Entity (continued)**

**Sugar Land Reinvestment Zone No. 4**

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use urban center with retail, office and entertainment uses. The City will participate at a rate of 50 percent of their ad valorem tax rate over the 30 year life of the Zone. Fort Bend County Municipal Utility District No. 138 and 139 have agreed to contribute the same amount as the City, while Fort Bend County, the Fort Bend County Drainage District and Fort Bend County Municipal Utility District No. 137 have yet to formalize participation agreements. The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

Separately issued audited financial statements are not issued for the discretely presented component units. Information on the discretely presented component units is presented as separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Fiscal Services Department.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 revenues are reported as general revenues.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

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

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets, deferred outflows of resources, and all liabilities associated with the operations of these activities are included on the statements of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

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

The City's Business type activities consist of the following major proprietary funds:

The *Utility Service Fund* is used to account for the City's water and utility services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Surface Water Fund* is used to account for the City's surface water services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for service and the expenditures relate to operating expenses.

The *Enterprise Funds* are used to account for the operations that provide water and wastewater utility services to the public, solid waste disposal operations, and general aviation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City maintains *Internal Service Funds* used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the Internal Service Funds include employee health benefits, fleet replacement and high technology replacement.

The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly defined fund balance categories make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

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

*Restricted fund balance* – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

*Committed fund balance* – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

*Assigned fund balance* – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year’s budget.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2013, outstanding purchase orders totaled \$682,956 These were the result of normal operations. As such, the City has committed \$463,599 and assigned \$219,357 in the General Fund.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in a privately managed public funds investment pool ("TexPool") and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

**F. Investments**

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposits. The City reports all investments at fair value based on quoted market prices at year-end date.

**G. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility System Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**H. Due to and Due from Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. These receivables and payables are classified as "due from other funds" or "due to other funds" or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit. Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds, component units, or primary government

**I. Inventories and Prepaid Items**

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

**J. Restricted Assets**

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

**L. Capital Assets**

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis. Property, Plant, and Equipment in the Proprietary Funds of the government are recorded at cost or at the estimated fair value at the date of donation if donated to the City. Property, Plant, and Equipment acquired from Municipal Utility Districts (MUDs) are recorded at the book value of the MUD at the date of annexation by the City. Major outlays for capital assets and improvements are capitalized in Proprietary Funds as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on 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 charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

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

**L. Capital Assets (continued)**

Depreciation has been provided for plant and equipment with estimated useful lives of three or more years and individual cost in excess of \$5,000 using the straight-line method over the following estimated useful life for the type of assets as follows:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	3 to 7 years
Office furniture and equipment	3 to 20 years
Machinery and equipment	6 to 15 years
Water and wastewater system	10 to 50 years
Airport facilities and improvements	20 to 45 years
Buildings, facilities and land improvements	15 to 45 years
Infrastructure	20 to 50 years
Organizational cost of acquired MUDs	40 years

**M. Compensated Absences**

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 160 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service. The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

**N. 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 disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**O. Deficit Equity**

The Sugar Land 4B Corporation had deficit net position of approximately \$32.6 million as of September 30, 2013. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government as required by law.

**P. Reclassifications**

Certain reclassifications to prior-year balances have been made to conform to current-year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

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

**Q. Budgets**

Annual appropriated budgets are adopted for the General, Special Revenue (with the exception of Law Enforcement Grant Funds) and Debt Service Funds, using the same cash basis of accounting.

**Note 2 – Deposits (Cash) and Investments**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker's acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is two years from date of purchase.

**Deposit and Investment Amounts**

The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

The City's cash and investments are classified as: Cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account (TexPool). The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use. The restricted cash and investments include cash on deposit with financial institutions, TexPool, and U.S. Government Securities. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank accounts, in short-term investments with TexPool, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 – Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts**

The following schedule shows the City’s recorded cash and investments at year-end:

	<b>Total Fair Value</b>	
	<b>Primary Government</b>	<b>Component Units</b>
Cash Deposits	\$ 38,523,307	\$ 3,384,266
Certificates of Deposit	17,238,678	499,375
Temporary Investments:		
Government securities:		
FHLB	15,007,860	1,000,471
FHLMC	13,506,909	500,341
FFCB	23,013,634	1,000,935
FAMCA	10,004,546	
Public Funds Investment Pools:		
TexPool	6,960,370	563,243
	<u>\$ 124,255,304</u>	<u>\$ 6,948,631</u>

At September 30, 2013, the City reported cash deposits in the amount of \$41,907,573 and the bank balance was \$42,417,783. \$2,086,527 of these totals represented cash deposits with a fiscal agent. The City's collateral requirement, in accordance with its investment policy is 102%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the City's agent in the City's name, which totaled \$44,173,450 as of September 30, 2013.

Quoted market prices are the basis of the fair value for U.S. Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City’s investment income as follows:

	<b>Primary Government</b>	<b>Component Units</b>
	Interest income	\$ 364,620
Unrealized gain (loss) on temporary investments	90,098	516
Investment earnings	<u>\$ 454,718</u>	<u>\$ 10,690</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 – Deposits (Cash) and investments (continued)**

**Investment Risks:**

**Interest Rate Risk**

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	Fair Value		Weighted Average Maturity (days)
	Primary Government	Component Units	
Certificate of Deposits	\$ 17,238,678	\$ 499,375	241
Temporary Investments:			
Government securities:			
U.S. Agency Securities	61,532,949	2,501,747	415
Public Funds Investment Pools:			
TexPool	6,960,370	563,243	60
	\$ 85,731,997	\$ 3,564,365	
<b>Portfolio weighted average maturity (days)</b>	<b>351</b>	<b>335</b>	

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 90 days for public fund investment pools and 730 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 365 days or 12 months.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The settlement date is considered the date of purchase.

**Local Government Investment Pools**

As of September 30, 2013, the City's investments included TexPool Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

The value of the City's portions in TexPool is the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 – Deposits (Cash) and Investments (continued)**

**Concentration of Credit Risk**

The City’s investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Certificates of Deposit	\$ 17,738,053	19.9%
Temporary Investments:		
Government securities:		
FHLB	16,008,331	17.9%
FHLMC	14,007,250	15.7%
FFCB	24,014,569	26.9%
FAMCA	10,004,546	11.2%
Total government securities	<u>64,034,695</u>	<u>71.7%</u>
Public Funds Investment Pools:		
TexPool	7,523,613	8.4%
	<u>\$ 89,296,361</u>	<u>100.0%</u>

**Credit Risk**

At year-end balances in TexPool, a privately managed public funds investment pool was rated AAAM by Standard & Poor’s.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor’s, AAA by Fitch Ratings, and Aaa by Moody’s Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 – Deposits (Cash) and Investments (continued)**

**Restricted Assets**

The Capital Projects Fund and Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

The amounts of the restricted cash and investments and their respective purpose are as follows:

<b>Restricted Purpose</b>	<b>Cash</b>	<b>Investments</b>
Restricted for Capital Projects	6,817,546	\$ 13,011,563
Restricted for Debt Service	2,563,559	5,504,166
Restricted for Customer Deposits	468,865	
<b>Total</b>	<b>\$ 9,849,970</b>	<b>\$ 18,515,729</b>

Additionally, the Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

**Note 3 - Receivables**

**Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 – Receivables (continued)**

Receivables at September 30, 2013, consist of the following:

**Primary Government:**

**Governmental Funds:**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non -Major Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Property taxes, including penalties and interest	\$ 516,580	\$ 184,003	\$	\$	\$	\$ 700,583
Sales and other taxes	6,719,642					6,719,642
Fines and forfeitures	1,128,873					1,128,873
Interest	14,505	434	721	8,769	1,598	26,027
Other	388,817		1,070,109	3,294,829	12,821	4,766,576
Allowance for uncollectibles	(1,081,797)					(1,081,797)
<b>Total</b>	<u>\$7,686,620</u>	<u>\$ 184,437</u>	<u>\$1,070,830</u>	<u>\$ 3,303,598</u>	<u>\$ 14,419</u>	<u>\$12,259,904</u>

**Proprietary Funds:**

	<u>Utilities Fund</u>	<u>Airport Fund</u>	<u>Surface Water Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Customer accounts	\$ 5,587,674	\$ 234,624	\$ 670,496	\$ 547,733	\$ 7,040,527
Interest	16,937	782	13,400		31,119
Other		50,000			50,000
Allowance for uncollectibles	(259,626)	(6,856)		(46,860)	(313,342)
<b>Total</b>	<u>\$ 5,344,985</u>	<u>\$ 278,550</u>	<u>\$ 683,896</u>	<u>\$ 500,873</u>	<u>\$ 6,808,304</u>

**Component Units:**

	<u>Sugar Land 4B Corporation</u>	<u>Sugar Land TIRZ #1</u>	<u>Total</u>
Sales and other taxes	\$ 1,033,133	\$ 1,330	\$ 1,034,463
Interest	2,560		2,560
<b>Total</b>	<u>\$ 1,035,693</u>	<u>\$ 1,330</u>	<u>\$ 1,037,023</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 – Capital Assets**

A summary of changes in the primary government's capital assets for the year ended September 30, 2013, follows:

**Primary Government**

	<b>Balance September 30, 2012</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2013</b>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 80,692,847	\$ 3,064,003	\$	\$ 83,756,850
Construction in progress	48,077,950	15,004,738	(23,718,374)	39,364,314
Intangibles	717,883	45,049		762,932
<b>Total capital assets not being depreciated</b>	<b>129,488,680</b>	<b>18,113,790</b>	<b>(23,718,374)</b>	<b>123,884,096</b>
<b>Other capital assets:</b>				
Infrastructure	334,806,875	45,452,543	\$ (70,723)	380,188,695
Buildings and improvements	122,777,883	173,779		122,951,662
Equipment and furniture	33,843,498	3,442,021	(2,341,504)	34,944,015
Intangibles		56,359		56,359
<b>Total other capital assets</b>	<b>491,428,256</b>	<b>49,124,702</b>	<b>(2,412,227)</b>	<b>538,140,731</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(203,127,052)	(9,466,363)	\$ 1,179	(212,592,236)
Buildings and improvements	(23,703,135)	(4,045,643)		(27,748,778)
Equipment and furniture	(19,318,118)	(3,237,544)	1,384,411	(21,171,251)
Intangibles		(6,726)		(6,726)
<b>Total accumulated depreciation</b>	<b>(246,148,305)</b>	<b>(16,756,276)</b>	<b>1,385,590</b>	<b>(261,518,991)</b>
Other capital assets, net	245,279,951	32,368,426	(1,026,637)	276,621,740
<b>Totals</b>	<b>\$ 374,768,631</b>	<b>\$ 50,482,216</b>	<b>\$ (24,745,011)</b>	<b>\$ 400,505,836</b>

	<b>Balance September 30, 2012</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2013</b>
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 13,165,371	\$ 6,720,561	\$	\$ 19,885,932
Construction in progress	84,805,113	60,672,033	(18,835,882)	126,641,264
<b>Total capital assets not being depreciated</b>	<b>97,970,484</b>	<b>67,392,594</b>	<b>(18,835,882)</b>	<b>146,527,196</b>
<b>Other capital assets:</b>				
Infrastructure	357,482,499	14,619,181	(17,159,801)	354,941,879
Buildings and improvements	17,743,471	780,299		18,523,770
Equipment and furniture	7,769,901	454,008	(82,910)	8,140,999
Intangibles		127,704		127,704
<b>Total other capital assets</b>	<b>382,995,871</b>	<b>15,981,192</b>	<b>(17,242,711)</b>	<b>381,734,352</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(125,572,361)	(8,974,742)	1,905,327	(132,641,776)
Buildings and improvements	(4,066,837)	(632,275)		(4,699,112)
Equipment and furniture	(3,091,131)	(481,303)	67,464	(3,504,970)
Intangibles		(6,385)		(6,385)
<b>Total accumulated depreciation</b>	<b>(132,730,329)</b>	<b>(10,094,705)</b>	<b>1,972,791</b>	<b>(140,852,243)</b>
Other capital assets, net	250,265,542	5,886,487	(15,269,920)	240,882,109
<b>Totals</b>	<b>\$ 348,236,026</b>	<b>\$ 73,279,081</b>	<b>\$ (34,105,802)</b>	<b>\$ 387,409,305</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

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

Depreciation was charged to programs as follows:

**Depreciation was charged to programs as follows:**

General government	\$ 1,131,119
Administrative services	1,552,931
Public works	11,153,879
Parks and recreation	1,212,529
Community development	94,096
Public safety-Police	903,670
Public safety-Fire	708,052
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets	
<b>Total Governmental Activities</b>	<u><u>\$ 16,756,276</u></u>
Water and wastewater	\$ 7,960,924
Airport	2,025,693
Surface Water	108,088
<b>Total Business-Type Activities</b>	<u><u>\$ 10,094,705</u></u>

The City has active construction projects as of September 30, 2013. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

<u>Project Description</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Drainage improvement	\$ 3,075,009	\$ 282,464
Park improvement	1,886,034	371,460
Municipal improvements	6,943,893	830,551
Street improvement	26,687,543	6,439,329
Traffic improvement	771,835	194,167
Total Governmental	<u>39,364,314</u>	<u>8,117,971</u>
Business-type Activities:		
Municipal improvements	763,743	
Street improvement	21,815,547	
Water and wastewater improvements	100,541,115	2,446,215
Airport improvement	3,520,859	5,207,913
Total Business-type	<u>126,641,264</u>	<u>7,654,128</u>
<b>Totals</b>	<u><u>\$ 166,005,578</u></u>	<u><u>\$ 15,772,099</u></u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt**

**A. Governmental Activity Debt**

The City issues general obligation bonds and certificates of obligation and upon annexation or dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved and annexed areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The City issued \$9,905,000 of General Obligation Refunding Bonds, Series 2012A dated November 1, 2012. Proceeds of \$4,295,000 from the sale of the bonds were used to refund certain obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$213,878. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding reduced total debt service principal payments by \$250,000 and resulted in an economic gain/present value of \$514,073. The premium of \$491,941 is being amortized over the life of the bonds using the straight-line method.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2013. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	<b>Balance September 30, 2012*</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2013</b>	<b>Amounts Due Within One Year</b>
<b>Bonds payable:</b>					
General obligation bonds	\$ 74,095,000	\$ 4,295,000	\$ (11,300,000)	\$ 67,090,000	\$ 8,650,000
Annexed utility district bonds	5,525,000		(335,000)	5,190,000	355,000
Certificates of obligation	45,376,995		(4,497,399)	40,879,596	2,087,601
Sales tax revenue bonds	9,485,000		(550,000)	8,935,000	575,000
Issuance premiums/discounts	1,759,679	500,410	(412,750)	1,847,338	371,399
	<u>136,241,674</u>	<u>4,795,410</u>	<u>(17,095,149)</u>	<u>123,941,934</u>	<u>12,039,000</u>
<b>Other liabilities:</b>					
Obligations under capital leases	1,664,554		(376,770)	1,287,784	333,510
Other Post-Employment Benefit Obligation (OPEB)	747,059	248,276		995,335	
Obligation to State	1,689,893		(463,701)	1,226,192	463,701
Compensated absences	2,234,500	2,293,497	(2,234,501)	2,293,496	75,000
<b>Total Governmental Activities</b>	<u>\$ 142,577,680</u>	<u>\$ 7,337,182</u>	<u>\$ (20,170,120)</u>	<u>\$ 129,744,741</u>	<u>\$ 12,911,211</u>

\* As restated

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Utility System Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2013, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>General Obligation Bonds</b>				
Series 2003-A general obligation refunding	\$ 8,400,000	2017	2.0-4.0	\$ 1,980,000
Series 2004 general obligation bonds	5,435,000	2024	2.5-4.0	270,000
Series 2004 general obligation & refunding	5,360,000	2015	3.0-4.0	115,000
Series 2005 general obligation & refunding	8,060,000	2025	3.0-4.75	1,865,000
Series 2006 general obligation & refunding	34,685,000	2026	3.75-5.0	22,770,000
Series 2008 general obligation bonds	6,925,000	2028	4.0-5.0	5,790,000
Series 2009 general obligation & refunding	4,520,000	2016	3.0-3.25	670,000
Series 2010 general obligation & refunding	22,290,000	2026	2.0-5.0	18,645,000
Series 2010 general obligation bonds	2,435,000	2030	3.0-4.125	2,220,000
Series 2012 general obligation & refunding	9,440,000	2021	2.0-4.0	8,510,000
Series 2012A general obligation refunding	4,295,000	2025	2.0-4.0	4,255,000
<b>Total General Obligation Bonds</b>				\$ 67,090,000
<b>Certificates of Obligation</b>				
Series 2006 Tax and revenue certificates of obligation	990,000	2026	4.5-5.0	\$ 745,000
Series 2008 Tax and revenue certificates of obligation	4,460,000	2028	3.75-5.0	3,730,000
Series 2009 Tax and revenue certificates of obligation	17,370,000	2029	2.0-4.5	15,069,596
Series 2010 Tax and revenue certificates of obligation	23,405,000	2030	2.5-4.0	21,335,000
<b>Total Certificates of Obligation</b>				\$ 40,879,596
<b>Sales Tax Revenue Bonds</b>				
Series 2005 Sales Tax Revenue Bonds	\$ 12,365,000	2025	4.0-6.25	\$ 8,935,000
<b>Total Sales Tax Revenue Bonds</b>				\$ 8,935,000
<b>Annexed Utility District Bonds</b>				
<i>First Colony Municipal Utility District No. 1 (FC MUD 1)</i>				
Series 2005 Unlimited Tax Refunding	\$ 6,355,000	2025	3.0-4.50	\$ 5,190,000
<b>Total Annexed Utility District Bonds</b>				\$ 5,190,000

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The annual requirements to amortize governmental activity general obligation bonds, certificates of obligation, and annexed utility district bonds outstanding at September 30, 2013, are as follows:

Year Ending Sept. 30	Governmental Activities					
	General Obligation Bonds		Certificates of Obligation		Annexed Utility District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,650,000	\$ 2,600,320	\$ 2,087,601	\$ 1,524,989	\$ 355,000	\$ 220,093
2015	7,385,000	2,299,541	2,142,601	1,460,015	370,000	205,893
2016	6,515,000	2,039,525	2,192,601	1,384,033	385,000	191,093
2017	6,525,000	1,777,988	2,257,601	1,308,745	405,000	175,693
2018	6,285,000	1,517,075	2,312,601	1,228,451	430,000	159,088
2019	4,300,000	1,304,491	2,470,328	1,137,865	450,000	141,243
2020	4,450,000	1,120,044	2,252,525	1,050,308	465,000	122,343
2021	4,435,000	921,603	2,332,525	966,634	485,000	102,580
2022	4,185,000	727,725	2,402,525	877,179	510,000	81,725
2023	3,875,000	544,013	2,482,525	782,649	535,000	59,540
2024	3,625,000	378,544	2,562,525	684,382	560,000	36,000
2025	3,180,000	234,225	2,642,652	581,682	240,000	10,800
2026	1,935,000	123,363	2,737,652	473,406		
2027	670,000	64,538	2,752,778	359,828		
2028	705,000	31,813	2,847,778	241,225		
2029	180,000	11,438	2,587,778	126,500		
2030	190,000	3,919	1,815,000	36,300		
	<u>\$ 67,090,000</u>	<u>\$ 15,700,165</u>	<u>\$ 40,879,596</u>	<u>\$ 14,224,191</u>	<u>\$ 5,190,000</u>	<u>\$ 1,506,091</u>

**Sales Tax Revenue Bonds**

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2013, are as follows:

Year Ending Sept. 30	Sugar Land Development Corporation Blended Component Unit Sales Tax Revenue Bonds	
	Principal	Interest
	2014	\$ 575,000
2015	595,000	359,106
2016	625,000	334,089
2017	650,000	307,308
2018	685,000	278,596
2019	715,000	247,968
2020	750,000	215,363
2021	785,000	180,825
2022	825,000	144,394
2023	865,000	105,946
2024	910,000	65,338
2025	955,000	22,204
	<u>\$ 8,935,000</u>	<u>\$ 2,643,792</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

**Capital Lease Obligations**

The City has entered into certain capital lease agreements in order to purchase fire equipment, public safety and management information systems equipment. The capital lease obligations are paid out of the General Fund.

Following is a summary of future lease payments due on this equipment:

<u>Fiscal Year</u>	<u>Obligations</u>
2014	\$ 365,050
2015	365,050
2016	365,050
2017	264,945
<b>Total</b>	1,360,095
Less interest portion	(72,311)
<b>Obligations under Capital Leases</b>	<u><u>\$ 1,287,784</u></u>

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$2.8 million and accumulated depreciation of approximately \$1.1 million.

**Obligations to State - Refund of Sales Tax**

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest.

During the 2011 fiscal year, the State identified approximately \$1.2 million in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end June 2015.

During the 2012 fiscal year, the State identified approximately \$797,757 in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end June 2016.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**B. Business Activity Debt**

The City issued \$9,905,000 of General Obligation Refunding Bonds, Series 2012A dated November 1, 2012. Proceeds of \$5,610,000 from the sale of the bonds were used to refund certain obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$345,188. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding reduced total debt service principal payments by \$350,000 and resulted in an economic gain/present value of \$671,466. The premium of \$673,966 is being amortized over the life of the bonds using the straight-line method.

The City issued \$9,025,000 of Waterworks and Sewer System Revenue Refunding Bonds, Series 2012A dated November 1, 2012. Proceeds from the sale of the bonds were used to refund certain obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$548,512. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding reduced total debt service principal payments by \$55,000 and resulted in an economic gain/present value of \$812,217. The premium of \$774,916 is being amortized over the life of the bonds using the straight-line method.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2013.

	<b>Balance September 30, 2012*</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2013</b>	<b>Amounts Due Within One Year</b>
<b>Bonds payable:</b>					
Water and wastewater revenue bonds	\$ 80,400,000	\$ 9,025,000	\$ (13,755,000)	\$ 75,670,000	\$ 4,680,000
General obligation bonds		5,610,000		5,610,000	100,000
Certificates of obligation	107,968,005		(8,322,601)	99,645,404	2,372,399
Issuance premiums/discounts	147,404	1,448,882	(176,965)	1,419,321	207,520
	<u>188,515,409</u>	<u>16,083,882</u>	<u>(22,254,566)</u>	<u>182,344,725</u>	<u>7,359,919</u>
<b>Other liabilities:</b>					
Compensated absences	264,432		(6,979)	257,453	10,000
<b>Total Business-type Activities</b>	<u>\$ 188,779,841</u>	<u>\$ 16,083,882</u>	<u>\$ (22,261,545)</u>	<u>\$ 182,602,178</u>	<u>\$ 7,369,919</u>

\* As restated

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**B. Business Activity Debt (continued)**

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2013 follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Utility and Surface Water Funds</b>				
Series 2005 Waterworks and Sewer System Revenue Bonds	\$ 12,625,000	2030	3.5-4.5	\$ 580,000
Series 2006 Waterworks and Sewer System Revenue Bonds	5,410,000	2026	4.125-5.50	4,035,000
Series 2008 Waterworks and Sewer System Revenue Bonds	14,780,000	2028	3.5-5.0	12,320,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	4,090,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	24,790,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	95,265,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	21,170,000
Series 2012A Waterworks and Sewer System Revenue Refunding Bonds	9,025,000	2030	2.0-4.0	8,685,000
<b>Total Utility and Surface Water Funds</b>				<u>\$ 170,935,000</u>
<b>Airport Fund</b>				
Series 2005A Tax and Revenue Certificates of Obligation	\$ 7,410,000	2025	4.0-5.5	\$ 320,000
Series 2007 Combination Tax and Revenue Certificates of Obligation	4,400,000	2028	4.0-4.625	3,670,000
Series 2010 Combination Tax and Revenue Certificates of Obligation	450,000	2030	2.0-4.5	390,404
Series 2012A General Obligation Refunding	5,610,000	2025	2.0-4.0	5,610,000
<b>Total Airport Fund</b>				<u>\$ 9,990,404</u>
<b>Total Enterprise Long-Term Debt</b>				<u><u>\$ 180,925,404</u></u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**B. Business Activity Debt (continued)**

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2013, are as follows:

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds		Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,680,000	\$ 2,727,394	\$ 2,372,399	\$ 4,306,610	\$ 100,000	\$ 190,150
2015	4,770,000	2,591,804	2,112,399	4,252,409	430,000	184,850
2016	4,525,000	2,462,460	2,182,399	4,194,950	440,000	176,150
2017	4,630,000	2,312,563	2,252,399	4,125,804	450,000	165,000
2018	4,755,000	2,161,300	2,332,399	4,054,929	460,000	151,350
2019	4,250,000	1,996,585	2,434,672	3,981,180	475,000	137,325
2020	4,395,000	1,850,155	2,527,475	3,904,337	490,000	120,400
2021	4,255,000	1,698,255	2,627,475	3,821,481	515,000	100,300
2022	4,430,000	1,543,930	2,737,475	3,723,051	535,000	79,300
2023	4,275,000	1,377,630	2,877,475	3,610,752	550,000	57,600
2024	4,445,000	1,212,155	3,012,475	3,492,953	570,000	35,200
2025	4,640,000	1,039,915	3,132,348	3,369,970	595,000	11,900
2026	4,830,000	851,751	3,262,348	3,241,886		
2027	4,620,000	650,176	3,407,222	3,092,900		
2028	4,825,000	456,733	3,557,222	2,933,901		
2029	3,845,000	255,638	3,362,222	2,784,975		
2030	1,835,000	109,163	3,495,000	2,624,038		
2031	1,665,000	54,113	3,655,000	2,454,425		
2032			3,835,000	2,285,900		
2033			4,025,000	2,098,988		
2034			4,225,000	1,892,738		
2035			4,440,000	1,676,113		
2036			4,660,000	1,454,438		
2037			4,895,000	1,227,506		
2038			5,145,000	982,625		
2039			5,410,000	718,750		
2040			5,690,000	441,250		
2041			5,980,000	149,500		
	<u>\$ 75,670,000</u>	<u>\$ 25,351,720</u>	<u>\$ 99,645,404</u>	<u>\$ 76,898,359</u>	<u>\$ 5,610,000</u>	<u>\$ 1,409,525</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**C. Component Unit Long-Term Debt**

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2013:

	<u>Balance September 30, 2012*</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2013</u>	<u>Amounts Due Within One Year</u>
<b>Bonds payable:</b>					
Sales tax revenue bonds	\$ 40,970,000		\$ (1,660,000)	\$ 39,310,000	\$ 1,705,000
Issuance premiums/discounts	(33,650)		5,837	(27,813)	5,458
<b>Other liabilities:</b>					
Note Payable	980,100			980,100	
Obligation to State	225,368		(65,300)	160,068	65,299
	<u>\$ 42,141,818</u>	<u>\$</u>	<u>\$ (1,719,463)</u>	<u>\$ 40,422,355</u>	<u>\$ 1,775,757</u>

\* As restated

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2013, follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 2,715,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	7,580,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	29,015,000
<b>Total Component Unit Long-Term Debt</b>				<u>\$ 39,310,000</u>

**Note Payable**

Sugar Land 4B Corporation purchased 5 acres of land for baseball stadium parking and related improvements. There are two notes for \$490,000 each payable to the State of Texas and Amegy Bank National Association. The interest rate is 6% per annum. Interest shall accrue commencing on January 1, 2012 and unless sooner paid, all outstanding principal and interest shall be due and payable on December 15, 2015.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 – Long-Term Debt (continued)**

**C. Component Unit Long-Term Debt (continued)**

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2013, are as follows:

<u>Year Ending Sept. 30</u>	<u>Sugar Land 4B Corporation Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,705,000	\$ 1,639,706
2015	1,780,000	1,583,844
2016	1,840,000	1,522,638
2017	1,885,000	1,457,419
2018	1,960,000	1,388,781
2019	2,025,000	1,316,344
2020	2,115,000	1,239,175
2021	2,195,000	1,156,850
2022	1,900,000	1,076,631
2023	1,330,000	1,011,694
2024	1,390,000	953,169
2025	1,460,000	888,863
2026	1,225,000	828,269
2027	1,290,000	771,681
2028	1,355,000	712,169
2029	1,425,000	648,728
2030	1,500,000	580,150
2031	1,580,000	506,013
2032	1,670,000	425,750
2033	1,765,000	339,875
2034	1,865,000	249,125
2035	1,970,000	153,250
2036	2,080,000	52,000
	<u>\$ 39,310,000</u>	<u>\$ 20,502,124</u>

**D. Legal Compliance**

Long-term debt assumed by the City upon dissolution of annexed municipal utility districts in the current and previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The annexed area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$4.0 million.

**Note 6 – Fund Equity/Net Position**

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net position balance at year-end of approximately \$32.6 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 7 – Interfund Transactions**

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2013 is as follows:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amounts</b>	<b>Purpose</b>
General Fund	Airport Fund	\$ 622,670	Overhead from cost allocation plan
General Fund	SLDC Fund	488,975	Administrative Services
General Fund	CIP (Non-Bonds)	202,000	Overhead from cost allocation plan
General Fund	Surface Water Fund	290,000	Overhead from cost allocation plan
General Fund	Utility Fund	2,339,561	Overhead from cost allocation plan
General Fund	Solid Waste Fund	10,600	Overhead from cost allocation plan
General Fund	Red Light Camera Fund	399,740	50% of net revenues - Traffic Enforcement fund
		<u>4,353,546</u>	
Debt Service Fund	Tourism Fund	656,261	Payment on Conference center Debt
Debt Service Fund	Utility Fund	4,023,131	80% of water/ww MUD debt svc
		<u>4,679,392</u>	
Capital Project Fund	SLDC Fund	3,557,282	Capital Projects Reimbursement
Capital Project Fund	Fleet Replacement Fund	40,000	C & G Fueling System
Capital Project Fund	General Fund	3,092,379	Capital Projects Reimbursement
		<u>6,689,661</u>	
Debt Reduction Fund	General Fund	309,258	Sales Tax from River Park & GW
Debt Reduction Fund	General Fund	150,000	River Park Sales Tax per SPA
		<u>459,258</u>	
Law Enforcement Grant Fund	General Fund	1,788	Proceeds from the sale of PD vehicles
Airport Fund	SLDC Fund	50,000	International Marketing
Airport Fund	General Fund	68,118	Based on property tax collected
Airport Fund	Debt Service Fund	53,739	Based on property tax collected
		<u>171,857</u>	
Utility Fund	Surface Water Fund	87,504,405	Set-up beginning balances for new fund presentation
Surface Water Fund	Utility Fund	63,132,048	Set-up beginning balances for new fund presentation
Surface Water Fund	Utility Fund	32,676,913	Set-up beginning balances for new fund presentation
Surface Water Fund	Utility Fund	13,991,452	Set-up beginning balances for new fund presentation
Surface Water Fund	Utility Fund	390,823	Interest earnings
		<u>110,191,236</u>	
Solid Waste Fund	General Fund	65,227	Support Keeping Sugar Land Beautiful @ 0.76 per capita
Employee Benefit Fund	Airport Fund	11,248	Administrative fees
Employee Benefit Fund	General Fund	150,110	Administrative fees
Employee Benefit Fund	Utility Fund	14,328	Administrative fees
		<u>175,686</u>	
Fleet Replacement Fund	Airport Fund	24,110	Planned replacement of fleet
Fleet Replacement Fund	General Fund	635,930	Planned replacement of fleet
Fleet Replacement Fund	Surface Water Fund	8,283	Planned replacement of fleet
Fleet Replacement Fund	Utility Fund	146,980	Planned replacement of fleet
Fleet Replacement Fund	Solid Waste Fund	2,370	Planned replacement of fleet
		<u>817,673</u>	
HI-Tech Fund	Airport Fund	9,727	Planned replacement of equipment
HI-Tech Fund	General Fund	1,107,041	Planned replacement of equipment
HI-Tech Fund	Utility Fund	21,790	Planned replacement of equipment
HI-Tech Fund	Solid Waste Fund	276	Planned replacement of equipment
		<u>1,138,834</u>	
		<u>\$ 216,248,563</u>	

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 8 - Deferred Compensation Plan**

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions, SBC Retirement Corporation and ICMA were appointed as plan administrators. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and makes investment decisions and disburse funds to employees in accordance with plan provisions.

**Note 9 – Employee Retirement System**

*Texas Municipal Retirement System*

**Plan Description and Provisions**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 847 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions adopted by the City are within the options available in the governing state statutes of TMRS. 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%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City has adopted another type of monetary credit referred to as an updated service credit (USC). This provision may increase the value of employee retirement benefits by accounting for increases in salary later in the employee's career and factoring in City plan improvements. The City chose the percentage of USC it will provide of 100%. 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. The City also participates in the Supplemental Death Benefits Fund. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The death benefits for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earning during the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit."

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Plan Description and Provisions (continued)**

The plan provisions are adopted by the City Council of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years Required for Vesting	5	5
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	70%	70%
Restricted Prior Service Credit	Yes	Yes
Supplemental Death Benefits – Employees and Retirees	Yes	Yes

Members can retire at age 60 and above with five or more years of service or with 20 years of service regardless of age.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three-year trend information for the annual pension cost and net pension obligation are as follows:

Fiscal Year Ending	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Pension Cost (APC)	\$ 5,646,329	\$ 5,577,309	\$ 5,800,525
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period	\$ -	\$ -	\$ -

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Contributions (continued)**

The City's total payroll in fiscal year 2013 was \$36.9 million and the City's contributions were based on a payroll of \$36.2 million. Contributions made by employees totaled \$2.5 million, and the City made contributions of \$5.7 million during the fiscal year ended September 30, 2013.

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the fiscal years ended 2013, 2012, and 2011 were \$51,264 and \$50,071 , respectively, which equaled the required contributions each year.

<u>Fiscal Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2011	0.01%	0.01%	100%
2012	0.01%	0.01%	100%
2013	0.01%	0.01%	100%

**Funding Policy**

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. TMRS changed to the Projected Unit Credit actuarial cost method with actuarial valuations beginning on December 31, 2007.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Funding Policy (continued)**

The change to Projected Unit Credit caused significant contribution increases (beginning with the January 2009 contribution rate) for many cities that had adopted annually repeating benefits. Cities that experienced a rate increase of 0.50% or more were given the opportunity to phase-in the increase over an eight-year period. The City of Sugar Land chose to fully fund the new rate in 2009 and not use the phase-in program.

**Funded Status and Funding Progress**

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2012	\$ 124,226,362	\$ 145,572,151	\$ 21,345,789	85.3%	\$ 36,193,853	59.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Funded Status and Funding Progress (continued)**

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011, actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 Years; Closed Period	26.2 Years; Closed Period	25.1 Years; Closed Period
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

***City of Sugar Land Retiree Health Care Plan***

GASB Statement 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer’s financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Sugar Land was October 1, 2009. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of December 31, 2012, and discloses the following:

**Plan Description and Funding Policy**

The City of Sugar Land Retiree Health Care Plan is a single-employer defined benefit plan. Employees who retire from the City of Sugar Land and receive an annuity from TMRS upon leaving the City’s employment, and eligible dependents and survivors, are eligible to continue to participate in the City’s health insurance programs at the “blended” employee group rate which is determined annually by the City of Sugar Land and approved by the City Council. Prior to retiring employees may elect to continue to participate in the City’s medical and dental benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2012, a total of ten (10) retirees had elected to receive retiree health care coverage through the City of Sugarland Retiree Health Care Plan.

Retirees pay 100% of the premium for self, spouse, and dependents. However, the City recognizes that there is an “implicit subsidy” arising as a result of the blended rate premium since retiree health care costs, on average, is higher than active employee healthcare costs. The plan is not accounted for as a trust fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Plan Description and Funding Policy (continued)**

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is .8% percent of annual covered payroll.

**Annual OPEB Cost and Net OPEB Obligation**

The City’s annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB.

The City’s annual OPEB cost for the year ending September 30, 2013, is as follows:

<b>Determination of Net OPEB Obligation (NOO)</b>	
Annual required contribution	\$ 248,276
Annual OPEB cost	<u>248,276</u>
Net OPEB obligation – beginning of year	747,059
Net OPEB obligation – end of year	<u><u>\$ 995,335</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed*</u>	<u>Net OPEB Obligation</u>
2013	\$ 248,276	0.0%	\$ 995,335
2012	233,417	0.0%	751,142
2011	262,688	0.0%	517,725

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 – Employee Retirement System (continued)**

**Funded Status and Funding Progress**

The funded status of the City’s retiree health care plan, under GASB Statement No. 45 as of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date as of December 31,	<u>2012</u>
Actuarial accrued liability (AAL)	\$2,069,749
Actuarial value of plan assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$2,069,749
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$36,193,853
UAAL as a percentage of covered payroll	5.72%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used for this valuation are as follows:

Measurement Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	Open 30-year
Amortization Method	Level Percent of Payroll
Discount Rate	4.50%
CPI	3.00%
Healthcare Cost Trend Rate	10% initial rate, 4.5% ultimate rate, 11 yr grade in period
Payroll Growth Rate	3.00%

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 10 – Contracts with Special Districts**

**Agreements with Utility Districts**

The City has entered into utility agreements with seven Municipal Utility Districts (Fort Bend MUDs No. 21, 10, 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.

The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2013, were \$2.58 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) in the Greatwood and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$673,938 from the participating MUDs for the year ending September 30, 2013, in connection with this agreement.

**Note 11 – Lease Agreements**

**Sugar Land Hotel Associates, L.P.**

In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of \$1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

**Opening Day Partners (ODP), LLC**

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with ODP, L.P. for the rental of the Constellation Field (baseball stadium). ODP owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1<sup>st</sup> each lease year. In addition to the base rent, the City will receive participation rent equal to 40% of all gross revenues in excess of \$2.6 million.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 12 – Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2013. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

**Federally Assisted Programs - Compliance Audits**

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2013.

**Arbitrage Rebate**

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

**Economic Development Grant Commitments**

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

<b>Fiscal Year</b>	<b>Grant Commitments</b>
2014	\$ 2,265,000
2015	410,000
2016	890,000
2017	550,000
2018	460,000
2019	820,000
2020	315,000
2021	315,000
2022	315,000
2023	315,000
2024	310,000
<b>Totals</b>	<b>\$ 6,965,000</b>

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 13 - 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 mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. 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 City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2013, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Employee Benefits Fund**

Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund - Internal Service Fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Internal Service Fund charges the City's General Fund and enterprise funds for the City's contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the District processes health claim payments. The City has obtained excess loss insurance which limits the City's claims paid to \$125,000 annually for any individual occurrence.

Settled claims did not exceed insurance coverages in fiscal year 2013. Estimates of claims payable and of claims incurred, but not reported at September 30, 2013, are reflected as accrued expenses and claims payable of the Employee Benefits Fund - Internal Service Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2013. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

**Note 14 – Subsequent Events**

**Bond Election**

On November 5, 2013, the voters of Sugar Land approved two of three propositions on the ballot for the authorization of general obligation bonds for parks projects. The three propositions were: (1) the issuance of \$18,540,000 bonds for parks and recreational facilities including a 65-acre major community park located at Chatham Avenue and Easton Avenue; (2) the issuance of \$21,300,000 bonds for parks and recreational facilities including phase two of Brazos River Park and an adjacent festival site; and (3) the issuance of \$10,160,000 bonds for parks and recreational facilities including a connecting network of approximately ten miles of hike and bike trails and bridges. Propositions 2 and 3 were approved by the voters with a canvassing of the results on November 14, 2013.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 14 – Subsequent Events (continued)**

**Issuance of Sugar Land Development Corporation Sales Tax Revenue Bonds Series 2013, Certificates of Obligation Series 2013 and Waterworks and Sewer System Revenue Bonds Series 2013**

On October 1, 2013, the Sugar Land Development Corporation and City Council approved the issuance of \$7.2 million in Sales Tax Revenue Bonds.

On October 1, 2013 City Council approved Resolution 13-43 authorizing publication of the notice of the City’s intent to issue Certificates of Obligation with a maximum principal amount of \$25,500,000. The bonds were subsequently sold on November 19, 2013.

On November 5, 2013 City Council approved the issuance of \$15.765 million in waterworks and sewer system revenue bonds.

**Note 15 – Restated Net Position/Fund Balance**

The City expensed the unamortized bond issuance costs in accordance with the implementation of GASB Statement No. 65. The City also restated the beginning fund balance in the Photographic Traffic Enforcement Fund to record an allowance for doubtful accounts and deferred inflows of resources for unavailable revenue for uncollected fines. The effect of these restatements on beginning fund balance and beginning net position are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>	<u>Photographic Traffic Enforcement Fund</u>
Net Position/Fund Balance as of September 30, 2012	\$ 301,853,915	\$ 258,515,321	\$ (34,419,870)	\$ 1,511,023
Expense unamortized debt issuance costs in accordance with GASB 65:				
Utility Fund	(979,976)		(271,517)	
Airport Fund		(451,051)		
		(41,664)		
Record allowance for doubtful accounts and deferred inflows of resources				(1,499,575)
Net Position/Fund Balance as of September 30, 2012 (restated)	<u>\$ 300,873,939</u>	<u>\$ 258,022,606</u>	<u>\$ (34,691,387)</u>	<u>\$ 11,448</u>

**CITY OF SUGAR LAND, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 16 – Implementation of New GASB Statements**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented GASB No. 63 in this annual report.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement will improve financial reporting by reclassifying certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or as outflows or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has implemented GASB No. 65 in this annual report. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of the beginning net position of various balances, as described in Note 15.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SUGAR LAND, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2013*

	<i>General Fund</i>			<b>Variance with Final Budget Positive / (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 16,698,314	\$ 16,742,982	\$ 16,788,716	\$ 45,734
Sales tax	32,622,120	32,622,100	33,723,873	1,101,773
Franchise and other taxes	5,366,188	5,689,594	5,718,715	29,121
Licenses and permits	2,176,535	2,663,570	2,817,871	154,301
Fines and forfeitures	2,135,000	2,095,792	1,999,800	(95,992)
Charges for services	2,831,686	3,030,799	3,173,081	142,282
Investment earnings	155,700	102,500	176,912	74,412
Intergovernmental	615,585	575,697	605,665	29,968
Other	97,000	328,630	441,355	112,725
<b>Total Revenues</b>	<b>62,698,128</b>	<b>63,851,664</b>	<b>65,445,988</b>	<b>1,594,324</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	10,096,499	10,646,727	10,291,668	355,059
Administrative services	6,122,484	5,997,454	6,309,105	(311,651)
Public Safety - Police	17,151,606	16,995,526	16,881,735	113,791
Public Safety - Fire	10,393,068	10,967,081	10,214,191	752,890
Public Works	8,840,808	8,827,570	8,587,537	240,033
Parks and recreation	5,611,358	5,676,413	5,440,839	235,574
Community development	4,790,653	4,798,332	4,592,647	205,685
Debt Service	508,218	508,218	433,902	74,316
<b>Total Expenditures</b>	<b>63,514,694</b>	<b>64,417,321</b>	<b>62,751,624</b>	<b>1,665,697</b>
Excess (deficiency) of revenues over expenditures	(816,566)	(565,657)	2,694,364	3,260,021
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases		701,155		(701,155)
Transfers in	4,256,784	4,135,001	4,353,546	218,545
Transfers (out)	(5,418,218)	(5,573,734)	(5,579,851)	(6,117)
Sale of capital assets	65,000	85,000	78,516	(6,484)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,096,434)</b>	<b>(652,578)</b>	<b>(1,147,789)</b>	<b>(495,211)</b>
Net change in fund balances	(1,913,000)	(1,218,235)	1,546,575	2,764,810
<b>Fund balances - beginning</b>	<b>25,116,929</b>	<b>25,116,929</b>	<b>25,116,929</b>	
<b>Fund balances - ending</b>	<b>\$ 23,203,929</b>	<b>\$ 23,898,694</b>	<b>\$ 26,663,504</b>	<b>\$ 2,764,810</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**  
*For the Year ended September 30, 2012*

**Budgetary Compliance**

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2013.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the directors and department heads of the City and the Budget Manager, the City Manager prepares an annual budget for the General Fund, Special Revenue Funds, and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

For the year ended September 30, 2013, expenditures exceeded appropriations in the administrative services function of the general fund by \$311,651

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2013*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2012	\$ 124,226,362	\$ 145,572,151	85.3%	\$ 21,345,789	\$ 36,193,853	59.0%
2011	110,320,360	132,876,429	83.0%	22,556,069	35,535,263	63.5%
2010	97,156,861	122,327,452	79.4%	25,170,591	36,245,839	69.4%

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2013*

**CITY OF SUGAR LAND RETIREE HEALTH CARE PLAN (UNAUDITED)**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2012	\$0	\$ 2,069,749	0%	\$ 2,069,749	\$ 36,193,853	5.72%
2011	\$0	2,056,551	0%	2,056,551	35,535,263	5.79%
2010	\$0	2,056,551	0%	2,056,551	36,245,839	5.67%

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**OTHER SUPPLEMENTARY INFORMATION**

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## **CITY OF SUGAR LAND, TEXAS SPECIAL REVENUE FUNDS**

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

**Tourism Fund** – This special revenue fund is used to account for revenues received from a room occupancy tax and expenditures for the promotion of tourism and the convention and hotel industry

**Court Security Fund** – This special revenue fund is used to account for the revenues and expenditures related to the fees from court fines used for Court Security as set up by State Statute.

**Community Development Block Grant Fund** – This special revenue fund is used to account for the block grant that the City can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low and moderate income persons.

**Court Technology Fund** – This fund is used to account for revenues and expenditures related to fees from court fines used for Court Technology improvements as set up by State Statute.

**Law Enforcement Grant Fund** – This fund is used to account for grants and asset forfeitures. The proceeds are restricted for use by the Police Department.

**Photographic Traffic Enforcement Fund** – This fund is used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system.

**Debt Reduction Fund** – This fund is used to account for activities as a result of agreements with the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon annexation with such entities.

**The Sugar Land Development Corporation Fund** – This fund is used to account for the promoting of economic and development activities on behalf of the City. The Sugar Land Development Corporation is a blended component unit for financial reporting purposes.

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

Page 1 of 3

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,271,736	\$ 40,270	\$ 510,207
Cash with fiscal agent			
Investments	2,498,595		
Receivables (net of allowance for uncollectibles)	573,491		
Interest receivable	964		
Due from other governments			32,348
Prepaid items			
<b>Total Assets</b>	<b>\$ 4,344,786</b>	<b>\$ 40,270</b>	<b>\$ 542,555</b>
<b>Liabilities</b>			
Accounts payable	\$ 71,461	\$	\$ 542,555
Accrued expenditures	4,023	2,692	
<b>Total Liabilities</b>	<b>75,484</b>	<b>2,692</b>	<b>542,555</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
<b>Total Deferred Inflows of Resources</b>			
<b>Fund Balances</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Development activities	4,269,302		
Public safety		37,578	
<b>Total Fund Balances</b>	<b>4,269,302</b>	<b>37,578</b>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,344,786</b>	<b>\$ 40,270</b>	<b>\$ 542,555</b>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

Page 2 of 3

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 98,113	\$ 83,818	\$ 449,284
Cash with fiscal agent			
Investments			
Receivables (net of allowance for uncollectibles)			1,541,225
Interest receivable			
Due from other governments			
Prepaid items			
<b>Total Assets</b>	<u><u>\$ 98,113</u></u>	<u><u>\$ 83,818</u></u>	<u><u>\$ 1,990,509</u></u>
 <b>Liabilities</b>			
Accounts payable	\$ 1,160	\$	\$ 437,351
Accrued expenditures			
<b>Total Liabilities</b>	<u>1,160</u>		<u>437,351</u>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue			1,541,225
<b>Total Deferred Inflows of Resources</b>			<u>1,541,225</u>
 <b>Fund Balances</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Development activities			
Public safety	96,953	83,818	11,933
<b>Total Fund Balances</b>	<u>96,953</u>	<u>83,818</u>	<u>11,933</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 98,113</u></u>	<u><u>\$ 83,818</u></u>	<u><u>\$ 1,990,509</u></u>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

Page 3 of 3

	<b>Debt Reduction Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,120,714	\$ 3,590,181	\$ 7,164,323
Cash with fiscal agent		1,200,264	1,200,264
Investments	3,500,289	3,252,017	9,250,901
Receivables (net of allowance for uncollectibles)	146,980	1,033,133	3,294,829
Interest receivable	4,310	3,495	8,769
Due from other governments			32,348
Prepaid items		2,740	2,740
<b>Total Assets</b>	<b>\$ 4,772,293</b>	<b>\$ 9,081,830</b>	<b>\$ 20,954,174</b>
<b>Liabilities</b>			
Accounts payable	\$	\$ 642,094	\$ 1,694,621
Accrued expenditures			6,715
<b>Total Liabilities</b>		<b>642,094</b>	<b>1,701,336</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			1,541,225
<b>Total Deferred Inflows of Resources</b>			<b>1,541,225</b>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid expenses		2,740	2,740
Restricted:			
Debt service	4,772,293	1,417,129	6,189,422
Development activities		7,019,867	11,289,169
Public safety			230,282
<b>Total Fund Balances</b>	<b>4,772,293</b>	<b>8,439,736</b>	<b>17,711,613</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,772,293</b>	<b>\$ 9,081,830</b>	<b>\$ 20,954,174</b>

**CITY OF SUGAR LAND, TEXAS**

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

**NON-MAJOR GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2013*

*Page 1 of 3*

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes	2,301,261		
Fines and forfeitures		51,023	
Investment earnings	5,204	61	
Intergovernmental			188,690
Other	1,444		
<b>Total Revenues</b>	<u>2,307,909</u>	<u>51,084</u>	<u>188,690</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	585,541		185,978
Administrative services		56,940	
Public Safety - Police			
<b>Debt Service:</b>			
Principal			
Interest and other charges			
Capital Outlay	25,610		2,712
<b>Total Expenditures</b>	<u>611,151</u>	<u>56,940</u>	<u>188,690</u>
Excess (deficiency) of revenues over expenditures	<u>1,696,758</u>	<u>(5,856)</u>	
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out	(656,261)		
Total other financing sources and uses	<u>(656,261)</u>		
Net change in fund balances	1,040,497	(5,856)	
<b>Fund balances - beginning</b>	<u>3,228,805</u>	<u>43,434</u>	
<b>Fund balances - ending</b>	<u>\$4,269,302</u>	<u>\$ 37,578</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS**

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

**NON-MAJOR GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2013*

*Page 2 of 3*

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes			
Fines and forfeitures	68,023		1,245,952
Investment earnings	185	126	485
Intergovernmental			
Other		11,126	
<b>Total Revenues</b>	<u>68,208</u>	<u>11,252</u>	<u>1,246,437</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government			
Administrative services	107,485		
Public Safety - Police		9,501	846,212
<b>Debt Service:</b>			
Principal			
Interest and other charges			
Capital Outlay		8,790	
<b>Total Expenditures</b>	<u>107,485</u>	<u>18,291</u>	<u>846,212</u>
Excess (deficiency) of revenues over expenditures	<u>(39,277)</u>	<u>(7,039)</u>	<u>400,225</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in		1,788	
Transfers out			(399,740)
<b>Total other financing sources and uses</b>		<u>1,788</u>	<u>(399,740)</u>
Net change in fund balances	(39,277)	(5,251)	485
<b>Fund balances - beginning</b>	<u>136,230</u>	<u>89,069</u>	<u>11,448</u>
<b>Fund balances - ending</b>	<u>\$ 96,953</u>	<u>\$ 83,818</u>	<u>\$ 11,933</u>

**CITY OF SUGAR LAND, TEXAS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2013

Page 3 of 3

	<b>Debt Reduction Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Totals</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Sales tax	\$	\$ 5,620,646	\$ 5,620,646
Franchise and other taxes			2,301,261
Fines and forfeitures			1,364,998
Investment earnings	8,562	13,828	28,451
Intergovernmental	843,157	425,000	1,456,847
Other		1,274	13,844
<b>Total Revenues</b>	<u>851,719</u>	<u>6,060,748</u>	<u>10,786,047</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government		956,324	1,727,843
Administrative services		79,460	243,885
Public Safety - Police			855,713
<b>Debt Service:</b>			
Principal		550,000	550,000
Interest and other charges		408,299	408,299
Capital Outlay		626,171	663,283
<b>Total Expenditures</b>		<u>2,620,254</u>	<u>4,449,023</u>
Excess (deficiency) of revenues over expenditures	<u>851,719</u>	<u>3,440,494</u>	<u>6,337,024</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	459,258		461,046
Transfers out		(4,096,257)	(5,152,258)
Total other financing sources and uses	<u>459,258</u>	<u>(4,096,257)</u>	<u>(4,691,212)</u>
Net change in fund balances	1,310,977	(655,763)	1,645,812
<b>Fund balances - beginning</b>	<u>3,461,316</u>	<u>9,095,499</u>	<u>16,065,801</u>
<b>Fund balances - ending</b>	<u>\$ 4,772,293</u>	<u>\$ 8,439,736</u>	<u>\$ 17,711,613</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2013**  
**with comparative actual totals for the year ended September 30, 2012**

	<b>2013</b>		<b>Variance Positive / (Negative)</b>	<b>2012</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 13,079,300	\$ 13,085,899	\$ 6,599	\$ 12,617,094
Investment earnings	7,958	8,864	906	11,545
Other	616,000	489,528	(126,472)	475,902
<b>Total Revenues</b>	<u>13,703,258</u>	<u>13,584,291</u>	<u>(118,967)</u>	<u>13,104,541</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	1,306,962	1,142,301	164,661	1,057,982
<b>Debt Service:</b>				
Principal	11,547,267	11,587,399	(40,132)	12,751,995
Interest and other charges	4,864,524	4,811,071	53,453	5,281,266
<b>Total Expenditures</b>	<u>17,718,753</u>	<u>17,540,771</u>	<u>177,982</u>	<u>19,091,243</u>
<b>Revenues over (under) expenditures</b>	<u>(4,015,495)</u>	<u>(3,956,480)</u>	<u>59,015</u>	<u>(5,986,702)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	4,295,000	4,295,000		9,440,000
Premium on general obligation debt	491,941	491,941		806,260
Payments to refunding escrow agent	(4,758,878)	(4,758,878)		(10,328,482)
Transfers in	4,679,392	4,679,392		4,740,570
Transfers (out)	(53,739)	(53,739)		(43,494)
<b>Total other financing sources (uses)</b>	<u>4,653,716</u>	<u>4,653,716</u>		<u>4,614,854</u>
<b>Changes in fund balance</b>	638,221	697,236	59,015	(1,371,848)
<b>Fund balances, beginning of year</b>	<u>2,532,972</u>	<u>2,532,972</u>		<u>3,904,820</u>
<b>Fund balances, end of year</b>	<u>\$ 3,171,193</u>	<u>\$ 3,230,208</u>	<u>\$ 59,015</u>	<u>\$ 2,532,972</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual totals for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Charges for services	\$	\$ 476,482	\$ 476,482	\$
Intergovernmental	10,580,100	2,415,453	(8,164,647)	27,387,274
Investment earnings	19,800	16,315	(3,485)	67,708
Other	471,793	500,000	28,207	581,193
<b>Total Revenues</b>	<u>11,071,693</u>	<u>3,408,250</u>	<u>(7,663,443)</u>	<u>28,036,175</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services		12,900	(12,900)	6,100
Public works	382,887	5,868,641	(5,485,754)	6,725,117
Parks and recreation	318,463	1,341,482	(1,023,019)	2,469,878
<b>Debt Service:</b>				
Bond issuance costs	90,000		90,000	
<b>Capital outlay</b>	<u>41,329,088</u>	<u>14,598,935</u>	<u>26,730,153</u>	<u>38,578,377</u>
<b>Total Expenditures</b>	<u>42,120,438</u>	<u>21,821,958</u>	<u>20,298,480</u>	<u>47,779,472</u>
<b>Revenues over (under) expenditures</b>	<u>(31,048,745)</u>	<u>(18,413,708)</u>	<u>12,635,037</u>	<u>(19,743,297)</u>
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	8,950,000		(8,950,000)	
Transfers in	7,146,924	6,689,661	(457,263)	4,457,042
Transfers (out)	(202,000)	(202,000)		(202,000)
<b>Total other financing sources (uses)</b>	<u>15,894,924</u>	<u>6,487,661</u>	<u>(9,407,263)</u>	<u>4,255,042</u>
<b>Changes in fund balance</b>	(15,153,821)	(11,926,047)	3,227,774	(15,488,255)
<b>Fund balances, beginning of year</b>	<u>15,443,725</u>	<u>15,443,725</u>		<u>30,931,980</u>
<b>Fund balances, end of year</b>	<u>\$ 289,904</u>	<u>\$ 3,517,678</u>	<u>\$ 3,227,774</u>	<u>\$ 15,443,725</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - TOURISM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2013**  
**with comparative actual amounts for the year ended September 30, 2012**

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Hotel occupancy tax	\$ 2,016,128	\$ 2,301,261	\$ 285,133	\$ 1,935,156
Investment Income	4,554	5,204	650	6,198
Other	1,444	1,444		
<b>Total Revenues</b>	<u>2,022,126</u>	<u>2,307,909</u>	<u>285,783</u>	<u>1,941,354</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,196,165	585,541	610,624	510,641
<b>Capital Outlay</b>	342,381	25,610	316,771	240,501
<b>Total Expenditures</b>	<u>1,538,546</u>	<u>611,151</u>	<u>927,395</u>	<u>751,142</u>
<b>Revenues over (under) expenditures</b>	<u>483,580</u>	<u>1,696,758</u>	<u>1,213,178</u>	<u>1,190,212</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(656,261)	(656,261)		(649,912)
<b>Changes in fund balance</b>	(172,681)	1,040,497	1,213,178	540,300
<b>Fund balances, beginning of year</b>	<u>3,228,805</u>	<u>3,228,805</u>		<u>2,688,505</u>
<b>Fund balances, end of year</b>	<u>\$ 3,056,124</u>	<u>\$ 4,269,302</u>	<u>\$ 1,213,178</u>	<u>\$ 3,228,805</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT SECURITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 50,250	\$ 51,023	\$ 773	\$ 57,279
Investment earnings	71	61	(10)	89
<b>Total Revenues</b>	<u>50,321</u>	<u>51,084</u>	<u>763</u>	<u>57,368</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	60,725	56,940	3,785	54,933
<b>Total Expenditures</b>	<u>60,725</u>	<u>56,940</u>	<u>3,785</u>	<u>54,933</u>
<b>Changes in fund balance</b>	<u>(10,404)</u>	<u>(5,856)</u>	<u>4,548</u>	<u>2,435</u>
<b>Fund balances, beginning of year</b>	<u>43,434</u>	<u>43,434</u>		<u>40,999</u>
<b>Fund balances, end of year</b>	<u><u>\$ 33,030</u></u>	<u><u>\$ 37,578</u></u>	<u><u>\$ 4,548</u></u>	<u><u>\$ 43,434</u></u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Intergovernmental	\$ 178,406	\$ 188,690	\$ 10,284	\$ 610,718
<b>Total Revenues</b>	<u>178,406</u>	<u>188,690</u>	<u>10,284</u>	<u>610,718</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	178,406	185,978	(7,572)	587,246
Capital Outlay		<u>2,712</u>	<u>(2,712)</u>	<u>23,472</u>
<b>Total Expenditures</b>	<u>178,406</u>	<u>188,690</u>	<u>(10,284)</u>	<u>610,718</u>
<b>Changes in fund balance</b>				
<b>Fund balances, beginning of year</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund balances, end of year</b>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 67,663	\$ 68,023	\$ 360	\$ 76,353
Investment earnings	241	185	(56)	268
<b>Total Revenues</b>	<b>67,904</b>	<b>68,208</b>	<b>304</b>	<b>76,621</b>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	119,065	107,485	11,580	58,113
<b>Total Expenditures</b>	<b>119,065</b>	<b>107,485</b>	<b>11,580</b>	<b>58,113</b>
<b>Changes in fund balance</b>	<b>(51,161)</b>	<b>(39,277)</b>	<b>11,884</b>	<b>18,508</b>
<b>Fund balances, beginning of year</b>	<b>136,230</b>	<b>136,230</b>		<b>117,722</b>
<b>Fund balances, end of year</b>	<b>\$ 85,069</b>	<b>\$ 96,953</b>	<b>\$ 11,884</b>	<b>\$ 136,230</b>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Investment earnings	\$ 145	\$ 126	\$ (19)	\$ 159
Intergovernmental				1,491
Other	9,206	11,126	1,920	62,892
<b>Total Revenues</b>	<u>9,351</u>	<u>11,252</u>	<u>1,901</u>	<u>64,542</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety - Police	56,693	9,501	47,192	6,568
<b>Capital Outlay</b>	13,007	8,790	4,217	
<b>Total Expenditures</b>	<u>69,700</u>	<u>18,291</u>	<u>51,409</u>	<u>6,568</u>
<b>Revenues over (under) expenditures</b>	<u>(60,349)</u>	<u>(7,039)</u>	<u>53,310</u>	<u>57,974</u>
<b>Other Financing Sources</b>				
Transfers in (out)	1,788	1,788		
<b>Changes in fund balance</b>	(58,561)	(5,251)	53,310	57,974
<b>Fund balances, beginning of year</b>	<u>89,069</u>	<u>89,069</u>		<u>31,095</u>
<b>Fund balances, end of year</b>	<u>\$ 30,508</u>	<u>\$ 83,818</u>	<u>\$ 53,310</u>	<u>\$ 89,069</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 841,505	\$ 1,245,952	\$ 404,447	\$ 1,161,900
Investment earnings	1,000	485	(515)	1,048
<b>Total Revenues</b>	<u>842,505</u>	<u>1,246,437</u>	<u>403,932</u>	<u>1,162,948</u>
<b>Expenditures</b>				
Current:				
Public Safety - Police	632,961	846,212	(213,251)	685,583
<b>Total Expenditures</b>	<u>632,961</u>	<u>846,212</u>	<u>(213,251)</u>	<u>685,583</u>
<b>Revenues over (under) expenditures</b>	209,544	400,225	190,681	477,365
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(209,544)	(399,740)	(190,196)	(264,818)
<b>Total other financing sources (uses)</b>	<u>(209,544)</u>	<u>(399,740)</u>	<u>(190,196)</u>	<u>(264,818)</u>
<b>Changes in fund balance</b>		485	485	212,547
<b>Fund balances, beginning of year</b>	<u>11,448</u>	<u>11,448</u>		<u>(201,099)</u>
<b>Fund balances, end of year</b>	<u>\$ 11,448</u>	<u>\$ 11,933</u>	<u>\$ 485</u>	<u>\$ 11,448</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - DEBT REDUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Investment earnings	\$ 4,501	\$ 8,562	\$ 4,061	\$ 6,992
Intergovernmental	744,632	843,157	98,525	680,192
<b>Total Revenues</b>	<u>749,133</u>	<u>851,719</u>	<u>102,586</u>	<u>687,184</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	471,091	459,258	(11,833)	468,650
<b>Total other financing sources (uses)</b>	<u>471,091</u>	<u>459,258</u>	<u>(11,833)</u>	<u>468,650</u>
<b>Changes in fund balance</b>	1,220,224	1,310,977	90,753	1,155,834
<b>Fund balances, beginning of year</b>	<u>3,461,316</u>	<u>3,461,316</u>		<u>2,305,482</u>
<b>Fund balances, end of year</b>	<u>\$ 4,681,540</u>	<u>\$ 4,772,293</u>	<u>\$ 90,753</u>	<u>\$ 3,461,316</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2013*  
*with comparative actual amounts for the year ended September 30, 2012*

	<b>2013</b>			<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Sales and use taxes	\$ 5,437,020	\$ 5,620,646	\$ 183,626	\$ 5,400,228
Charges for services			-	
Investment earnings	10,990	13,828	2,838	17,905
Intergovernmental	425,000	425,000		325,000
Other		1,274	1,274	
<b>Total Revenues</b>	<u>5,873,010</u>	<u>6,060,748</u>	<u>187,738</u>	<u>5,743,133</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	3,441,779	956,324	2,485,455	267,365
Administrative services	76,244	79,460	(3,216)	77,030
<b>Debt Service:</b>				
Principal	550,000	550,000		525,000
Interest	546,674	408,299	138,375	436,049
Capital Outlay	6,864,171	626,171	6,238,000	
<b>Total Expenditures</b>	<u>11,478,868</u>	<u>2,620,254</u>	<u>8,858,614</u>	<u>1,305,444</u>
<b>Revenues over (under) expenditures</b>	<u>(5,605,858)</u>	<u>3,440,494</u>	<u>9,046,352</u>	<u>4,437,689</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	7,216,952		(7,216,952)	
Transfers (out)	(4,543,121)	(4,096,257)	446,864	(1,070,788)
<b>Changes in fund balance</b>	(2,932,027)	(655,763)	2,276,264	3,366,901
<b>Fund balances, beginning of year</b>	<u>9,095,499</u>	<u>9,095,499</u>		<u>5,728,598</u>
<b>Fund balances, end of year</b>	<u>\$ 6,163,472</u>	<u>\$ 8,439,736</u>	<u>\$ 2,276,264</u>	<u>\$ 9,095,499</u>

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**CITY OF SUGAR LAND, TEXAS  
INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Employee Benefits Fund** - This fund is used to account for all financial resources for employee benefits provided to employees except for workers' compensation and retirement.

**Fleet Replacement Fund** - This fund is used to account for all financial resources for vehicle and equipment replacement.

**High-Technology Replacement Fund** - This fund is used to account for all financial resources for electronic and radio equipment replacement.

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
*September 30, 2013*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,215,544	\$ 1,250,458	\$ 757,778	\$ 3,223,780
Cash with fiscal agent	342,000			342,000
Investments	248,946	1,000,111	499,051	1,748,108
Accounts receivable, net of allowance for doubtful accounts	12,821			12,821
Interest receivable	197	1,107	294	1,598
Prepaid items	20,600			20,600
<b>Total current assets</b>	<u>1,840,108</u>	<u>2,251,676</u>	<u>1,257,123</u>	<u>5,348,907</u>
<b>Non-current assets:</b>				
<b>Capital Assets:</b>				
Equipment and furniture		5,290,959	3,053,160	8,344,119
Less accumulated depreciation		(4,129,689)	(1,853,567)	(5,983,256)
<b>Total non-current assets</b>		<u>1,161,270</u>	<u>1,199,593</u>	<u>2,360,863</u>
<b>Total assets</b>	<u>1,840,108</u>	<u>3,412,946</u>	<u>2,456,716</u>	<u>7,709,770</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	1,500,421	3,985	126,244	1,630,650
<b>Total liabilities</b>	<u>1,500,421</u>	<u>3,985</u>	<u>126,244</u>	<u>1,630,650</u>
<b>Net Position</b>				
Investment in capital assets		1,161,270	1,199,593	2,360,863
Unrestricted	339,687	2,247,691	1,130,879	3,718,257
<b>Total Net Position</b>	<u>\$ 339,687</u>	<u>\$ 3,408,961</u>	<u>\$ 2,330,472</u>	<u>\$ 6,079,120</u>

**CITY OF SUGAR LAND, TEXAS**

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

**INTERNAL SERVICE FUNDS**

*For the Year Ended September 30, 2013*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 6,264,161	\$	\$	\$ 6,264,161
Miscellaneous	188	38	1	227
<b>Total operating revenues</b>	<u>6,264,349</u>	<u>38</u>	<u>1</u>	<u>6,264,388</u>
<b>Operating Expenses</b>				
Personnel services				
Supplies and materials		26,793	618,995	645,788
Contractual services	85,252	7,604	13,310	106,166
Repairs and maintenance			111,648	111,648
Insurance claims	7,039,423			7,039,423
Depreciation		690,166	444,540	1,134,706
<b>Total operating expenses</b>	<u>7,124,675</u>	<u>724,563</u>	<u>1,188,493</u>	<u>9,037,731</u>
Operating income (loss)	<u>(860,326)</u>	<u>(724,525)</u>	<u>(1,188,492)</u>	<u>(2,773,343)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment revenue	990	3,388	1,197	5,575
Gain (loss) on disposal of capital assets		98,775	(51,378)	47,397
<b>Total non-operating revenue (expenses)</b>	<u>990</u>	<u>102,163</u>	<u>(50,181)</u>	<u>52,972</u>
Income (loss) before transfers	(859,336)	(622,362)	(1,238,673)	(2,720,371)
Transfers in	175,686	817,673	1,138,834	2,132,193
Transfers out		(40,000)		(40,000)
Change in net position	(683,650)	155,311	(99,839)	(628,178)
<b>Total net position - beginning</b>	<u>1,023,337</u>	<u>3,253,650</u>	<u>2,430,311</u>	<u>6,707,298</u>
<b>Total net position - ending</b>	<u>\$ 339,687</u>	<u>\$ 3,408,961</u>	<u>\$ 2,330,472</u>	<u>\$ 6,079,120</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2013

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ 6,265,134	\$	\$	\$ 6,265,134
Disbursed for goods and services	(7,002,151)	(31,453)	(897,539)	(7,931,143)
<b>Net cash provided (used) by operating activities</b>	<u>(737,017)</u>	<u>(31,453)</u>	<u>(897,539)</u>	<u>(1,666,009)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	175,686	817,673	1,138,834	2,132,193
Transfers to other funds		(40,000)		(40,000)
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>175,686</u>	<u>777,673</u>	<u>1,138,834</u>	<u>2,092,193</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the sale of equipment		98,813	6,254	105,067
Acquisition and construction of capital assets		(10,529)	(790,143)	(800,672)
<b>Net cash used by capital and related financing activities</b>		<u>88,284</u>	<u>(783,889)</u>	<u>(695,605)</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of investments	(248,946)	(1,000,111)	(499,051)	(1,748,108)
Interest received	988	2,281	903	4,172
<b>Net cash provided by (used by) investing activities</b>	<u>(247,958)</u>	<u>(997,830)</u>	<u>(498,148)</u>	<u>(1,743,936)</u>
<b>Net increase/(decrease) in cash and equivalents</b>	(809,289)	(163,326)	(1,040,742)	(2,013,357)
Cash and equivalents, beginning of year	2,024,833	1,413,784	1,798,520	5,237,137
<b>Cash and equivalents, at end of year</b>	<u>\$ 1,215,544</u>	<u>\$ 1,250,458</u>	<u>\$ 757,778</u>	<u>\$ 3,223,780</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (860,326)	\$ (724,525)	\$ (1,188,492)	\$ (2,773,343)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation		690,166	444,540	1,134,706
(Increase) decrease in accounts receivable	1,664		(294)	1,370
(Increase) decrease in prepaid expenses	14,400			14,400
Increase (decrease) in accounts payable	107,936	2,906	(153,293)	(42,451)
Increase (decrease) in customer deposits	(691)			(691)
<b>Net cash provided by operating activities</b>	<u>\$ (737,017)</u>	<u>\$ (31,453)</u>	<u>\$ (897,539)</u>	<u>\$ (1,666,009)</u>

**DISCRETELY PRESENTED COMPONENT UNITS  
FUND BASED FINANCIAL STATEMENTS**

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**September 30, 2013**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total</b>
<b>Assets</b>					
Cash and equivalents	\$ 1,241,713	\$ 61,513	\$ 45,688	\$ 3,369	\$ 1,352,283
Investments	1,499,717				1,499,717
Receivables-less allowance for uncollectibles	1,035,693	1,330			1,037,023
Prepaid items	1,639				1,639
Restricted cash and investments	4,091,581		5,050		4,096,631
<b>Total Assets</b>	<b>7,870,343</b>	<b>62,843</b>	<b>50,738</b>	<b>3,369</b>	<b>7,987,293</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	35,549				35,549
<b>Total Liabilities</b>	<b>35,549</b>				<b>35,549</b>
<b>Fund Balance</b>					
Nonspendable - prepaid items	1,639				1,639
Restricted - debt service	4,091,581				4,091,581
Restricted - economic development	3,741,574	62,843	50,738	3,369	3,858,524
<b>Total Fund Balance</b>	<b>7,834,794</b>	<b>62,843</b>	<b>50,738</b>	<b>3,369</b>	<b>7,951,744</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,870,343</b>	<b>\$ 62,843</b>	<b>\$ 50,738</b>	<b>\$ 3,369</b>	<b>\$ 7,987,293</b>
<b>Reconciliation from Fund Balance to Net Position</b>					
<b>Fund Balance</b>	\$ 7,834,794	\$ 62,843	\$ 50,738	\$ 3,369	\$ 7,951,744
Plus deferred outflows of resources	246,410				246,410
Less long-term liabilities	(40,422,355)				(40,422,355)
Less interest payable	(212,879)				(212,879)
<b>Net Position</b>	<b>\$ (32,554,030)</b>	<b>\$ 62,843</b>	<b>\$ 50,738</b>	<b>\$ 3,369</b>	<b>\$ (32,437,080)</b>

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2013*

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$	\$ 882,112	\$ 9,508	\$ 1,240	\$ 892,860
Sales tax	5,620,646				5,620,646
Intergovernmental	152,325				152,325
Investment earnings	9,295	1,327	62	3	10,687
Other	502,977	3,189			506,166
<b>Total Revenues</b>	<u>6,285,243</u>	<u>886,628</u>	<u>9,570</u>	<u>1,243</u>	<u>7,182,684</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	2,334,743	912,522			3,247,265
<b>Debt Service:</b>					
Principal	1,660,000				1,660,000
Interest	1,695,406				1,695,406
<b>Total Expenditures</b>	<u>5,690,149</u>	<u>912,522</u>			<u>6,602,671</u>
<b>Revenues over (under) expenditures</b>	<u>595,094</u>	<u>(25,894)</u>	<u>9,570</u>	<u>1,243</u>	<u>580,013</u>
Changes in fund balance	595,094	(25,894)	9,570	1,243	580,013
<b>Fund balances, beginning of year</b>	<u>7,239,700</u>	<u>88,737</u>	<u>41,168</u>	<u>2,126</u>	<u>7,371,731</u>
<b>Fund balances, end of year</b>	<u>\$ 7,834,794</u>	<u>\$ 62,843</u>	<u>\$ 50,738</u>	<u>\$ 3,369</u>	<u>\$ 7,951,744</u>
<b>Reconciliation from changes in fund balance to changes in net position</b>					
Change in Fund Balance	\$ 595,094	\$ (25,894)	\$ 9,570	\$ 1,243	\$ 580,013
Add principal payments	1,660,000				1,660,000
Add other changes in long-term assets and liabilities	14,294				14,294
<b>Changes in Net Position</b>	<u>\$ 2,269,388</u>	<u>\$ (25,894)</u>	<u>\$ 9,570</u>	<u>\$ 1,243</u>	<u>\$ 2,254,307</u>

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**CITY OF SUGAR LAND, TEXAS**  
**UNAUDITED STATISTICAL SECTION**

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

	<b>Page</b>
<b>Financial Trends</b>	106
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
<b>Revenue Capacity</b>	116
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
<b>Debt Capacity</b>	125
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.	
<b>Demographic and Economic Information</b>	130
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	132
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 SUGAR LAND, TEXAS****NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 79,902	\$ 88,966	\$ 92,005	\$ 116,539
Restricted	6,397	5,564	7,667	12,838
Unrestricted	26,348	27,568	38,331	33,552
<b>Total governmental activities net position</b>	<b>\$ 112,647</b>	<b>\$ 122,098</b>	<b>\$ 138,003</b>	<b>\$ 162,929</b>
<b>Business-type Activities</b>				
Net investment in capital assets	\$ 123,911	\$ 124,387	\$ 143,028	\$ 195,126
Restricted	1,079	2,598	2,673	3,011
Unrestricted	3,872	7,421	7,166	4,802
<b>Total business-type net position</b>	<b>\$ 128,862</b>	<b>\$ 134,406</b>	<b>\$ 152,867</b>	<b>\$ 202,939</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 203,813	\$ 213,353	\$ 235,033	\$ 311,665
Restricted	7,476	8,162	10,340	15,849
Unrestricted	30,220	34,989	45,497	38,354
<b>Total primary government net position</b>	<b>\$ 241,509</b>	<b>\$ 256,504</b>	<b>\$ 290,870</b>	<b>\$ 365,868</b>

<b>Fiscal Year</b>					
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 124,219	\$ 170,519	\$ 161,857	\$ 213,685	\$ 255,293	\$ 280,082
14,508	18,259	21,535	14,705	18,863	20,305
35,199	29,931	28,639	26,882	27,698	32,551
<u>\$ 173,926</u>	<u>\$ 218,709</u>	<u>\$ 212,031</u>	<u>\$ 255,272</u>	<u>\$ 301,854</u>	<u>\$ 332,937</u>
\$ 199,679	\$ 210,123	\$ 218,494	\$ 224,092	\$ 240,741	\$ 231,676
3,464	5,478	6,963	7,475	7,926	8,068
7,531	8,613	10,200	15,760	9,848	23,675
<u>\$ 210,674</u>	<u>\$ 224,214</u>	<u>\$ 235,657</u>	<u>\$ 247,327</u>	<u>\$ 258,515</u>	<u>\$ 263,418</u>
\$ 323,898	\$ 380,643	\$ 380,352	\$ 437,777	\$ 496,034	\$ 511,757
17,972	23,738	28,498	22,180	26,789	28,372
42,730	38,543	38,838	42,642	37,546	56,226
<u>\$ 384,600</u>	<u>\$ 442,924</u>	<u>\$ 447,688</u>	<u>\$ 502,599</u>	<u>\$ 560,369</u>	<u>\$ 596,355</u>

**CITY OF SUGAR LAND, TEXAS**  
**CHANGES IN NET POSITION**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 4,556,424	\$ 5,515,474	\$ 9,495,752	\$ 10,423,331
Administrative services	6,117,246	5,574,377	6,350,781	10,298,466
Public safety - Police	9,777,071	10,706,162	12,352,022	13,854,658
Public safety - Fire	7,461,306	8,029,497	8,476,255	9,088,288
Public works	14,564,970	15,227,593	21,727,624	14,478,873
Parks and recreation	2,837,255	2,675,897	3,158,684	3,151,255
Community development	2,248,632	3,636,045	3,764,431	2,421,116
Interest on long-term debt	5,637,729	4,461,193	3,356,457	4,907,490
<b>Total governmental activities expenses</b>	<b>53,200,633</b>	<b>55,826,238</b>	<b>68,682,006</b>	<b>68,623,477</b>
<b>Business-Type Activities:</b>				
Utility	15,079,772	12,067,059	15,377,787	16,893,917
Regional airport	5,599,018	6,809,363	9,334,903	9,486,024
Surface Water				
Solid waste management	2,667,768	2,707,293	3,054,482	3,200,763
<b>Total business-type activities expenses</b>	<b>23,346,558</b>	<b>21,583,715</b>	<b>27,767,172</b>	<b>29,580,704</b>
<b>Total primary government expenses</b>	<b>\$ 76,547,191</b>	<b>\$ 77,409,953</b>	<b>\$ 96,449,178</b>	<b>\$ 98,204,181</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for services:</b>				
Administrative services	\$ 1,686,975	\$ 1,100,157	\$ 1,885,020	\$ 2,046,873
Public safety - Fire	1,477,288	1,814,332	1,771,151	1,674,410
Community development	1,086,479	1,527,899	2,052,192	2,783,375
Other	1,700,679	1,340,834	1,163,433	588,174
Operating grants and contributions	347,253	1,966,820	1,593,649	1,672,011
Capital grants and contributions	9,855,155	2,695,329	3,160,386	15,149,904
<b>Total governmental activities program revenues</b>	<b>16,153,829</b>	<b>10,445,371</b>	<b>11,625,831</b>	<b>23,914,747</b>
<b>Business-Type Activities</b>				
<b>Charges for services:</b>				
Utility	15,813,812	17,152,477	19,179,355	21,612,433
Regional airport	6,112,367	7,294,538	9,391,418	10,121,153
Surface Water				
Solid waste management	2,575,996	2,679,622	3,018,814	3,138,901
Operating grants and contributions	31,487	22,354	3,371,408	92,406
Capital grants and contributions	1,524,039	4,844,233	15,812,287	50,077,524
<b>Total business-type activities program revenues</b>	<b>26,057,701</b>	<b>31,993,224</b>	<b>50,773,282</b>	<b>85,042,417</b>
<b>Total primary government program revenues</b>	<b>\$ 42,211,530</b>	<b>\$ 42,438,595</b>	<b>\$ 62,399,113</b>	<b>\$ 108,957,164</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (37,046,804)	\$ (45,380,867)	\$ (57,056,175)	\$ (44,708,730)
Business-type activities	2,711,143	10,409,509	23,006,110	55,461,713
<b>Total primary government net expense</b>	<b>\$ (34,335,661)</b>	<b>\$ (34,971,358)</b>	<b>\$ (34,050,065)</b>	<b>\$ 10,752,983</b>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 11,839,672	\$ 14,638,050	\$ 11,950,794	\$ 11,969,433	\$ 11,463,677	\$ 13,087,580
11,145,609	15,469,507	14,617,875	12,721,478	9,802,035	10,471,115
15,560,440	16,045,992	17,126,183	18,095,251	18,354,251	18,333,422
11,075,689	14,530,795	10,325,782	10,199,579	10,898,603	10,838,009
13,354,211	14,136,657	16,673,481	17,027,897	22,311,568	23,481,443
3,515,675	3,944,900	9,159,332	7,264,499	8,504,303	8,177,350
4,713,084	3,812,432	4,073,334	4,038,545	4,855,764	4,667,336
5,365,325	5,490,374	5,394,340	6,555,667	5,908,721	5,066,337
<u>76,569,705</u>	<u>88,068,707</u>	<u>89,321,121</u>	<u>87,872,349</u>	<u>92,098,922</u>	<u>94,122,592</u>
19,674,836	21,943,160	22,248,954	26,487,388	28,574,352	39,919,147
12,932,066	9,879,544	11,366,997	14,874,179	16,002,860	16,633,872
					6,670,417
<u>3,864,419</u>	<u>4,538,631</u>	<u>5,279,327</u>	<u>5,305,970</u>	<u>5,087,731</u>	<u>5,067,548</u>
<u>36,471,321</u>	<u>36,361,335</u>	<u>38,895,278</u>	<u>46,667,537</u>	<u>49,664,943</u>	<u>68,290,984</u>
<u>\$113,041,026</u>	<u>\$124,430,042</u>	<u>\$128,216,399</u>	<u>\$134,539,886</u>	<u>\$141,763,865</u>	<u>\$162,413,576</u>
\$ 2,924,426	\$ 3,839,810	\$ 3,352,232	\$ 3,916,555	\$ 3,663,149	\$ 3,261,324
1,682,088	1,908,129	1,552,253	1,526,340	2,102,494	2,229,152
2,564,714	2,364,539	2,188,436	2,404,638	2,376,127	2,817,871
1,705,382	1,967,236	3,608,192	3,534,161	3,231,665	2,748,396
2,547,348	5,139,071	1,480,490	1,019,323	1,566,549	1,517,342
<u>4,193,480</u>	<u>42,710,113</u>	<u>8,420,807</u>	<u>42,497,257</u>	<u>43,196,769</u>	<u>27,028,874</u>
<u>15,617,438</u>	<u>57,928,898</u>	<u>20,602,410</u>	<u>54,898,274</u>	<u>56,136,753</u>	<u>39,602,959</u>
25,166,996	29,085,428	27,593,557	35,625,109	40,543,433	42,958,217
13,076,039	8,843,750	11,084,688	14,355,810	15,675,468	16,576,205
					4,184,027
3,980,877	4,497,802	4,859,770	5,264,072	5,068,656	5,007,131
88,595	59,880	216,570	354,865	84,271	65,091
<u>7,345,680</u>	<u>12,531,211</u>	<u>12,163,511</u>	<u>8,193,030</u>	<u>6,297,452</u>	<u>11,560,813</u>
<u>49,658,187</u>	<u>55,018,071</u>	<u>55,918,096</u>	<u>63,792,886</u>	<u>67,669,280</u>	<u>80,351,484</u>
<u>\$ 65,364,092</u>	<u>\$112,946,969</u>	<u>\$ 76,520,506</u>	<u>\$118,691,160</u>	<u>\$123,806,033</u>	<u>\$119,954,443</u>
\$ (60,952,267)	\$ (30,139,809)	\$ (68,718,711)	\$ (32,974,075)	\$ (35,962,169)	\$ (54,519,633)
<u>13,186,866</u>	<u>18,656,736</u>	<u>17,022,818</u>	<u>17,125,349</u>	<u>18,004,337</u>	<u>12,060,500</u>
<u>\$ (47,765,401)</u>	<u>\$ (11,483,073)</u>	<u>\$ (51,695,893)</u>	<u>\$ (15,848,726)</u>	<u>\$ (17,957,832)</u>	<u>\$ (42,459,133)</u>

**CITY OF SUGAR LAND, TEXAS**  
**CHANGES IN NET POSITION** (continued)  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 18,681,254	\$ 19,279,037	\$ 21,110,181	\$ 21,773,074
Sales tax	21,922,130	23,983,139	30,910,495	32,670,300
Franchise and other taxes	4,656,942	5,238,674	5,607,253	5,722,424
Unrestricted grants and contributions			1,056,108	
Investment earnings	526,503	1,053,641	2,529,438	3,126,277
Miscellaneous	74,042	5,722	26,412	20,311
Special Item				
Transfers	1,037,359	5,271,350	5,463,678	6,322,645
<b>Total governmental activities</b>	<u>46,898,230</u>	<u>54,831,563</u>	<u>66,703,565</u>	<u>69,635,031</u>
<b>Business-Type Activities:</b>				
Investment earnings	148,344	405,720	918,322	975,420
Miscellaneous				
Transfers	(1,037,359)	(5,271,350)	(5,463,678)	(6,322,645)
<b>Total business-type activities</b>	<u>(889,015)</u>	<u>(4,865,630)</u>	<u>(4,545,356)</u>	<u>(5,347,225)</u>
<b>Total primary government</b>	<u>\$ 46,009,215</u>	<u>\$ 49,965,933</u>	<u>\$ 62,158,209</u>	<u>\$ 64,287,806</u>
<b>Changes in Net Position:</b>				
Governmental activities	\$ 9,851,426	\$ 9,450,696	\$ 9,647,390	\$ 24,926,301
Business-type activities	1,822,128	5,543,879	18,460,754	50,114,488
<b>Total primary government</b>	<u>\$ 11,673,554</u>	<u>\$ 14,994,575</u>	<u>\$ 28,108,144</u>	<u>\$ 75,040,789</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 22,716,623	\$ 26,207,576	\$ 29,128,113	\$ 27,539,737	\$ 28,282,258	\$ 29,920,274
34,398,124	34,823,327	33,039,840	35,086,830	38,239,215	39,790,138
6,135,916	6,377,523	6,611,934	6,751,900	7,472,103	8,019,976
1,999,308	1,194,603	467,715	360,902	250,959	236,117
587,370	729,542	849,701	756,532	1,054,383	1,328,239
		(13,906,224)			
6,112,762	5,590,028	5,849,543	5,718,716	7,245,571	7,287,990
71,950,103	74,922,599	62,040,622	76,214,617	82,544,489	86,582,734
661,026	473,837	269,249	263,593	429,350	218,645
					404,274
(6,112,762)	(5,590,028)	(5,849,543)	(5,718,716)	(7,245,571)	(7,287,990)
(5,451,736)	(5,116,191)	(5,580,294)	(5,455,123)	(6,816,221)	(6,665,071)
\$ 66,498,367	\$ 69,806,408	\$ 56,460,328	\$ 70,759,494	\$ 75,728,268	\$ 79,917,663
\$ 10,997,836	\$ 44,782,790	\$ (6,678,089)	\$ 43,240,542	\$ 46,582,320	\$ 32,063,101
7,735,130	13,540,545	11,442,524	11,670,226	11,188,116	5,395,429
\$ 18,732,966	\$ 58,323,335	\$ 4,764,435	\$ 54,910,768	\$ 57,770,436	\$ 37,458,530

**CITY OF SUGAR LAND**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005*</b>	<b>2006</b>	<b>2007</b>
<b>General fund</b>				
Nonspendable:				
Inventories	\$ 103,509	\$ 137,055	\$ 131,789	\$ 149,015
Prepaid items	40,220	25,643	22,381	24,722
Committed				
Assigned	1,028,035	1,185,961	570,325	736,341
Unassigned	10,135,414	19,287,577	22,970,366	25,350,615
<b>Total General fund</b>	<b>\$ 11,307,178</b>	<b>\$ 20,636,236</b>	<b>\$ 23,694,861</b>	<b>\$ 26,260,693</b>
<b>All other governmental funds</b>				
Nonspendable:				
Prepaid items	\$ 27,580	\$ 26,820	\$ 600,104	\$ 599,557
Restricted:				
Debt service	6,653,939	5,408,932	7,742,929	6,760,482
Capital projects	10,940,601	10,953,828	17,023,058	10,107,767
Development activities	199,792	436,335	6,473,506	5,963,238
Public safety	250,810	349,647	371,250	330,232
Drainage improvement				245,497
Unassigned				(83,290)
<b>Total all other governmental funds</b>	<b>\$ 18,072,722</b>	<b>\$ 17,175,562</b>	<b>\$ 32,210,847</b>	<b>\$ 23,923,483</b>

\* In fiscal year 2005 a formerly discretely presented component unit, the Sugar Land Development Corporation, was blended.

Note: In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

<b>Fiscal Year</b>					
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 214,910	\$ 160,160	\$ 170,230	\$ 169,208	\$ 160,635	\$ 209,793
35,264	49,701	48,690	49,727	43,861	30,008
					463,599
3,239,821	877,578	1,259,302	638,523	652,316	219,357
23,284,240	26,649,204	26,400,935	25,359,638	24,260,117	25,740,747
<u>\$ 26,774,235</u>	<u>\$ 27,736,643</u>	<u>\$ 27,879,157</u>	<u>\$ 26,217,096</u>	<u>\$ 25,116,929</u>	<u>\$ 26,663,504</u>
\$	\$ 2,740	\$ 2,740	\$ 9,740	\$ 2,740	\$ 2,740
6,831,645	7,473,977	9,822,105	7,602,464	7,397,649	9,419,630
16,612,280	8,409,874	39,154,554	30,931,980	15,443,725	3,517,678
8,759,190	11,255,576	12,205,088	7,015,201	10,918,203	11,289,169
377,885	676,382	1,053,827	1,488,292	1,779,756	230,282
<u>\$ 32,581,000</u>	<u>\$ 27,818,549</u>	<u>\$ 62,238,314</u>	<u>\$ 47,047,677</u>	<u>\$ 35,542,073</u>	<u>\$ 24,459,499</u>

**CITY OF SUGAR LAND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
<b>Taxes:</b>				
General property	\$ 18,728,864	\$ 19,242,598	\$ 21,063,738	\$ 21,654,619
Sales and use taxes	22,723,128	25,032,282	32,217,608	34,161,008
Franchise taxes	3,966,827	4,174,190	4,300,140	4,231,716
Licenses and permits	1,086,479	1,453,888	1,993,057	2,713,913
Fines and forfeitures	1,377,622	1,312,202	1,376,926	1,666,349
Charges for services	2,346,494	2,777,499	2,776,596	3,283,310
Investment earnings	498,644	991,168	2,419,131	2,960,813
Intergovernmental	10,788,662	4,528,755	3,133,325	2,273,746
Other	264,435	567,062	454,938	77,914
<b>Total Revenues</b>	<b>61,781,155</b>	<b>60,079,644</b>	<b>69,735,459</b>	<b>73,023,388</b>
<b>Expenditures</b>				
General government	4,467,824	5,499,979	8,930,578	9,146,314
Administrative services	5,424,946	5,155,481	5,282,580	8,684,560
Public safety	16,504,535	18,591,158	19,736,392	22,322,526
Public works	5,796,088	6,505,895	7,415,075	5,503,132
Parks and recreation	1,968,563	2,148,540	2,476,977	2,501,447
Community development	2,244,372	3,045,013	3,097,520	3,434,872
<b>Debt Service:</b>				
Principal	10,893,930	11,166,491	12,634,438	12,283,907
Interest and other charges	6,148,688	6,161,161	7,269,724	5,718,988
Capital outlay	24,999,470	8,255,603	20,391,276	14,469,153
<b>Total Expenditures</b>	<b>78,448,416</b>	<b>66,529,321</b>	<b>87,234,560</b>	<b>84,064,899</b>
Excess of revenues over (under) expenditures	(16,667,261)	(6,449,677)	(17,499,101)	(11,041,511)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued				
General obligation bonds issued	5,435,000	15,535,000	9,980,000	
Revenue bonds issued			12,365,000	
Refunding bonds issued			25,695,000	
Premium (discount) on debt issued		149,578	980,763	
Payments to refunded bond escrow agent		(11,482,431)	(26,292,055)	
Proceeds of the sale of capital assets				
Capital leases				
Transfers in	8,456,237	7,811,190	12,371,780	13,942,261
Transfers (out)	(8,429,792)	(3,490,133)	(7,893,696)	(8,622,276)
<b>Total other financing sources (uses)</b>	<b>5,461,445</b>	<b>8,523,204</b>	<b>27,206,792</b>	<b>5,319,985</b>
Net change in fund balances	<b>\$ (11,205,816)</b>	<b>\$ 2,073,527</b>	<b>\$ 9,707,691</b>	<b>\$ (5,721,526)</b>
Debt service as a percentage of noncapital expenditures	31.9%	29.7%	29.8%	25.9%

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 22,648,350	\$ 26,145,691	\$ 29,102,845	\$ 27,588,283	\$ 28,242,085	\$ 29,874,615
36,048,286	36,389,644	34,581,479	36,857,302	40,111,821	39,344,519
4,485,754	4,661,287	4,920,376	4,731,821	5,161,877	8,019,976
2,398,765	2,160,999	2,163,562	2,371,944	2,332,393	2,817,871
2,845,153	3,088,489	3,273,032	3,874,845	3,399,284	3,364,798
4,056,076	4,849,709	3,694,519	3,399,457	3,182,908	3,649,563
1,882,428	1,128,345	461,633	352,469	242,856	230,542
3,883,420	12,865,312	8,183,086	30,102,390	29,941,993	4,477,965
814,787	364,509	308,694	5,345,683	1,193,356	1,444,727
<u>79,063,019</u>	<u>91,653,985</u>	<u>86,689,226</u>	<u>114,624,194</u>	<u>113,808,573</u>	<u>93,224,576</u>
14,563,908	9,451,503	10,682,661	10,421,139	10,350,520	12,019,511
5,415,343	14,039,145	12,200,260	10,728,359	6,665,760	7,708,191
25,354,202	30,413,697	26,263,330	28,858,550	27,852,455	27,951,639
6,045,538	6,205,250	9,397,495	10,092,059	15,280,951	14,456,178
2,777,315	2,960,890	8,088,715	6,131,140	7,245,735	6,782,321
3,794,196	3,747,772	3,981,327	3,965,737	4,781,203	4,592,647
11,139,672	11,104,420	12,458,335	14,744,007	13,643,295	12,529,510
5,338,204	5,341,234	6,486,624	6,491,477	5,769,576	5,261,161
11,185,254	18,745,284	12,099,869	44,225,175	38,821,615	15,262,218
<u>85,613,632</u>	<u>102,009,195</u>	<u>101,658,616</u>	<u>135,657,643</u>	<u>130,411,110</u>	<u>106,563,376</u>
(6,550,613)	(10,355,210)	(14,969,390)	(21,033,449)	(16,602,537)	(13,338,800)
11,385,000		40,775,000			
		2,435,000			
		26,810,000		9,440,000	4,295,000
		1,707,730		806,260	491,941
		(28,296,220)		(10,328,482)	(4,758,878)
	1,668,756	78,465	125,995	90,953	78,516
	623,300	1,709,042			
11,479,267	10,350,336	10,438,670	17,193,975	13,518,223	16,183,645
(7,142,591)	(6,087,227)	(6,126,018)	(13,139,219)	(9,530,188)	(10,987,848)
<u>15,721,676</u>	<u>6,555,165</u>	<u>49,531,669</u>	<u>4,180,751</u>	<u>3,996,766</u>	<u>5,302,376</u>
<u>\$ 9,171,063</u>	<u>\$ (3,800,045)</u>	<u>\$ 34,562,279</u>	<u>\$ (16,852,698)</u>	<u>\$ (12,605,771)</u>	<u>\$ (8,036,424)</u>
22.1%	19.8%	21.2%	23.2%	21.2%	19.5%

**CITY OF SUGAR LAND, TEXAS**

**TAXABLE SALES**

**LAST TEN CALENDAR YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Retail trade	\$ 616,289,926	\$ 657,467,599	\$ 705,149,129	\$ 809,548,650
Accommodation/Food Services	105,560,725	125,217,312	141,406,079	160,203,538
Wholesale trade	96,449,810	96,106,760	129,590,118	100,998,889
Construction	63,843,608	72,931,141	82,435,685	148,647,428
Information	85,072,570	87,687,807	79,106,766	69,933,126
Professional/Scientific/Technical Services	34,519,737	28,645,267	30,343,466	32,611,442
Arts/Entertainment/Recreation	24,389,367	26,134,716	30,944,499	35,683,686
Manufacturing	11,400,245	13,681,238	14,117,095	18,053,650
Other services (except public administration)	16,850,842	17,337,139	19,531,951	22,030,038
Admin/Support/Waste Mgmt/Remediation Services	30,571,686	17,515,112	21,806,271	23,392,488
Real Estate/Rental/Leasing	6,477,192	7,257,766	6,757,160	13,336,535
Utilities	183,838	313,337	336,228	213,895
Management of Companies/Enterprises	16,474,969	55,506,334	60,297,155	18,611,026
Transportation/Warehousing	1,189,290	1,180,345	817,070	1,010,732
Health Care/Social Assistance	369,558	834,120	776,749	990,456
Finance/Insurance	2,548,467	2,054,983	5,634,975	1,850,429
Educational services	402,074	467,134	587,445	783,940
Mining/Quarrying/Oil and Gas Extraction	191,950,135	220,761,732	254,887,878	409,616,155
Public administration	2,348,823	2,577,332	1,990,407	744,017
Agriculture/Forestry/Fishing/Hunting				
Other	533,213	126,528	8,483	
	<u>\$ 1,307,426,075</u>	<u>\$ 1,433,803,702</u>	<u>\$ 1,586,524,609</u>	<u>\$ 1,868,260,120</u>

Source of information: Texas State Comptrollers Office.

<https://ourcpa.cpa.state.tx.us/allocation/HistSales.jsp>

Sales tax rates for the past ten fiscal years were as follows:

City of Sugar Land	1.50%
Sugar Land Development Corporation	0.25%
Sugar Land 4B Corporation	0.25%
Totals	<u>2.00%</u>

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 1,041,357,085	\$ 845,579,899	\$ 817,695,030	\$ 820,003,254	\$ 867,310,376	\$ 928,740,183
183,194,577	192,532,921	192,249,613	201,788,407	218,501,058	250,015,141
126,340,529	145,219,665	180,406,668	178,624,633	187,223,139	186,219,062
125,525,252	76,785,094	36,651,229	25,341,501	19,921,962	32,689,492
63,304,095	58,277,031	38,724,172	42,562,635	55,552,360	55,714,105
43,007,134	44,337,155	47,152,301	50,418,078	56,999,807	55,115,574
40,367,297	40,622,857	39,254,647	39,319,467	43,056,455	51,458,049
30,304,881	33,737,478	29,117,441	18,700,212	20,258,143	29,071,293
23,548,996	25,214,386	26,341,315	25,115,775	25,601,706	27,169,033
19,226,638	18,437,657	18,392,831	19,456,520	23,205,438	23,316,739
13,107,901	20,196,130	24,123,822	28,589,598	27,704,444	25,879,970
7,257,357	15,208,544	14,793,208	31,999,808	58,554,971	41,645,585
5,418,090	5,144,574	117,446	60,298	616,716	403,809
1,331,028	1,049,859	1,007,624	958,673	1,154,717	1,007,418
1,255,260	1,645,260	2,604,444	3,180,679	3,974,677	5,224,363
1,207,585	1,673,015	2,060,437	1,690,868	4,640,404	6,221,749
918,972	899,505	953,485	884,432	991,469	1,227,275
226,213,432	501,668,924	314,960,195	235,249	29,244,015	7,157,655
			2,506,111	5,243,483	4,931,239
				2,706	
		17,250	37,492	26,574	2,382
<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,623,158</u>	<u>\$ 1,491,473,690</u>	<u>\$ 1,649,784,620</u>	<u>\$ 1,733,210,116</u>

**CITY OF SUGAR LAND****ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Less Tax Exempt Real Property</b>
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>	
2004	2003	\$ 3,906,238,377	\$ 1,537,139,500	\$ 31,423,395	\$ 844,205,627	\$ 262,341,230
2005	2004	4,052,206,317	1,624,421,340	36,731,735	872,591,115	275,878,570
2006	2005	4,323,808,102	1,788,953,340	40,183,652	852,712,174	329,143,990
2007	2006	5,004,383,727	1,993,984,330	50,625,468	909,034,631	342,153,402
2008	2007	5,293,822,227	2,309,295,100	54,542,255	1,038,400,912	504,240,160
2009	2008	5,964,689,707	2,940,782,650	63,824,522	1,148,686,784	717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976
2012	2011	6,809,072,671	4,251,649,252	44,595,732	21,840,700	712,702,870
2013	2012	6,969,923,228	4,416,404,289	46,289,655	21,319,710	832,310,358

Source: Treasury Department of the City.

Note: All properties are assessed at 100% of actual taxable value. Tax rates are per \$100 of assessed value.

<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 363,724,651	\$ 5,692,941,018	\$ 0.32840	\$ 5,692,941,018	100.00%
374,516,941	5,935,554,996	0.32568	5,935,554,996	100.00%
379,916,920	6,296,596,358	0.31711	6,296,596,358	100.00%
512,828,996	7,103,045,758	0.30655	7,103,045,758	100.00%
570,215,378	7,621,604,956	0.30000	7,621,604,956	100.00%
674,751,010	8,725,649,555	0.30000	8,725,649,555	100.00%
889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%
915,453,424	9,499,002,061	0.30245	9,499,002,061	100.00%
921,195,348	9,700,431,176	0.30895	9,700,431,176	100.00%

**CITY OF SUGAR LAND, TEXAS**

**PROPERTY TAX RATES (A)**

**DIRECT AND OVERLAPPING GOVERNMENTS (B)**

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Tax Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Tax Rates</b>				
City of Sugar Land				
Operating tax rate	\$ 0.11588	\$ 0.13130	\$ 0.14783	\$ 0.15307
Debt service tax rate	0.21252	0.19438	0.16928	0.15348
Total tax rate	<u>\$ 0.32840</u>	<u>\$ 0.32568</u>	<u>\$ 0.31711</u>	<u>\$ 0.30655</u>
Fort Bend County	\$ 0.52370	\$ 0.52370	\$ 0.51674	\$ 0.51674
Fort Bend ISD	1.67000	1.70750	1.67748	1.54000
Fort Bend LID 2	0.21000	0.20000	0.18400	0.17700
Fort Bend County MUD No. 21	0.49000	0.49000	0.47000	0.44000
First Colony LID	0.19500	0.20500	0.19000	0.18500
Eldridge Road MUD	0.60000	0.50000	0.43000	0.39000
Fort Bend WCID No. 2	0.16290	0.18000	0.18000	0.18000
First Colony LID No. 2	0.39200	0.38500	0.37500	0.31500
Burney Road MUD	0.74000	0.67000	0.35500	0.33000

Source: CAD Website

(A) Tax rate per \$100 assessed valuation

(B) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

<b>2008 2007</b>	<b>2009 2008</b>	<b>2010 2009</b>	<b>2011 2010</b>	<b>2012 2011</b>	<b>2013 2012</b>
\$ 0.15000	\$ 0.15575	\$ 0.16000	\$ 0.16500	\$ 0.16635	\$ 0.17285
0.15000	0.14425	0.14000	0.13500	0.13610	0.13610
<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30245</u>	<u>\$ 0.30895</u>
\$ 0.51674	\$ 0.49976	\$ 0.49976	\$ 0.48556	\$ 0.49976	\$ 0.48076
1.25000	1.27000	1.30500	1.34000	1.34000	1.34000
0.16500	0.14500	0.13400	0.13400	0.13400	0.12900
0.39000	0.39000	0.27000	0.26000	0.26000	0.24000
0.19460	0.19460	0.19460	0.19460	0.19460	0.19460
0.32000	0.25000	0.22000	0.08000		
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.31500	0.29500	0.28500	0.27500	0.27500	0.27500
0.30000	0.30000	0.24250	0.26750	0.26750	0.26750

**CITY OF SUGAR LAND, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
				<b>Amount</b>	<b>Percent of Levy</b>
2004	2003	\$ 0.32840	\$ 18,661,048	\$ 18,509,816	99.2%
2005	2004	0.32568	19,208,332	19,068,084	99.4%
2006	2005	0.31711	19,979,292	19,783,102	99.3%
2007	2006	0.30655	21,811,443	21,617,919	99.3%
2008	2007	0.30000	22,944,152	22,655,023	99.1%
2009	2008	0.30000	25,998,079	25,953,447	99.1%
2010	2009	0.30000	27,483,235	27,567,908	99.5%
2011	2010	0.30000	27,792,943	27,743,159	99.7%
2012	2011	0.30245	28,567,448	28,502,346	99.6%
2013	2012	0.30895	30,122,791	29,998,455	99.6%

<b>Collections (Refunds) in Subsequent Years</b>		<b>Total Collections to Date</b>	
<b>Amount</b>	<b>Amount</b>	<b>Percent of Levy</b>	
\$ 147,713	\$ 18,657,529	100.0%	
127,080	19,195,164	99.9%	
182,393	19,965,495	99.9%	
179,007	21,796,926	99.9%	
249,739	22,904,763	99.8%	
(10,206)	25,943,242	99.8%	
(121,004)	27,446,904	99.9%	
15,908	27,759,067	99.9%	
19,047	28,521,393	99.8%	
	29,998,455	99.6%	

**CITY OF SUGAR LAND**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*Current Year and Nine Years Ago*

<b>Taxpayer</b>	<b>Fiscal Year 2013</b>			<b>Fiscal Year 2004</b>		
	<b>Tax Year 2012</b>		<b>% of Total Assessed Valuation</b>	<b>Tax Year 2003</b>		<b>% of Total Assessed Valuation</b>
	<b>Taxable Assessed Value</b>	<b>Rank</b>		<b>Taxable Assessed Value</b>	<b>Rank</b>	
First Colony Mall LLC	\$ 88,703,240	1	0.9%	\$ 33,886,230	8	0.6%
Schlumberger Tech Corp - Well Services	84,985,930	2	0.9%			
Lakepointe Assets, LLC	81,300,000	3	0.8%	84,739,670	1	1.5%
Tramontina USA Inc	78,055,530	4	0.8%	42,985,694	5	0.8%
Fairfield Industries	70,695,120	5	0.7%			
Weingarten Realty Investors & WRI/Post Oak Inc	57,414,000	6	0.6%			
Schlumberger Tech Corp - SPC	53,833,020	7	0.6%			
Amerisource Bergen Drug Corp.	45,646,230	8	0.5%	36,309,696	7	
Covington First Colony Acquisition LLC et al	38,170,000	9	0.4%			
API Realty LLC	37,137,810	10	0.4%			
Sugar Land Telephone (Alltel)				62,968,610	2	1.1%
Sugar Creek Place, LP				54,281,090	3	1.0%
Nalco/Exxon Energy Chemicals, L.P.				44,300,120	4	0.8%
Suntron				40,461,285	6	0.7%
STC, MFG Group-SPC				32,113,250	9	0.6%
Sugar Land Hotel Associates, L.P.				30,733,400	10	0.5%
	635,940,880		6.6%	462,779,045		8.1%
Other taxpayers	9,064,490,296		93.4%	5,230,161,973		91.9%
<b>Total Assessed Valuation</b>	<b>\$ 9,700,431,176</b>		<b>100.0%</b>	<b>\$ 5,692,941,018</b>		<b>100.0%</b>

Source - Tax assessor/collector's records

Note - Assessed valuation is net of exemptions

**CITY OF SUGAR LAND, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value* of Property</b>	<b>Per Capita**</b>
2003	2002	\$ 92,283,988	\$ 7,325,562	\$ 84,958,426	1.5%	\$ 1,229
2004	2003	84,932,230	6,653,939	78,278,291	1.3%	1,106
2005	2004	96,505,000	4,627,154	91,877,846	1.5%	1,234
2006	2005	87,105,001	5,029,013	82,075,988	1.2%	1,077
2007	2006	84,800,000	5,993,163	78,806,837	1.0%	1,011
2008	2007	75,795,000	4,808,870	70,986,130	0.8%	892
2009	2008	93,815,000	5,226,158	88,588,842	1.0%	1,048
2010	2009	83,855,000	7,014,403	76,840,597	0.8%	909
2011	2010	79,620,000	4,069,685	75,550,315	0.8%	894
2012	2011	72,280,000	3,230,208	69,049,792	0.7%	817

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

\* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

\*\* Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF SUGAR LAND**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Fiscal Years*

**Governmental Activities**

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<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Annexed MUD Debt</u>	<u>Certificates of Obligation</u>	<u>Capital Leases</u>	<u>Sales Tax Revenue Bonds</u>
2004	\$ 80,538,988	\$ 11,745,000	\$ 24,700,000	\$ 1,699,183	
2005	76,717,230	8,215,000	25,770,000	1,139,451	
2006	93,000,000	3,505,000	25,595,000	777,242	13,415,000
2007	84,480,001	2,625,000	24,345,000	628,336	11,930,000
2008	82,895,000	1,905,000	27,505,000	474,264	11,475,000
2009	74,310,000	1,485,000	26,035,000	938,143	11,005,000
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000
2012	74,095,000	5,525,000	45,376,995	1,664,554	9,485,000
2013	67,090,000	5,190,000	40,879,596	1,287,784	8,935,000

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

**Business-Type Activities**

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<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Percentage of Actual Taxable value of Property</b>	<b>Per Capita*</b>
\$ 18,165,000	400,000	\$ 1,525,000	\$ 138,773,171	5.5%	2.4%	2,007
29,535,000	200,000	8,835,000	150,411,681	5.8%	2.5%	2,126
32,860,000		8,685,000	177,837,242	6.4%	2.8%	2,388
30,600,000		8,375,000	162,983,337	5.8%	2.3%	2,138
43,100,000		12,455,000	179,809,264	6.1%	2.4%	2,306
40,420,000		11,990,000	166,183,143	5.6%	1.9%	2,088
65,940,000		11,946,995	241,560,846	7.2%	2.6%	2,858
62,225,000		110,246,010	322,680,854	12.1%	3.5%	3,818
80,400,000		107,968,005	324,514,554	9.0%	3.4%	3,840
75,670,000	5,610,000	99,645,404	304,307,784	8.1%	3.1%	3,601

\*See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF SUGAR LAND, TEXAS**  
**DIRECT AND ESTIMATED OVERLAPPING**  
**GOVERNMENTAL ACTIVITIES DEBT**  
**September 30, 2013**

<u>    Taxing Jurisdiction    </u>	<u>    Gross Debt    </u>	<u>    Overlapping    </u>	
		<u>    Estimated Percentage *    </u>	<u>    Amount    </u>
Burney Road MUD	\$ 10,620,000	100.00%	\$ 10,620,000
First Colony LID No. 2	330,000	100.00%	330,000
First Colony MUD No. 10	14,935,000	100.00%	14,935,000
Fort Bend County **	460,650,000	23.65%	108,943,725
Fort Bend County LID No. 2	14,500,000	100.00%	14,500,000
Fort Bend County LID No. 10	13,395,000	94.15%	12,611,393
Fort Bend County LID No. 14	4,770,000	100.00%	4,770,000
Fort Bend County LID No. 17	52,510,000	100.00%	52,510,000
Fort Bend County MUD No. 21	8,060,000	100.00%	8,060,000
Fort Bend County MUD No. 116	29,545,000	0.11%	32,500
Fort Bend County MUD No. 136	4,855,000	100.00%	4,855,000
Fort Bend County MUD No. 137	30,875,000	100.00%	30,875,000
Fort Bend County MUD No. 138	31,365,000	100.00%	31,365,000
Fort Bend County MUD No. 139	8,260,000	100.00%	8,260,000
Fort Bend County WC&ID No. 2	57,145,000	100.00%	57,145,000
Fort Bend ISD	878,904,425	43.04%	378,280,465
<b>Total Overlapping Debt</b>			<b>\$ 738,093,082</b>
City of Sugar Land	123,382,380	100.00%	<u>123,382,380</u>
<b>Total Direct and Overlapping Debt</b>			<b><u><u>\$ 861,475,462</u></u></b>
Ratio of Direct and Overlapping Funded Debt to 2012 Taxable Assessed Valuation			9.07%
Per Capita Debt - Direct and Overlapping			\$ 10,194

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

\* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values.

\*\* Includes the \$63,695,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and the \$72,195,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004.

Source-Tax Department records of the various governments and the financial advisor for the City.

**CITY OF SUGAR LAND, TEXAS**

**PLEDGED REVENUE COVERAGE**

*Last Ten Fiscal Years*

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements (C)			Times Coverage
				Principal	Interest	Total	
<b>Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation</b>							
2004	\$ 15,941,085	\$ 9,931,943	\$ 6,009,142	\$ 1,255,000	\$ 788,056	\$ 2,043,056	2.94
2005	17,449,478	6,639,195	10,810,283	2,085,000	1,370,560	3,455,560	3.13
2006	23,319,289	9,212,745	14,106,544	2,260,000	1,412,483	3,672,483	3.84
2007	22,492,174	9,672,726	12,819,448	2,280,000	1,319,533	3,599,533	3.56
2008	25,758,079	11,821,825	13,936,254	2,280,000	1,969,366	4,249,366	3.28
2009	29,493,918	12,534,620	16,959,298	2,535,000	1,777,648	4,312,648	3.93
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75
2012	40,961,236	13,325,073	27,636,163	6,360,000	7,138,761	13,498,761	2.05
2013	43,056,189	13,980,526	29,075,663	6,535,000	7,138,988	13,673,988	2.13
<b>Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds</b>							
2004	6,132,075	4,730,288	1,401,787	300,000	86,349	386,349	3.63
2005	7,400,503	5,897,970	1,502,533	350,000	400,314	750,314	2.00
2006	9,523,197	8,319,812	1,203,385	310,000	383,839	693,839	1.73
2007	10,216,832	8,414,435	1,802,397	320,000	370,451	690,451	2.61
2008	13,264,297	11,587,030	1,677,267	465,000	532,008	997,008	1.68
2009	8,909,097	7,389,197	1,519,900	480,000	512,208	992,208	1.53
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91
2012	15,686,832	13,442,241	2,244,591	562,601	458,337	1,020,938	2.20
2013	16,580,724	13,971,288	2,609,436	617,399	584,625	1,202,024	2.17
<b>Sugar Land Development Corporation - Sales Tax Revenue Bonds</b>							
2004	3,757,325	462,848	3,294,477	900,000	121,625	1,021,625	3.22
2005	4,415,608	470,896	3,944,712	1,000,000	77,500	1,077,500	3.66
2006	5,521,594	2,450,638	3,070,956	1,485,000	609,499	2,094,499	1.47
2007	5,087,031	1,561,471	3,525,560	455,000	555,436	1,010,436	3.49
2008	5,492,177	1,904,422	3,587,755	470,000	526,530	996,530	3.60
2009	5,126,108	1,864,368	3,261,740	490,000	496,530	986,530	3.31
2010	4,765,732	2,654,472	2,111,260	505,000	465,436	970,436	2.18
2011	5,002,593	1,761,821	3,240,772	525,000	433,249	958,249	3.38
2012	5,418,133	344,395	5,073,738	550,000	405,499	955,499	5.31
2013	5,635,748	1,035,784	4,599,964	575,000	382,655	957,655	4.80
<b>Sugar Land 4B Corporation - Sales Tax Revenue Bonds</b>							
2004	3,728,784	287,230	3,441,554	980,000	671,829	1,651,829	2.08
2005	4,415,608	206,110	4,209,498	1,030,000	617,641	1,647,641	2.55
2006	4,933,007	258,236	4,674,771	1,470,000	693,373	2,163,373	2.16
2007	5,089,765	306,390	4,783,375	935,000	746,523	1,681,523	2.84
2008	5,557,492	825,646	4,731,846	975,000	696,910	1,671,910	2.83
2009	6,776,475	930,587	5,845,888	1,025,000	647,116	1,672,116	3.50
2010	4,735,081	546,578	4,188,503	1,195,000	429,231	1,624,231	2.58
2011	5,020,642	983,093	4,037,549	1,635,000	1,742,456	3,377,456	1.20
2012	5,430,099	1,623,703	3,806,396	1,660,000	1,691,606	3,351,606	1.14
2013	5,629,941	1,453,704	4,176,237	1,705,000	1,639,706	3,344,706	1.25

(A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.

(B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.

(C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

**CITY OF SUGAR LAND, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income<sup>1</sup> (\$000's)</b>	<b>Per Capita Income<sup>1</sup></b>	<b>Median Age<sup>2</sup></b>	<b>Educational<sup>1</sup> Attainment*</b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate<sup>2</sup></b>
2004	69,129	\$ 2,545,053	\$ 36,816	37.2	54%	18,493	4.1%
2005	70,758	2,607,432	36,850	39.0	54%	19,847	4.7%
2006	74,472	2,782,795	37,367	35.4	54%	19,487	3.5%
2007	76,228	2,807,477	36,830	37.4	54%	19,786	3.4%
2008	77,982	2,930,953	37,585	37.6	54%	19,741	3.7%
2009	79,573	2,986,693	37,534	36.4	53%	18,196	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	18,802	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	18,793	6.5%
2012	84,511	3,586,815	42,442	41.2	54%	18,153	4.5%
2013	84,511	3,737,330	44,223	40.7	54%	20,106	4.9%

Data Sources:

- 1 - U.S. Census; Claritas iXpress
- 2 - Texas Workforce Commission
- 3 - Fort Bend Independent School District

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

\* Percent of population over the age of 25 with Bachelor or Graduate degrees

**CITY OF SUGAR LAND, TEXAS**

**PRINCIPAL EMPLOYERS**

*Current Year and Nine Years Ago*

<b>Employer</b>	<b>2013</b>			<b>2004</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>
Fort Bend ISD	7,903	1	20%			
Fluor Corporation	2,100	2	5%	2,800	1	7%
Schlumberger	2,100	3	5%	1,800	2	5%
Methodist Hospital	1,400	4	3%	436	6	1%
Nalco Energy Services	580	5	1%	450	5	1%
St. Luke's Hospital	500	6	1%			
Baker Petrolite Corp.	450	7	1%	350	8	1%
Memorial Hermann	450	8	1%			
Tramontina USA, Inc.	380	9	1%			
Fairfield Nodal	375	10	1%			
UNOCAL Corp.				950	3	3%
Suntron Corp.				900	4	2%
Aetna US Healthcare				430	7	1%
MCI Communications				350	9	
Bill Heard Chevrolet				300	10	1%
	<u>16,238</u>		<u>40%</u>	<u>8,766</u>		<u>23%</u>

(A) For 2013, estimated total employment was 40,394. For 2004, estimated total employment was 37,796.

Sources: Human Resources Department of each company except for Nalco and

Noble Drilling. Estimates for Nalco by City's Fire Department and for Noble

by Costar Real Estate database. Total employment estimates were obtained from the City's Economic Development department.

**CITY OF SUGAR LAND, TEXAS****FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION***Last Ten Fiscal Years*

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30,</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental Activities:</b>				
General government	38.2	45.2	51.2	54.7
Administrative services	36.0	38.0	37.5	59.5
Public safety - Police	149.5	158.5	173.5	176.5
Public safety - Fire	103.0	103.0	104.0	105.0
Public works	42.0	41.0	45.5	37.9
Parks and recreation	19.2	20.7	22.7	26.3
Community development	31.0	35.0	40.0	38.0
<b>Business-type activities:</b>				
Utility	39.5	42.5	47.0	51.0
Solid waste management	1.5	1.5	1.5	1.0
Regional Airport	20.0	24.0	27.5	29.5
<b>Total</b>	<b>479.9</b>	<b>509.4</b>	<b>550.4</b>	<b>579.4</b>

Source: Office of Budget &amp; Research.

**Full-time Equivalent Employees as of September 30,**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
65.7	64.7	77.7	80.2	80.2	83.2
63.0	62.5	58.5	30.2	30.2	27.5
183.5	193.5	190.5	191.8	191.8	194.5
110.0	112.0	108.0	107.0	107.0	107.0
34.9	38.9	41.9	52.5	52.5	54.9
27.3	29.3	34.4	34.4	34.4	35.9
52.5	53.0	54.1	52.0	55.0	56.0
55.0	51.5	56.5	55.5	55.5	59.5
2.0	2.0	2.0	2.0	2.0	2.0
29.5	33.5	33.5	33.5	33.5	42.0
<b>623.4</b>	<b>640.9</b>	<b>657.1</b>	<b>639.1</b>	<b>642.1</b>	<b>662.5</b>

**CITY OF SUGAR LAND, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
*Last Ten Fiscal Years*

Function	Fiscal Year			
	2004	2005	2006	2007
City of Sugar Land				
Population	69,129	70,758	74,472	76,228
Square miles	25.9	29.4	29.4	32.2
Acres	16,557	18,816	18,816	20,597
Budgeted full time employees	483.4	511.2	550.4	578.4
Police				
Physical arrests	2,818	2,468	2,455	2,702
Traffic violations	10,731	10,297	12,190	17,006
Parking violations	203	250	73	139
Calls for service	73,820	54,216	98,868	73,304
Fire				
Number of calls answered	6,198	5,894	6,018	6,264
Sanitation				
Number of annual pickups:				
Residential	3,087,979	3,122,793	3,278,520	3,390,000
Multi-family	249	249	249	249
Parks and recreation				
Athletic field permits (\$)	\$ 5,305	\$ 10,929	\$ 9,285	\$ 9,236
Community Cntr. Admissions (\$)	\$ 3,892	\$ 5,249	\$ 3,375	\$ 3,763
Special events	12	11	12	12
Water				
New connections	264	341	452	677
Water main breaks	78	121	136	65
Average daily consumption (thousands of gallons)	10,375	11,807	13,358	11,223
Sewer				
Average daily sewage treatment (thousands of gallons)	8,687	8,423	8,112	8,475
Community Development				
Building Permits issued	4,884	5,224	6,679	8,385
Airport				
No. of fuel gallons sold	2,325,386	2,140,159	2,461,798	2,641,000
Fuel Sales	\$ 5,367,820	\$ 6,344,836	\$ 8,423,636	\$ 8,939,866
Aircraft served	13,466	12,272	13,696	13,446

Source: Various City Departments.

(A) Beginning in fiscal year 2011, the number of annual residential pick-ups was no longer tracked.

<b>Year</b>		
<b>2011 (A)</b>	<b>2012</b>	<b>2013</b>
84,511	84,511	84,511
33.5	33.5	35.1
21,451	21,516	22,475
642.0	642.0	662.5
3,914	3,792	3,009
27,053	24,157	21,577
615	652	469
162,669	151,967	155,718
6,293	6,419	7,250
(A)	(A)	(A)
249	249	249
\$ 7,629	\$ 3,631	\$ 4,182
\$ 19,095	\$ 67,678	\$ 75,448
15	18	18
448	432	186
357	59	211
18,006	15,704	15,147
7,712	8,270	7,284
8,629	7,583	7,362
2,714,881	2,847,905	3,015,916
\$ 12,766,985	\$ 13,876,503	\$ 14,616,206
13,160	18,843	17,839

**CITY OF SUGAR LAND, TEXAS**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
*Last Ten Fiscal Years*

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General government				
Municipal buildings	36	36	36	36
Conference center	1	1	1	1
Vehicles	98	102	102	102
Public safety				
Police Protection				
Stations	1	1	1	1
Patrol units	80	84	102	81
Fire Protection				
Stations within city limits	5	5	5	5
Stations operated through agreements with MUDs served in ETJ	1	1	1	1
Fire apparatus				
Highways and streets				
Streets (lane miles)	804	809	811	813
Linear miles of sidewalks	360	362	366	367
Storm sewers (miles)	224	231	231	280
Traffic signals	60	67	68	70
Parks and recreation				
Parks	18	19	19	20
Pools	1	1	1	1
Community centers	6	6	6	6
Parks acreage				
Developed	351	351	358	508
Undeveloped	547	578	579	429
Water				
Water wells	13	13	14	15
Water mains (miles)	329	332	335	360
Fire hydrants	2,747	2,747	2,952	3,257
Maximum daily production (millions of gallons)	21.61	23.30	24.47	21.57
Waste water				
Waste water treatment plants	1	1	2	2
Sanitary sewers (miles)	317	318	331	331
Maximum daily treatment capacity (thousands of gallons)	7.5	7.5	13.5	16.9

Source: Various City Departments.

Fiscal Year						
2008	2009	2010	2011	2012	2013	
36	36	36	38	40	40	
1	1	1	1	1	1	
102	102	114	122	122	128	
1	1	1	1	1	1	
81	81	81	80	80	80	
5	5	5	5	6	6	
1	1	1	1	1	1	
881	881	912	912	912	782	
405	405	432	432	450	500	
242	242	246	246	338	338	
74	74	80	78	79	81	
22	22	24	23	24	24	
1	1	1	1	1	1	
6	6	6	6	6	6	
507	507	562	562	760	760	
569	569	695	695	562	562	
15	15	17	17	17	17	
370	370	415	421	431	431	
3,363	3,363	3,610	3,817	3,993	4,000	
42.90	42.90	27.20	36.07	30.14	29.89	
2	2	2	2	2	2	
338	338	381	395	405	405	
13.5	13.5	13.5	14.0	19.5	17.2	

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