



Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2019



CITY OF SUGAR LAND, TEXAS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2019**

Officials Issuing Report

**Michael W. Goodrum
City Manager**

**Jennifer Brown
Director of Finance**

**Alka B. Shah
Controller**

Mayor & City Council



Mayor & Council Members

Title

Joe R. Zimmerman

[Mayor](#)

Himesh Gandhi

[At Large Position 1](#)

Jennifer J. Lane

[At Large Position 2](#)

Steve R. Porter

[District 1](#)

Naushad Kermally

[District 2](#)

Stewart Jacobson

[District 3](#)

Carol K. McCutcheon

[District 4](#)

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INTRODUCTORY SECTION





CITY OF SUGAR LAND

February 18, 2020

Honorable Mayor 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, 2019.

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, 2019. 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 meets on a regular basis. Other boards and commissions that meet as needed include the PARCS Board (Parks, Art, Recreation, Culture & Streetscapes), Zoning Board of Adjustment, Building Standards Commission, and Animal Advisory Board. Specialized committees such as the Charter Review 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.

A full range of municipal services are provided by the City of Sugar Land including public safety (Police, Fire/EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; 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), Sugar Land Tax Increment Reinvestment Zone No. 3 (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

Over the last few years, the uncertainty in the regional economy has caused the City to evaluate strategies to ensure that it is financially strong and resilient. This introspective review and evaluation has led to the City's development of resiliency initiatives and its focus on innovative constraint. These ongoing resiliency initiatives and the focus on innovative constraint, formalized in the Financial Management Policy Statements (FMPS) and then incorporated into financial plans, are allowing the City to exceed its financial expectations in the current fiscal year and have positioned the City for success in the future. Mixed messages have been seen in the economy throughout the year, from downturns in the oil & gas industry and slowdowns in commercial development, to increases in interest rates by the Federal Reserve Bank, with statements reflecting potential cuts later this year.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The Financial Management Policy Statements (FMPS) 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. Traditionally, Council meets in the spring with staff and management to identify priorities for the upcoming year's budget and to receive an update on the City's financial condition

The City uses a tool-set to create value for the community. Part of that tool-set includes the active and strategic management of the City finances. Initiatives include a conservative approach to sales tax budgeting and forecasting, evaluation of opportunities that result in long term savings for the City - such as evaluation of insourcing services that have historically been contracted, and ensuring recurring rehabilitation is funded from more diverse and reliable revenue streams - supplementing with one-time funding if revenues exceed budgeted levels.

In years with high economic volatility, the importance of resiliency initiatives becomes more apparent as they allow the organization to withstand and maintain strength despite challenging economic conditions. The resiliency initiatives that were formalized in the most recent adoption of the Financial Management Policy Statements (FMPS) were designed to further strengthen the financial position of the City by lessening the impact of economic

swings associated with sales tax - a major revenue stream for the City, but one that is highly volatile and difficult to forecast. One key assumption is a conservative estimate of sales tax revenue based on current recurring collections, with no growth assumed in the budget. Using this methodology, actual sales tax revenue should come in higher than budgeted, as the City regularly receives one time payments and audit adjustments which are not included in the budget. These revenues are then available for one-time use in the following year's budget as they become part of the fund balance.

In light of the need for the City's strategies to evolve in order to ensure continued success – and recognizing that the “Sugar Land Way” will not continue without City leadership and support from the public, the adopted FY20 budget and five year CIP have been designed to improve the City's financial resiliency and ability to anticipate and respond to new challenges and opportunities.

The City annually adopts a one-year budget and a five-year capital improvement program (with year one appropriated in the annual budget) through its fiscally constrained long-range forecast. The budget implements strategies, both financial and operational, identified through the strategic and long-range forecast 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 FY20-24 CIP totals \$263.8 million, with \$40.5 million in projects approved for funding in FY20. City Council provided strategic direction for the FY20-24 CIP to fund a limited capital program in FY20 funded from Certificates of Obligation, and take a \$90.76 million program to voters in November 2019 for GO bond authorization. It is important to understand that only the first year of the CIP is appropriated for funding in the annual budget, while the remaining years are included for planning purposes only and will change from one year to the next, based on the best information available at the time.

A five year forecast has been prepared for each of the major operating funds. Infrastructure rehabilitation is funded at \$3 million in recurring funding in the General Fund and \$0.5 million in one-time funding in FY20 and increases to nearly \$4 million in recurring funding by the end of the forecast. One-time funds can be utilized to supplement rehabilitation funding on an annual basis when available.

Additional recurring expenditures are limited in the out-years based on the structural balance. Outside of personnel and O&M growth assumptions, the forecast indicates that no additional recurring funds can be added within the anticipated revenue streams. Additional revenues from user fees, property taxes or other sources will be necessary to support future additions to the budget if desired by future City Councils.

Assumed growth in sales tax is conservative in order to reduce dependence on a volatile revenue stream. Based on FMPS direction, sales tax growth is forecast flat for FY20, 1.8% in FY21 and 3% in FY22-FY24.

As part of the Sugar Land Way discussions leading to the budget filing, City Council recognized that the identified capital needs outweigh the City's ability to fund projects within the existing debt tax rate. City Council provided strategic direction for the FY20-24 CIP to fund a limited capital program in FY20 funded from Certificates of Obligation, and take a \$90.76 million program to voters in November for GO bond authorization. Approximately half of the program is drainage improvements, with streets, public safety and facilities making up the remaining program. Projects included in the FY21-23 GO Bond Program will be implemented over a three-year period (FY21-23), and are shown in the CIP document in FY22 - with project identifiers, descriptions and amounts. Upon approval by voters, the individual project timing will be established by City Council in the next five year CIP. Utilizing existing capacity created from declining debt service requirements, implementation of the full FY21-23 GO Bond Program requires a three-cent increase in the FY21 to complete the three-year program of projects.

Capital projects for the water utilities enterprise fund are supported by revenues generated by the operations of the fund. The focus of the utility CIP is implementation of the Integrated Water Resources Plan and preparation for the upcoming 60% groundwater reduction mandate in 2025. These infrastructure rehabilitation and improvement projects are funded with \$7.5 million in utility revenue bonds and \$2 million in pay as you go contributions from the utility operating fund. The five-year utility CIP totals \$130 million and is funded through the issuance of \$120 million in revenue bonds and \$10 million in pay as you go funding. Full implementation of the five-year utility CIP will require a series of utility rate increases, the first step recommended in FY20 with a full rate study to recommend future rate increases to fund the program and meet the groundwater reduction mandate.

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:

- With a shift of existing tax revenue in FY20, the forecast maintains 3.5% annual growth from maintenance & operations tax revenues, within the voter authorization limits set by Senate Bill 2 passed by the 86th Texas Legislature.
- Service levels funded in FY20 can be sustained through the forecast.
- Maintain General Fund dependence on sales tax to fund operations below 45%.
- Meet all fund balance and structural balance requirements.
- Meet current and future debt service needs.
- Support the issuance of Certificates of Obligation for general capital projects in FY20.
- Complete the remaining 2013 voter approved park bonds with GO bonds issued in FY20.
- Fund the \$90.76 million FY21-23 GO bond propositions approved by voters in November 2019, with combined capacity from declining debt service and a three-cent increase to the tax rate in FY21.
- Utility increases are needed over the next five years to:
 - Support capital projects and implementation of the Integrated Water Resources Plan
 - Prepare the City to meet the 60% groundwater reduction mandate by 2025.
- Set aside funds for continued economic development efforts through Reserves for Opportunities.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City has had another successful year financially- and is anticipated to end the year in a positive financial position and with continued recognition as a state and national leader in financial stewardship. This year, the City has been recognized by the International City/County Management Association for its data-driven management and reporting efforts with a Certificate of Distinction. Our water was recognized by the Texas section of the American Water Works Association as the Best Tasting Water in Texas and at the national level, Sugar Land has the best tasting water in the United States- compared against 28 water samples from across the country who won their respective state competitions.

The City completed the issuance of Certificates of Obligation and General Obligation Refunding Bonds along with Water and Sewer Revenue Bonds for FY18 and FY19 capital projects. The refunding refinanced \$14.5 million in outstanding bonds with net present value savings of over 7.3% of the refunded principal. As part of the

issuance, the City's AAA bond rating was affirmed by rating agencies, who cited the City's financial stability and planning efforts as key components in support of the AAA rating.

Additionally, the City's championship workforce has consistently provided a high level of services while always being cognizant of the critical importance of also providing a high value for tax dollars – elements of the "Sugar Land Way" which were confirmed as successful by residents in the latest citizen satisfaction survey. Simply put, the "Sugar Land Way" is a commitment to bold and thoughtful thinking designed to make life sweeter and more refined for the people and businesses that call Sugar Land home, with a current emphasis on the priorities listed below:

- Ensuring Sugar Land remains safer than ever before by building upon years of investments in facilities and public safety innovations;
- Maintaining aging infrastructure and facilities at the high level expected by Sugar Land residents;
- Retaining and challenging a champion workforce that consistently exceeds the high expectations of the Sugar Land community;
- Constantly improving the appearance of the community; and
- Building upon Sugar Land's position as an economic powerhouse and financial leader (as well as a focus on strengthened resilience) that allows the city to improve its quality of life and minimize the residential tax burden.

As the City approaches its 60th anniversary, the strategies that led to success in the past must evolve to ensure Sugar Land continues to be successful in the future – recognizing that the City is aging and changing. Factors driving the need for the City's strategies to evolve include slowing growth as the City approaches build-out; residential value growth outpacing commercial growth in recent years; increasing service costs and aging infrastructure; competition for and continued volatility of sales tax revenues; the absorption of budget cuts and constraint in recent years that has left many increasing operational needs and priority capital projects unfunded – coupled with increasing drainage costs to address changing weather patterns and the need for capital improvements that exceed the city's ability to maintain a flat tax rate; completion of new strategy documents such as the Integrated Water Resources Master Plan, which will guide the City's approach to securing the community's long-term water supply and completing required capital projects in light of significant unfunded mandates associated with surface water conversion; and responding to significant negative impacts of recently passed legislation.

Significant accomplishments for FY 2019 include:

- Selection of a new ERP system
- Recognition as the best tasting water in America
- Commitment to the Sugar Land Way through the budget process
 - Completion of the 2013 Park Bond projects
 - Increased the residential homestead exemption
 - Called a \$90.76 million General Obligation Bond election
 - Integration of Sugar Land Way/ Service Delivery Plans/ Performance Measures
- Redistricting to include the recently annexed neighborhoods
- Adoption of the Integrated Water Resources Plan
- Adoption of the Land Use Plan
- Completion of Town Square plaza and First Colony Mall lawn improvements

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, 2018. This was the 35th 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, 2018- September 30, 2019. This was the 23rd 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 Finance Department staff. Appreciation is expressed to employees throughout the City 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,



Michael W. Goodrum
City Manager

CITY OF SUGAR LAND, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2019

| City Officials | Elective Position | Term Expires |
|-----------------------|--|---------------------|
| Joe R. Zimmerman | Mayor | 2020 |
| Himesh Gandhi | Council Member - At Large Position One | 2020 |
| Jennifer J. Lane | Council Member - At Large Position Two | 2020 |
| Steve R. Porter | Council Member - District One | 2021 |
| Naushad Kermally | Council Member - District Two | 2021 |
| Stewart Jacobson | Council Member - District Three | 2021 |
| Carol K. McCutcheon | Council Member - District Four | 2021 |

| Key Staff | Position |
|-------------------|------------------------|
| Allen Bogard | City Manager |
| Doug Brinkley | Assistant City Manager |
| Jennifer May | Assistant City Manager |
| Chris Steubing | Assistant City Manager |
| Jennifer Brown | Director of Finance |
| Alka B. Shah | Controller |
| Thomas Harris III | City Secretary |
| Meredith Riede | City Attorney |
| Doug Boeker | Fire Chief |
| Eric C. Robins | Chief of Police |

City of Sugar Land Organizational Chart



City Manager Allen Bogard

- Public Affairs
- Special Projects
- Legal
- City Secretary



Doug Brinkley

Assistant City Manager

- Fire
- Human Resources
- Police
- Public Safety Dispatch



Jennifer May

Assistant City Manager

- Sugar Land Regional Airport
- Economic Development
- Finance
- Intergovernmental Relations
- Parks and Recreation
- Performance & Accountability
- Planning



Chris Steubing

Assistant City Manager

- Asset Management
- Building Safety
- Engineering
- Environmental & Neighborhood Services
- Information Technology
- Public Works

In January 2020, Mr. Allen Bogard retired having served the City of Sugar Land for 25 years, 19 of which he served as City Manager.

City Council named Mr. Michael W. Goodrum to serve as the City Manager effective January 2020.



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, 2018

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 financial statement presentation.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 86 to 90 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 other supplementary information, as described in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as described in the accompanying table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information, as described in the accompanying table of contents, is 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Houston, Texas
February 14, 2020



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, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$698.1 million (*net position*). Of this amount, \$67.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$86.0 million, an increase of \$18 million over the prior year. Approximately 45% of this total amount, \$38.9 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring budgeted operating costs, which is approximately \$23.5 million for fiscal year 2019.
- The City's total long-term liabilities increased by \$2.8 million due to the issuance of new debt.

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, liabilities, and deferred inflows of resources with the difference between the four 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, community development, and environmental and neighborhood services. The business-type activities of the City include utility system, including surface water operations, 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 21 through 23 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 12 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 and Debt Service funds, both of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 95 through 100.

The basic governmental fund financial statements can be found on pages 24 through 27 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, 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, including the surface water treatment plant, 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 28 through 31 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 35 through 84.

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 and other post-employment 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 86 through 90 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. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$698.1 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 86% or \$597.0 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), 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, 2019. 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, 2019 and 2018

| <i>Amounts in (000's)</i> | Governmental Activities | | Business-type Activities | | Totals | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 104,824 | \$ 87,940 | \$ 89,076 | \$ 85,421 | \$ 193,900 | \$ 173,361 |
| Capital assets | 620,532 | 633,460 | 431,213 | 443,105 | 1,051,745 | 1,076,565 |
| Total Assets | 725,356 | 721,400 | 520,289 | 528,526 | 1,245,645 | 1,249,926 |
| Total Deferred Outflows of Resources | 18,783 | 10,127 | 4,976 | 3,864 | 23,759 | 13,991 |
| Other liabilities | 11,732 | 11,187 | 9,107 | 8,652 | 20,839 | 19,839 |
| Long-term liabilities | 329,313 | 312,441 | 218,336 | 212,262 | 547,649 | 524,703 |
| Total Liabilities | 341,045 | 323,628 | 227,443 | 220,914 | 568,488 | 544,542 |
| Total Deferred Inflows of Resources | 2,467 | 6,596 | 342 | 915 | 2,809 | 7,511 |
| Net Position | | | | | | |
| Net investment in capital assets | 359,391 | 358,639 | 237,564 | 252,642 | 596,955 | 611,281 |
| Restricted | 22,177 | 19,535 | 11,190 | 9,770 | 33,367 | 29,305 |
| Unrestricted | 19,059 | 23,129 | 48,726 | 48,149 | 67,785 | 71,278 |
| Total Net Position | \$ 400,627 | \$ 401,303 | \$ 297,480 | \$ 310,561 | \$ 698,107 | \$ 711,864 |

An additional portion of the City's net position, 4.8% or \$33.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 9.7% or \$67.8 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, 2019 and 2018

| <i>Amounts in (000's)</i> | Governmental Activities | | Business-type Activities | | Totals | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 18,884 | \$ 19,294 | \$ 69,286 | \$ 73,954 | \$ 88,170 | \$ 93,248 |
| Operating grants and contributions | 2,438 | 2,215 | 58 | 195 | 2,496 | 2,410 |
| Capital grants and contributions | 4,622 | 15,379 | 3,222 | 11,539 | 7,844 | 26,918 |
| General revenues: | | | | | - | - |
| Property taxes | 49,989 | 44,092 | - | - | 49,989 | 44,092 |
| Sales tax | 47,581 | 47,038 | - | - | 47,581 | 47,038 |
| Franchise and other taxes | 8,925 | 9,060 | - | - | 8,925 | 9,060 |
| Other | 5,108 | 3,751 | 3,201 | 1,121 | 8,309 | 4,872 |
| Total Revenues | 137,547 | 140,829 | 75,767 | 86,809 | 213,315 | 227,638 |
| Expenses | | | | | | |
| General government | 23,019 | 19,810 | - | - | 23,019 | 19,810 |
| Administrative services | 5,706 | 5,877 | - | - | 5,706 | 5,877 |
| Public safety - Police | 28,011 | 26,692 | - | - | 28,011 | 26,692 |
| Public safety - Fire | 15,098 | 14,517 | - | - | 15,098 | 14,517 |
| Public safety - EMS | 2,137 | 2,127 | - | - | 2,137 | 2,127 |
| Public works | 32,541 | 37,700 | - | - | 32,541 | 37,700 |
| Parks and recreation | 9,472 | 10,892 | - | - | 9,472 | 10,892 |
| Community development | 7,597 | 5,571 | - | - | 7,597 | 5,571 |
| Environmental and neighborhood services | 6,874 | 6,138 | - | - | 6,874 | 6,138 |
| Interest on long-term debt | 10,233 | 9,810 | - | - | 10,233 | 9,810 |
| Utility | - | - | 57,534 | 59,854 | 57,534 | 59,854 |
| Regional Airport | - | - | 16,935 | 16,239 | 16,935 | 16,239 |
| Solid Waste Management | - | - | 8,201 | 7,980 | 8,201 | 7,980 |
| Total Expenses | 140,688 | 139,134 | 82,670 | 84,073 | 223,358 | 223,207 |
| Increase (decrease) in net position before transfers and extraordinary item | (3,141) | 1,694 | (6,902) | 2,736 | (10,043) | 4,430 |
| Transfers | 6,179 | 3,094 | (6,179) | (3,094) | - | - |
| Extraordinary item | (3,714) | - | - | (2,410) | (3,714) | (2,410) |
| Increase (decrease) in net position | (676) | 4,788 | (13,081) | (2,768) | (13,757) | 2,020 |
| Net position - beginning | 401,303 | 396,515 | 310,561 | 313,329 | 711,864 | 709,844 |
| Net position - ending | \$ 400,627 | \$ 401,303 | \$ 297,480 | \$ 310,561 | \$ 698,107 | \$ 711,864 |

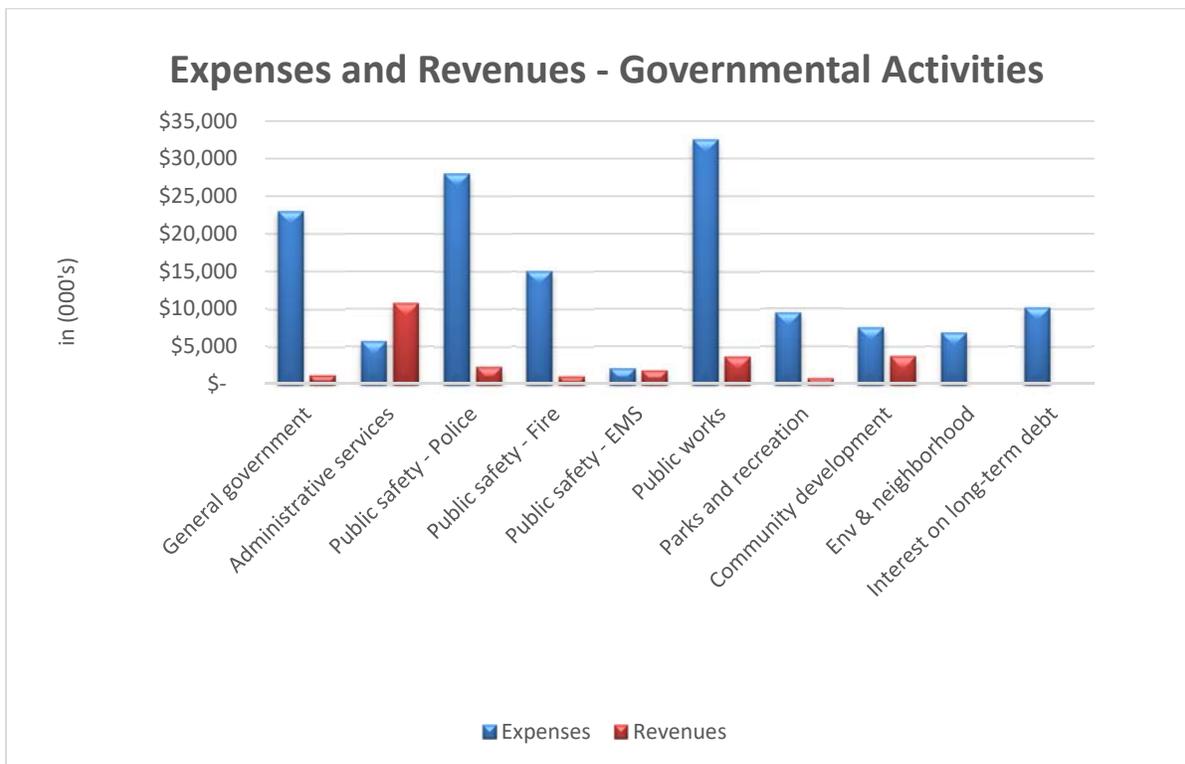
The City's net position decreased by approximately \$13.8 million. This was primarily the result of a decrease in business-type activities' net position.

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

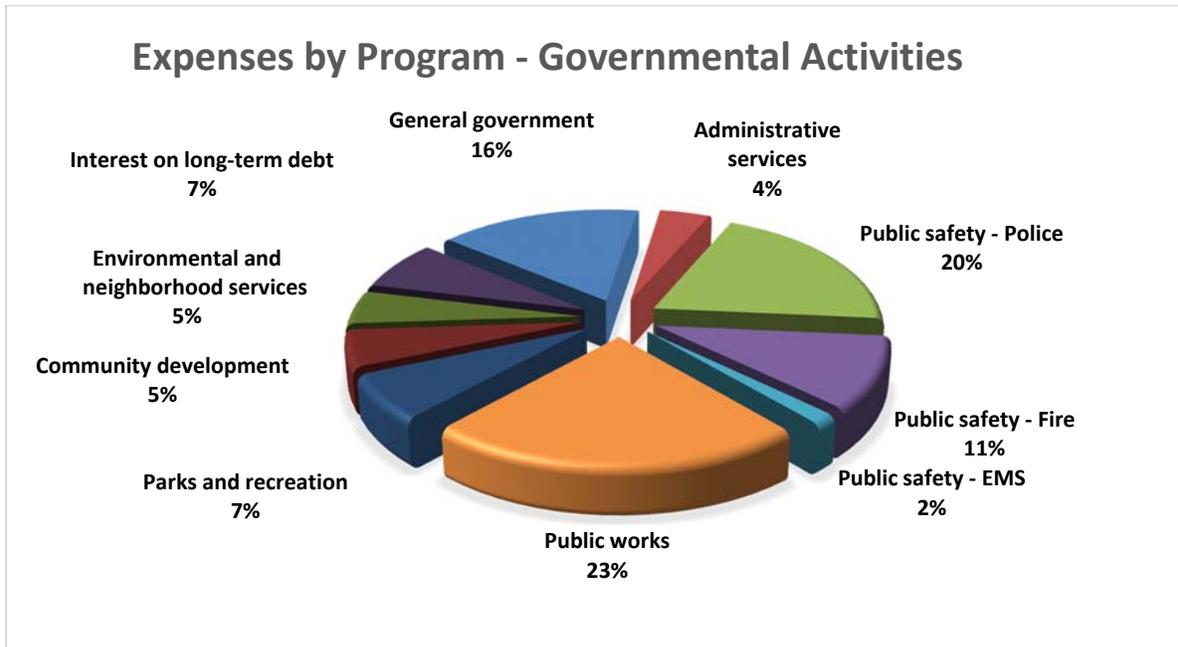
Governmental Activities

Governmental activities net position remained stable with changes in revenues and expenses between years as follows:

- Increases in revenues are due to a reimbursement of \$1.1 million from FEMA for hurricane Harvey related damages and increase of \$5.9 million in property tax revenues due to the annexation of New Territory and Greatwood MUDs.
- The increased revenues were offset by increased compensation of \$1.6 million and benefit costs of \$0.9 million and higher O & M costs during the year.
- A major increase in expense was a one-time write off of \$3.7 million receivable of fines due to termination of the red light camera program. Please refer to Note 16 – Termination of Funds, for further information.



Governmental Activities (continued)



Business-type Activities

Business-type activities decreased the City’s net position by \$13.1 million. Key elements of this decrease are as follows:

- Charges for services of Utility fund decreased by \$5.2 million due to an increase in rainfall, resulting in decreased water consumption.
- A decrease of \$3 million in capital contribution from developer for utility related infrastructure and \$5.2 million from Texas Department of Transportation for Airport projects.



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 \$86.0 million, an increase of \$18 million over the prior year. Approximately 45% of this total amount, \$38.9 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

Fund balance in the General Fund increased from prior year, by \$5.2 million, resulting in an ending fund balance of \$40.3 million at year end. The unassigned fund balance of \$38.9 million represents 43% of total fund expenditures.

The Debt Service Fund has a total fund balance of \$8.8 million at year end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$2.6 million.

The most significant change in fund balance was in the non-major governmental funds with increases of \$10.5 million. This increase is primarily due to the issuance of new bonds offset by capital outlay related to construction projects including various improvements to street, parks and facilities.

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 \$37.5 million and the Airport Fund's unrestricted net position amounted to approximately \$3.4 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 changed by \$5.2 million due to the reclassification of transfers into sales tax.

During the year there were increases between the original and final amended budget expenditure appropriations of \$2.2 million due to appropriations of carry-over from the prior year.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2019. The review of the final amended budget versus the actual for the general fund, reflected a positive budget variance in the amount of \$4.9 million.

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

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year 2019, the City's governmental activities and business-type activities had invested \$620.5 million and \$431.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net decrease of \$12.9 million or 2.0% over the end of last fiscal year for governmental activities and a decrease of \$11.9 million or 2.7% for business-type activities.

| <i>Amounts in (000's)</i> | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land and intangibles | \$ 107,365 | \$ 107,233 | \$ 26,755 | \$ 26,350 | \$ 134,120 | \$ 133,583 |
| Construction in progress | 19,452 | 32,045 | 11,525 | 43,868 | 30,977 | 75,913 |
| Infrastructure | 277,885 | 268,853 | 371,214 | 352,079 | 649,099 | 620,932 |
| Buildings and improvements | 194,205 | 202,108 | 17,946 | 16,676 | 212,151 | 218,784 |
| Equipment and furniture | 21,626 | 23,222 | 3,773 | 4,131 | 25,399 | 27,353 |
| Total Capital Assets | \$ 620,533 | \$ 633,461 | \$ 431,213 | \$ 443,104 | \$ 1,051,746 | \$ 1,076,565 |

The overall decrease in capital assets for governmental activities and for the business-type activities is due to the \$27.9 million of depreciation expense.

Additional information on the City's 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 outstanding debt of \$496.6 million. Of this amount, \$183.2 million was general obligation debt (including \$1.8 million of dissolved utility district bonds), and \$150.8 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and tax notes account for \$126.9 million and \$2.2 million, respectively.

| <i>Amounts in (000's)</i> | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| General obligation bonds | \$ 99,275 | \$ 106,155 | \$ 83,890 | \$ 84,580 | \$ 183,165 | \$ 190,735 |
| Revenue bonds | 45,120 | 47,020 | 105,695 | 98,510 | 150,815 | 145,530 |
| Certificates of obligation | 119,265 | 111,255 | 7,615 | 10,035 | 126,880 | 121,290 |
| Tax note | 2,181 | 3,247 | - | - | 2,181 | 3,247 |
| Premiums or discounts | 18,596 | 17,507 | 14,978 | 15,489 | 33,574 | 32,996 |
| | \$ 284,437 | \$ 285,184 | \$ 212,178 | \$ 208,614 | \$ 496,615 | \$ 493,798 |

The net increase in debt for the year was \$2.8 million or 0.6%. This was primarily due to the issuance of new debt offset by retirement and refunding of old debt.

Capital Assets and Debt Administration (continued)

Long-Term Debt

The most recent ratings on debt issues are as follows:

| | Standard and Poor’s | Fitch Investors Service |
|--------------------------|--------------------------------|--|
| 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. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

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

Economic Factors and Next Year’s Budgets and Rates

The City of Sugar Land has a long history of recognition as a leader in financial stewardship, with strategies specifically tailored to the community and designed to maximize both the conservative nature of the City’s finances and to offset the residential tax burden.

Throughout the past several decades, the success of these strategies has been demonstrated through a low property tax burden for residents – with commercial growth significantly offsetting the cost of residential services. In large part the result of targeted and aggressive economic development, as well as tools such as sales taxes for property tax reduction and economic development – all approved by voters in the 1990s, the City of Sugar Land has lowered the property tax significantly 1993 in order to maximize savings to residents on an annual basis as growth was occurring. Sugar Land offers both the second lowest tax rate among similarly sized cities in Texas and an extremely low residential property tax levy per capita.

Additionally, the City’s championship workforce has consistently provided a high level of services while always being cognizant of the critical importance of also providing a high value for tax dollars – elements of the “Sugar Land Way” which were confirmed as successful by residents in the latest citizen satisfaction survey. Simply put, the “Sugar Land Way” is a commitment to bold and thoughtful thinking designed to make life sweeter and more refined for the people and businesses that call Sugar Land home, with a current emphasis on the priorities listed below:

- Ensuring Sugar Land remains safer than ever before by building upon years of investments in facilities and public safety innovations;
- Maintaining aging infrastructure and facilities at the high level expected by Sugar Land residents;
- Retaining and challenging a champion workforce that consistently exceeds the high expectations of the Sugar Land community;
- Constantly improving the appearance of the community; and
- Building upon Sugar Land’s position as an economic powerhouse and financial leader (as well as a focus on strengthened resilience) that allows the city to improve its quality of life and minimize the residential tax burden.

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

As the City approaches its 60th anniversary, the strategies that led to success in the past must evolve to ensure Sugar Land continues to be successful in the future – recognizing that the City is aging and changing. Factors driving the need for the City's strategies to evolve include slowing growth as the City approaches build-out; residential value growth outpacing commercial growth in recent years; increasing service costs and aging infrastructure; competition for and continued volatility of sales tax revenues; the absorption of budget cuts and constraint in recent years that has left many increasing operational needs and priority capital projects unfunded – coupled with increasing drainage costs to address changing weather patterns and the need for capital improvements that exceed the city's ability to maintain a flat tax rate; completion of new strategy documents such as the Integrated Water Resources Plan, which will guide the City's approach to securing the community's long-term water supply and completing required capital projects in light of significant unfunded mandates associated with surface water conversion; and responding to significant negative impacts of recently passed legislation.

The Texas Legislature met in the spring of 2019 for the 86th legislative session, which resulted in the passage of several bills that will have significant impacts on the City's future. Major impacts will be felt through caps on future property tax revenues, elimination of red light cameras as a traffic safety tool, elimination of some fees for right of way usage by telecommunications and cable providers, and requiring the City to adjust workloads through restricting processes and unfunded mandates.

Legislative impacts, combined with current and future economic uncertainty, led to the development of a budget for FY20 that aims to restore funding for operations and maintenance needs and put the City in a stable financial position in the future- using strategies to enhance increase diversity of revenue streams. Discussions with City Council have revolved around these strategies and preservation of the City's flexibility and ability to provide services that meet residents' expectations of quality.

Over the last few years, the uncertainty in the regional economy has caused the City to evaluate strategies to ensure that it is financially strong and resilient. This introspective review and evaluation has led to the City's development of resiliency initiatives and its focus on innovative constraint. These ongoing resiliency initiatives and the focus on innovative constraint, formalized in the Financial Management Policy Statements (FMPS) and then incorporated into financial plans, are allowing the City to exceed its financial expectations in the current fiscal year and have positioned the City for success in the future. Mixed messages have been seen in the economy throughout the year, from downturns in the oil & gas industry and slowdowns in commercial development, to increases in interest rates by the Federal Reserve Bank, with statements reflecting potential cuts later this year.

In years with high economic volatility, the importance of resiliency initiatives becomes more apparent as they allow the organization to withstand and maintain strength despite challenging economic conditions. The resiliency initiatives that were formalized in the most recent adoption of the FMPS were designed to further strengthen the financial position of the City by lessening the impact of economic swings associated with sales tax - a major revenue stream for the City, but one that is highly volatile and difficult to forecast. One key assumption is a conservative estimate of sales tax revenue based on current recurring collections, with no growth assumed in the budget. Using this methodology, actual sales tax should come in higher than budgeted, as the City regularly receives one time payments and audit adjustments which are not included in the budget. These revenues are then available for one-time use in the following year's budget as they become part of the fund balance. While FY19 actual sales tax performed better than the prior year by 1.16%, recurring sales tax revenues were up 2.6% due to fluctuations in one time revenues from year to year. This approach allows the City to avoid dependence on these one-time payments that can vary significantly from year to year. The following year's budget is based on the estimated recurring sales tax revenue only, with no growth assumed.

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

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

In light of the need for the City's strategies to evolve in order to ensure continued success – and recognizing that the “Sugar Land Way” will not continue without City leadership and support from the public, the adopted FY20 budget and five year CIP have been designed to improve the City's financial resiliency and ability to anticipate and respond to new challenges and opportunities.

In combination, the above strategies enable the adopted FY20 budget and five-year CIP to reflect many of the City's highest priorities – consistent with feedback provided by residents through surveys, community meetings, and other forms of input.

Priorities included in the FY20 adopted budget and five year CIP include:

- Increased funding for rehabilitation, which improves the city's resiliency and ability to maintain infrastructure such as sidewalks, streets, facilities, parks, drainage and bridges in a way that meets residents' expectations of quality – achieved through a shift in existing property tax revenue to the operating budget;
- Continued innovative constraint such as the insourcing of the city's landscape maintenance and ROW beautification services for long-term savings and consistent delivery of services;
- Continued investment in technology to enhance traffic and mobility responsiveness, such as ITS management and an update to the Comprehensive Mobility Plan;
- Supplemental traffic safety resources to replace the traffic enforcement cameras and identifying alternate revenues – including targeted increases in EMS fees – to offset revenues that were eliminated as a result of the 86th state legislature, such as right-of-way usage by telecommunications providers;
- Investments in a championship workforce, such as a public safety compensation study and a performance-based merit pool of 3 percent – recognizing that, as a personnel-driven public safety and service provider, a main driver in the City's budget is employee compensation and benefits;
- Implementation of recommendations from the Integrated Water Resources Plan to meet a mandated 60 percent reduction in groundwater usage and actions to secure water sources to meet the city's long-term water supply needs, along with rate adjustments to support the plan – the first rate changes since 2014;
- Completion of the remaining 2013 voter-approved parks bond projects, through a planned tax rate increase and the strategic use of an increase in the homestead exemption from 10 to 12 percent to offset the residential tax bill impact; and
- Plans for significant capital investment into the city's infrastructure in the near future, including a FY21-23 GO bond program of \$90.76 million in capital projects, which were subsequently approved by voters in November 2019. Over half of the package was identified for drainage improvements and the remainder for public safety, mobility and animal services.

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

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

Based on the priorities addressed identified and discussed above, the FY20 budget totals \$272.5 million. Of the total, \$235 million is for operating funds and issuance costs, and \$40.5 million is for capital projects, including the final voter-approved park bond projects from 2013. The Five-Year CIP totals \$263.8 million, with \$41.5 million in projects approved for funding in FY20.

The FY20 budget is funded by a property tax rate of \$0.33200 per \$100 taxable value, approved by City Council in September 2019. The residential homestead exemption was raised from 10% to 12% to offset the impact of the tax increase to residents, minimizing the tax implications of the park bonds on homeowners and redistributing the balance between residential and commercial values.

In the Utility Fund, 5% rate adjustments for water and wastewater rates and 10% for surface water rates were made. The increases will result in an approximate 7% increase to the residential water bill. Solid Waste includes a 2.5% increase to residential rates, based on the City's cost of services. In FY20, an increase of 1.8% is incorporated into certain user fees based on changes in the Consumer Price Index (CPI). Selected fees are recommended to change outside the CPI adjustment to better diversify the City's revenue streams. Adjustments to emergency medical services fees, building permits and several new fees are designed to better recover the cost of services. All changes to fees and rates are effective January 1, 2020.

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, Controller, 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.



BASIC FINANCIAL STATEMENTS



CITY OF SUGAR LAND, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

| | Governmental Activities | Business-type Activities | Total | Component Units |
|--|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 16,029,444 | \$ 8,849,868 | \$ 24,879,312 | \$ 9,289,254 |
| Investments | 32,773,678 | 30,335,718 | 63,109,396 | 2,149,192 |
| Accounts receivable, net of allowance for doubtful accounts | 15,220,993 | 6,792,618 | 22,013,611 | 1,159,609 |
| Internal balances | (7,108,531) | 7,108,531 | - | - |
| Inventories | 257,230 | 322,985 | 580,215 | - |
| Prepaid items | 100,013 | 1,401 | 101,414 | 5,883 |
| Restricted cash and cash equivalents | 37,121,411 | 29,655,740 | 66,777,151 | 2,989,565 |
| Restricted investments | 10,429,750 | 6,008,826 | 16,438,576 | - |
| Capital assets not being depreciated | 126,515,552 | 37,933,291 | 164,448,843 | - |
| Capital assets net of depreciation | 494,016,614 | 393,279,981 | 887,296,595 | - |
| Total Assets | 725,356,154 | 520,288,959 | 1,245,645,113 | 15,593,503 |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 1,182,243 | 2,534,767 | 3,717,010 | 65,828 |
| Deferred outflows relating to pension activities | 17,139,936 | 2,377,808 | 19,517,744 | - |
| Deferred outflows relating to OPEB activities | 460,547 | 63,892 | 524,439 | - |
| Total Deferred Outflows of Resources | 18,782,726 | 4,976,467 | 23,759,193 | 65,828 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 9,730,689 | 5,224,420 | 14,955,109 | 157,733 |
| Accrued interest | 1,699,294 | 995,399 | 2,694,693 | 163,424 |
| Customer deposits | 133,653 | 2,875,364 | 3,009,017 | - |
| Unearned revenue | 167,956 | 12,300 | 180,256 | - |
| Non-current liabilities: | | | | |
| Due within one year | 22,121,933 | 10,005,000 | 32,126,933 | 2,122,131 |
| Due in more than one year | 307,191,198 | 208,330,772 | 515,521,970 | 26,007,325 |
| Total Liabilities | 341,044,723 | 227,443,255 | 568,487,978 | 28,450,613 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows relating to pension activities | 2,353,228 | 326,462 | 2,679,690 | - |
| Deferred inflows relating to OPEB activities | 113,598 | 15,760 | 129,358 | - |
| Total Deferred Inflows of Resources | 2,466,826 | 342,222 | 2,809,048 | - |
| Net Position | | | | |
| Net investment in capital assets | 359,390,543 | 237,563,675 | 596,954,218 | - |
| Restricted: | | | | |
| Debt service | 12,733,145 | 11,190,060 | 23,923,205 | 2,826,141 |
| Economic development activities | 7,098,197 | - | 7,098,197 | 3,189,301 |
| Public safety | 404,232 | - | 404,232 | - |
| Tourism & marketing | 1,941,997 | - | 1,941,997 | - |
| Unrestricted | 19,059,217 | 48,726,214 | 67,785,431 | (18,806,724) |
| Total Net Position | \$ 400,627,331 | \$ 297,479,949 | \$ 698,107,280 | \$ (12,791,282) |

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

| Functions/Programs | Expenses | Program Revenue | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 23,018,594 | \$ 188,112 | \$ - | \$ 1,105,813 |
| Administrative services | 5,705,656 | 8,933,444 | 1,835,001 | - |
| Public safety - Police | 28,010,543 | 2,175,468 | 124,857 | 97,458 |
| Public safety - Fire | 15,098,092 | 1,065,013 | 66,113 | - |
| Public safety - EMS | 2,137,263 | 1,864,409 | - | - |
| Public works | 32,541,073 | 364,198 | 236,742 | 3,186,111 |
| Parks and recreation | 9,471,888 | 690,294 | 68,083 | 135,664 |
| Community development | 7,597,307 | 3,589,181 | 104,371 | 96,698 |
| Environmental and neighborhood services | 6,873,883 | 13,504 | 2,833 | - |
| Interest on long-term debt | 10,233,207 | - | - | - |
| Total governmental activities | 140,687,506 | 18,883,623 | 2,438,000 | 4,621,744 |
| Business-type activities: | | | | |
| Utility | 57,533,727 | 45,314,713 | - | 1,943,720 |
| Regional Airport | 16,934,859 | 15,351,003 | 50,000 | 1,278,009 |
| Solid Waste Management | 8,200,994 | 8,620,756 | 8,221 | - |
| Total business-type activities | 82,669,580 | 69,286,472 | 58,221 | 3,221,729 |
| Total primary government | \$ 223,357,086 | \$ 88,170,095 | \$ 2,496,221 | \$ 7,843,473 |
| Component Units | | | | |
| Sugar Land 4B Corporation | \$ 3,154,052 | \$ - | \$ 163,100 | \$ - |
| Sugar Land Town Square Tax Increment | | | | |
| Reinvestment Zone No. 1 | 1,634,236 | - | - | - |
| Sugar Land Reinvestment Zone No. 3 | 756,689 | - | - | - |
| Sugar Land Reinvestment Zone No. 4 | 48,882 | - | - | - |
| Total component units | \$ 5,593,859 | \$ - | \$ 163,100 | \$ - |

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | Component Units |
|---|---|--------------------------|-----------------------|------------------------|
| | Primary Government | | | |
| | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | |
| Governmental Activities: | | | | |
| General government | \$ (21,724,669) | | \$ (21,724,669) | |
| Administrative services | 5,062,789 | | 5,062,789 | |
| Public safety - Police | (25,612,760) | | (25,612,760) | |
| Public safety - Fire | (13,966,966) | | (13,966,966) | |
| Public safety - EMS | (272,854) | | (272,854) | |
| Public works | (28,754,022) | | (28,754,022) | |
| Parks and recreation | (8,577,847) | | (8,577,847) | |
| Community development | (3,807,057) | | (3,807,057) | |
| Environmental and neighborhood services | (6,857,546) | | (6,857,546) | |
| Interest on long-term debt | (10,233,207) | | (10,233,207) | |
| Total governmental activities | <u>(114,744,139)</u> | | <u>(114,744,139)</u> | |
| Business-type activities: | | | | |
| Utility | | \$ (10,275,294) | (10,275,294) | |
| Regional Airport | | (255,847) | (255,847) | |
| Solid Waste Management | | 427,983 | 427,983 | |
| Total business-type activities | | <u>(10,103,158)</u> | <u>(10,103,158)</u> | |
| Total primary government | <u>(114,744,139)</u> | <u>(10,103,158)</u> | <u>(124,847,297)</u> | |
| Component Units | | | | |
| Sugar Land 4B Corporation | | | | \$ (2,990,952) |
| Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | | | | (1,634,236) |
| Sugar Land Reinvestment Zone No. 3 | | | | (756,689) |
| Sugar Land Reinvestment Zone No. 4 | | | | (48,882) |
| Total component units | | | | <u>(5,430,759)</u> |
| General revenues: | | | | |
| Property taxes | 49,988,676 | - | 49,988,676 | 3,197,446 |
| Sales tax | 47,580,665 | - | 47,580,665 | 6,798,877 |
| Franchise and other taxes | 8,925,196 | - | 8,925,196 | - |
| Investment earnings | 2,616,889 | 2,331,002 | 4,947,891 | 317,773 |
| Miscellaneous | 2,491,209 | 869,998 | 3,361,207 | 80,000 |
| Transfers | 6,179,094 | (6,179,094) | - | - |
| Extraordinary item | (3,713,598) | - | (3,713,598) | - |
| Total general revenues, transfers and extraordinary item | <u>114,068,131</u> | <u>(2,978,094)</u> | <u>111,090,037</u> | <u>10,394,096</u> |
| Change in net position | (676,008) | (13,081,252) | (13,757,260) | 4,963,337 |
| Net position - beginning | <u>401,303,339</u> | <u>310,561,201</u> | <u>711,864,540</u> | <u>(17,754,619)</u> |
| Net position - ending | <u>\$ 400,627,331</u> | <u>\$ 297,479,949</u> | <u>\$ 698,107,280</u> | <u>\$ (12,791,282)</u> |

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|------------------------------|---|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 8,366,930 | \$ - | \$ 3,557,589 | \$ 11,924,519 |
| Investments | 28,770,818 | - | - | 28,770,818 |
| Receivables, net of allowance for uncollectibles | 11,615,729 | 326,466 | 2,802,306 | 14,744,501 |
| Inventories | 250,126 | - | 7,104 | 257,230 |
| Prepaid items | 77,771 | - | 12,359 | 90,130 |
| Restricted cash and cash equivalents | - | 5,939,927 | 31,181,484 | 37,121,411 |
| Restricted investments | - | 3,256,850 | 7,172,900 | 10,429,750 |
| Total Assets | <u>49,081,374</u> | <u>9,523,243</u> | <u>44,733,742</u> | <u>103,338,359</u> |
| Liabilities | | | | |
| Accounts payable | 4,559,984 | 210,133 | 2,241,291 | 7,011,408 |
| Accrued expenditures | 1,534,330 | - | 6,972 | 1,541,302 |
| Customer deposits | 133,653 | - | - | 133,653 |
| Due to other funds | - | - | 5,600,000 | 5,600,000 |
| Unearned revenue | 1,185 | 166,771 | - | 167,956 |
| Total Liabilities | <u>6,229,152</u> | <u>376,904</u> | <u>7,848,263</u> | <u>14,454,319</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 2,550,743 | 299,100 | 21,546 | 2,871,389 |
| Total Deferred Inflows of Resources | <u>2,550,743</u> | <u>299,100</u> | <u>21,546</u> | <u>2,871,389</u> |
| Fund Balance | | | | |
| Nonspendable: | | | | |
| Inventories | 250,126 | - | 7,104 | 257,230 |
| Prepaid items | 77,771 | - | 12,359 | 90,130 |
| Restricted: | | | | |
| Debt service | - | 8,847,239 | 5,286,100 | 14,133,339 |
| Capital projects | - | - | 22,113,944 | 22,113,944 |
| Economic development activities | - | - | 7,098,197 | 7,098,197 |
| Public safety | - | - | 404,232 | 404,232 |
| Tourism & marketing | - | - | 1,941,997 | 1,941,997 |
| Committed | 749,136 | - | - | 749,136 |
| Assigned | 314,423 | - | - | 314,423 |
| Unassigned | 38,910,023 | - | - | 38,910,023 |
| Total Fund Balance | <u>40,301,479</u> | <u>8,847,239</u> | <u>36,863,933</u> | <u>86,012,651</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 49,081,374</u> | <u>\$ 9,523,243</u> | <u>\$ 44,733,742</u> | <u>\$ 103,338,359</u> |

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

Total fund balance, governmental funds \$ 86,012,651

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 \$1,020,909,389 and the accumulated depreciation is \$404,894,206. 616,015,183

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 2,871,389

Deferred charge on refunding amortized over the shorter of the life of the refunded or refunding debt, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 1,182,243

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:

| | | |
|-----------------------------------|--------------------|---------------|
| Debt payable, at maturity | \$ (265,841,402) | |
| Accrued interest on the bonds | (1,699,294) | |
| Premium/discount of bonds payable | (18,596,408) | |
| Compensated absences | (4,064,877) | |
| Sales tax obligation | (219,262) | |
| Net pension liability | (35,112,499) | |
| Net OPEB liability | <u>(5,478,683)</u> | |
| | | (331,012,425) |

Deferred outflows and deferred inflows relating to pension activities are amortized over the expected remaining service lives of all employees that are provided with pensions through the pension plan, therefore, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 14,786,708

Deferred outflows and deferred inflows relating to OPEB activities are amortized over the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan, therefore, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 346,949

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. 10,424,633

Net Position of Governmental Activities in the Statement of Net Position \$ 400,627,331

CITY OF SUGAR LAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

| | General Fund | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|------------------------------|---|---|
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 28,556,776 | \$ 21,353,784 | \$ - | \$ 49,910,560 |
| Sales tax | 40,585,670 | - | 6,764,278 | 47,349,948 |
| Franchise and other taxes | 6,522,234 | - | 2,540,793 | 9,063,027 |
| Licenses and permits | 3,585,270 | - | - | 3,585,270 |
| Fines and forfeitures | 1,675,673 | - | 1,923,253 | 3,598,926 |
| Charges for services | 9,687,009 | - | 169,580 | 9,856,589 |
| Investment earnings | 1,062,735 | 308,958 | 1,062,672 | 2,434,365 |
| Intergovernmental | 2,171,380 | - | 1,979,211 | 4,150,591 |
| Other | 900,286 | 1,868,689 | 665,227 | 3,434,202 |
| Total Revenues | 94,747,033 | 23,531,431 | 15,105,014 | 133,383,478 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 17,387,937 | - | 2,993,495 | 20,381,432 |
| Administrative services | 4,173,575 | 1,754,394 | 102,808 | 6,030,777 |
| Public safety - Police | 24,869,229 | - | 1,237,629 | 26,106,858 |
| Public safety - Fire | 13,714,585 | - | - | 13,714,585 |
| Public safety - EMS | 1,943,258 | - | 38,733 | 1,981,991 |
| Public works | 11,408,302 | - | 1,694,619 | 13,102,921 |
| Parks and recreation | 5,008,567 | - | 2,025 | 5,010,592 |
| Community development | 5,337,472 | - | - | 5,337,472 |
| Environmental and neighborhood services | 5,826,617 | - | - | 5,826,617 |
| Debt Service: | | | | |
| Principal | - | 34,411,024 | 1,900,000 | 36,311,024 |
| Interest and other charges | - | 8,784,592 | 2,217,621 | 11,002,213 |
| Bond issuance costs | - | 122,533 | 252,376 | 374,909 |
| Capital Outlay | - | - | 13,290,174 | 13,290,174 |
| Total Expenditures | 89,669,542 | 45,072,543 | 23,729,480 | 158,471,565 |
| Excess (deficiency) of revenues over expenditures | 5,077,491 | (21,541,112) | (8,624,466) | (25,088,087) |
| Other Financing Sources (Uses) | | | | |
| Certificates of obligation issued | - | - | 20,760,000 | 20,760,000 |
| Refunding bonds issued | - | 13,715,000 | - | 13,715,000 |
| Premium on debt issued | - | 1,215,416 | 1,541,198 | 2,756,614 |
| Transfers in | 978,059 | 9,268,029 | 1,320,919 | 11,567,007 |
| Transfers (out) | (818,955) | (73,806) | (4,495,152) | (5,387,913) |
| Total Other Financing Sources and Uses | 159,104 | 24,124,639 | 19,126,965 | 43,410,708 |
| Net change in fund balance | 5,236,595 | 2,583,527 | 10,502,499 | 18,322,621 |
| Fund balance - beginning | 35,064,884 | 6,263,712 | 26,361,434 | 67,690,030 |
| Fund balance - ending | \$ 40,301,479 | \$ 8,847,239 | \$ 36,863,933 | \$ 86,012,651 |

CITY OF SUGAR LAND, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

| | | |
|--|-------------------|------------------|
| Net change in fund balances - total governmental funds: | \$ | 18,322,621 |
| 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 (\$26,736,988) is exceeded by capital outlays (\$7,119,447) in the current period. | | (19,617,541) |
| 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. | | 2,622,213 |
| 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. | | (19,479) |
| 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. | | 1,464,008 |
| Pension contributions made after the net pension liability measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position | | 8,370,416 |
| OPEB contributions made after the net OPEB liability measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position | | 135,454 |
| 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 repayments exceed proceeds. | | |
| Proceeds from the issuance of long term debt, plus premiums and interest, less issuance costs | \$ (37,231,614) | |
| Repayment of long term debt principal | <u>36,311,024</u> | |
| | | (920,590) |
| Bond issuance costs, deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position. | | |
| Bond premiums/discounts | 1,667,044 | |
| Bond insurance premiums | (39,311) | |
| Gain/loss on refunding | <u>(441,477)</u> | |
| | | 1,186,256 |
| 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 | (57,341) | |
| Changes in accrued compensated absences | (869,056) | |
| Pension expense for the pension plan measurement year | (11,634,770) | |
| OPEB expense for the OPEB plan measurement year | <u>(603,889)</u> | |
| | | (13,165,056) |
| 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. | | <u>945,690</u> |
| Change in net position of governmental activities | \$ | <u>(676,008)</u> |

CITY OF SUGAR LAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|----------------------|-------------------|-----------------------|------------------------|
| | NonMajor Enterprise Fund | | | Total | Activities |
| | Major Enterprise Funds | Solid Waste Fund | | | Internal Service Funds |
| | Utility Fund | Airport Fund | Fund | | |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 7,120,607 | \$ 1,332,321 | \$ 396,940 | \$ 8,849,868 | \$ 3,516,925 |
| Cash with fiscal agent | - | - | - | - | 588,000 |
| Investments | 26,180,156 | 4,155,562 | - | 30,335,718 | 4,002,860 |
| Accounts receivable, net of allowance for doubtful accounts | 5,516,667 | 244,594 | 1,031,357 | 6,792,618 | 476,492 |
| Due from other funds | 5,600,000 | - | - | 5,600,000 | - |
| Inventories | 155,393 | 167,592 | - | 322,985 | - |
| Prepaid items | 88 | - | 1,313 | 1,401 | 9,883 |
| Restricted cash and cash equivalents | 28,642,605 | 1,013,135 | - | 29,655,740 | - |
| Restricted investments | 6,008,826 | - | - | 6,008,826 | - |
| Total current assets | 79,224,342 | 6,913,204 | 1,429,610 | 87,567,156 | 8,594,160 |
| Non-current assets: | | | | | |
| Capital assets not being depreciated: | 13,206,725 | 24,726,566 | - | 37,933,291 | - |
| Capital assets being depreciated: | 338,797,436 | 54,428,205 | 54,340 | 393,279,981 | 4,516,983 |
| Total non-current assets | 352,004,161 | 79,154,771 | 54,340 | 431,213,272 | 4,516,983 |
| Total Assets | 431,228,503 | 86,067,975 | 1,483,950 | 518,780,428 | 13,111,143 |
| Deferred Outflows of Resources | | | | | |
| Deferred charge on refunding | 2,298,062 | 236,705 | - | 2,534,767 | - |
| Deferred outflows relating to pension activities | 1,562,050 | 744,008 | 71,750 | 2,377,808 | - |
| Deferred outflows relating to OPEB activities | 41,973 | 19,992 | 1,927 | 63,892 | - |
| Total Deferred Outflows of Resources | 3,902,085 | 1,000,705 | 73,677 | 4,976,467 | - |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 3,394,763 | 1,111,554 | 718,103 | 5,224,420 | 627,716 |
| Accrued interest | 946,224 | 49,175 | - | 995,399 | - |
| Customer deposits | 2,767,187 | 108,177 | - | 2,875,364 | - |
| Unearned revenue | - | 12,300 | - | 12,300 | - |
| Claims and judgments | - | - | - | - | 550,263 |
| Non-current liabilities due within one year | 9,111,167 | 893,674 | 159 | 10,005,000 | - |
| Total current liabilities | 16,219,341 | 2,174,880 | 718,262 | 19,112,483 | 1,177,979 |
| Non-current liabilities: | | | | | |
| Due in more than one year | 192,987,950 | 9,703,414 | 8,230 | 202,699,594 | - |
| Net pension liability | 3,199,982 | 1,524,156 | 146,987 | 4,871,125 | - |
| Net OPEB liability | 499,300 | 237,818 | 22,935 | 760,053 | - |
| Total non-current liabilities | 196,687,232 | 11,465,388 | 178,152 | 208,330,772 | - |
| Total Liabilities | 212,906,573 | 13,640,268 | 896,414 | 227,443,255 | 1,177,979 |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows relating to pension activities | 214,462 | 102,149 | 9,851 | 326,462 | - |
| Deferred inflows relating to OPEB activities | 10,353 | 4,931 | 476 | 15,760 | - |
| Total Deferred Inflows of Resources | 224,815 | 107,080 | 10,327 | 342,222 | - |
| Net Position | | | | | |
| Net investment in capital assets | 176,159,079 | 68,987,974 | 54,340 | 245,201,393 | 4,516,983 |
| Restricted: | | | | | |
| Debt service | 8,389,880 | 977,256 | - | 9,367,136 | - |
| Unrestricted | 37,450,241 | 3,356,102 | 596,546 | 41,402,889 | 7,416,181 |
| Total Net Position | \$ 221,999,200 | \$ 73,321,332 | \$ 650,886 | \$ 295,971,418 | \$ 11,933,164 |

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.

1,508,531

Total Net Position per Government-Wide financial statements

\$ 297,479,949

CITY OF SUGAR LAND, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|--|----------------------|---------------------------------|------------------------|-------------------------------|
| | | | | | Activities |
| | Major Enterprise Funds | | NonMajor Enterprise Fund | | |
| | Utility Fund | Airport Fund | Solid Waste Fund | Total | Internal Service Funds |
| Revenues | | | | | |
| Charges for services | \$ 45,314,713 | \$ 15,351,003 | \$ 8,620,756 | \$ 69,286,472 | \$ 16,434,342 |
| Total Operating Revenues | <u>45,314,713</u> | <u>15,351,003</u> | <u>8,620,756</u> | <u>69,286,472</u> | <u>16,434,342</u> |
| Operating Expenses | | | | | |
| Personnel services | 6,608,781 | 3,209,939 | 266,418 | 10,085,138 | 39,162 |
| Supplies and materials | 324,246 | 8,142,681 | 18,815 | 8,485,742 | 1,179,304 |
| Contractual services | 11,059,053 | 1,604,820 | 7,864,830 | 20,528,703 | 411,769 |
| Repairs and maintenance | 9,932,318 | 616,973 | 16,747 | 10,566,038 | 5,382 |
| Other expenses | 1,809,135 | 369,450 | 29,304 | 2,207,889 | 12,969,671 |
| Depreciation | 20,787,959 | 2,650,384 | 9,880 | 23,448,223 | 1,209,231 |
| Total Operating Expenses | <u>50,521,492</u> | <u>16,594,247</u> | <u>8,205,994</u> | <u>75,321,733</u> | <u>15,814,519</u> |
| Operating income (loss) | <u>(5,206,779)</u> | <u>(1,243,244)</u> | <u>414,762</u> | <u>(6,035,261)</u> | <u>619,823</u> |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest and investment revenue | 2,115,558 | 208,332 | 7,112 | 2,331,002 | 182,524 |
| Miscellaneous revenue | 952,951 | 193,833 | 20,054 | 1,166,838 | - |
| Intergovernmental | - | 50,000 | 8,221 | 58,221 | - |
| Gain (loss) on disposal of capital assets | (296,245) | - | - | (296,245) | 234,343 |
| Interest expense | (7,093,830) | (345,612) | - | (7,439,442) | - |
| Total Non-operating Revenue (Expenses) | <u>(4,321,566)</u> | <u>106,553</u> | <u>35,387</u> | <u>(4,179,626)</u> | <u>416,867</u> |
| Income (loss) before contributions, transfers and special item | <u>(9,528,345)</u> | <u>(1,136,691)</u> | <u>450,149</u> | <u>(10,214,887)</u> | <u>1,036,690</u> |
| Capital contributions | 1,943,720 | 1,278,009 | - | 3,221,729 | - |
| Transfers in | 30,217 | 176,842 | - | 207,059 | - |
| Transfers out | (6,086,153) | - | (300,000) | (6,386,153) | - |
| Change in net position | <u>(13,640,561)</u> | <u>318,160</u> | <u>150,149</u> | <u>(13,172,252)</u> | <u>1,036,690</u> |
| Total net position - beginning | <u>235,639,761</u> | <u>73,003,172</u> | <u>500,737</u> | <u>309,143,670</u> | <u>10,896,474</u> |
| Total net position - ending | <u>\$ 221,999,200</u> | <u>\$ 73,321,332</u> | <u>\$ 650,886</u> | <u>\$ 295,971,418</u> | <u>\$ 11,933,164</u> |
| Change in net position per above | | | | \$ (13,172,252) | |
| 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. | | | | <u>91,000</u> | |
| Change in Business-Type Activities in Net Position per Government-Wide Financial Statements | | | | <u>\$ (13,081,252)</u> | |

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|---------------------|-------------------|--------------------------|------------------------|
| | Major Enterprise Funds | | | NonMajor Enterprise Fund | Internal Service Funds |
| | Utility Fund | Airport Fund | Solid Waste Fund | Total | |
| | | | | | |
| Cash Flows from Operating Activities: | | | | | |
| Receipts from customers and users | \$ 44,150,642 | \$ 15,375,212 | \$ 8,632,553 | \$ 68,158,407 | \$ - |
| Receipts from interfund charges for services | | | | | 16,450,168 |
| Disbursed for personnel services | (6,385,756) | (2,972,920) | (249,267) | (9,607,943) | (39,162) |
| Disbursed for goods and services | (23,243,037) | (10,284,188) | (7,917,218) | (41,444,443) | (14,532,227) |
| Net cash provided (used) by operating activities | <u>14,521,849</u> | <u>2,118,104</u> | <u>466,068</u> | <u>17,106,021</u> | <u>1,878,779</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Transfers from other funds | 1,530,217 | 176,842 | - | 1,707,059 | - |
| Transfers to other funds | (6,086,153) | - | (300,000) | (6,386,153) | - |
| Operating grants and contributions | - | 48,200 | 27,723 | 75,923 | - |
| Net cash provided (used) by noncapital financing activities | <u>(4,555,936)</u> | <u>225,042</u> | <u>(272,277)</u> | <u>(4,603,171)</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Proceeds from the sale of bonds | 14,048,090 | - | - | 14,048,090 | - |
| Interest payments on debt | (7,069,304) | (349,084) | - | (7,418,388) | - |
| Principal payments on debt | (8,525,000) | (860,000) | - | (9,385,000) | - |
| Acquisition and construction of capital assets | (7,564,316) | (1,549,471) | - | (9,113,787) | (1,312,583) |
| Net cash provided (used) by capital and related financing activities | <u>(9,110,530)</u> | <u>(2,758,555)</u> | <u>-</u> | <u>(11,869,085)</u> | <u>(1,312,583)</u> |
| Cash Flows from Investing Activities | | | | | |
| Purchase of investments | - | - | - | - | (541,394) |
| Sale of investments | 10,700,109 | 1,537,519 | - | 12,237,628 | - |
| Interest received | 2,451,884 | 231,393 | 7,305 | 2,690,582 | 174,515 |
| Net cash provided (used) by investing activities | <u>13,151,993</u> | <u>1,768,912</u> | <u>7,305</u> | <u>14,928,210</u> | <u>(366,879)</u> |
| Net increase (decrease) in cash and equivalents | <u>14,007,376</u> | <u>1,353,503</u> | <u>201,096</u> | <u>15,561,975</u> | <u>199,317</u> |
| Cash and equivalents, beginning of year | 21,755,836 | 991,953 | 195,844 | 22,943,633 | 3,317,608 |
| Cash and equivalents, at end of year | <u>35,763,212</u> | <u>2,345,456</u> | <u>396,940</u> | <u>38,505,608</u> | <u>3,516,925</u> |
| Unrestricted cash and equivalents | 7,120,607 | 1,332,321 | 396,940 | 8,849,868 | 3,516,925 |
| Restricted cash and equivalents | 28,642,605 | 1,013,135 | - | 29,655,740 | - |
| | <u>\$ 35,763,212</u> | <u>\$ 2,345,456</u> | <u>\$ 396,940</u> | <u>\$ 38,505,608</u> | <u>\$ 3,516,925</u> |

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|---------------------|-------------------|----------------------|---------------------|
| | Major Enterprise Funds | | | Total | Internal |
| | Utility Fund | Airport Fund | NonMajor | | |
| | | | Enterprise Fund | | |
| | | Solid Waste Fund | | | |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ (5,206,779) | \$ (1,243,244) | \$ 414,762 | \$ (6,035,261) | \$ 619,823 |
| Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities: | | | | | |
| Depreciation | 20,787,959 | 2,650,384 | 9,880 | 23,448,223 | 1,209,231 |
| (Increase) decrease in accounts receivable | (1,195,590) | 18,186 | 11,797 | (1,165,607) | (50,761) |
| (Increase) decrease in inventory | (17,546) | (3,650) | - | (21,196) | - |
| (Increase) decrease in prepaid items | 5,858 | 1,665 | 192 | 7,715 | 10,717 |
| (Increase) decrease in deferred outflows relating to pension activities | (819,773) | (390,460) | (37,655) | (1,247,888) | - |
| (Increase) decrease in deferred outflows relating to OPEB activities | (12,842) | (6,117) | (590) | (19,549) | - |
| Increase (decrease) in accounts payable | (106,597) | 451,721 | 12,286 | 357,410 | 23,182 |
| Increase (decrease) in salaries payable | (117,163) | 74,988 | 1,524 | (40,651) | - |
| Increase (decrease) in customer deposits | 31,519 | 6,023 | - | 37,542 | - |
| Increase (decrease) in claims and judgments | - | - | - | - | 66,587 |
| Increase (decrease) in net pension liability | 1,503,613 | 716,173 | 69,067 | 2,288,853 | - |
| Increase (decrease) in net OPEB liability | 45,499 | 21,672 | 2,090 | 69,261 | - |
| Increase (decrease) in deferred inflows relating to pension activities | (386,343) | (184,016) | (17,746) | (588,105) | - |
| Increase (decrease) in deferred inflows relating to OPEB activities | 10,034 | 4,779 | 461 | 15,274 | - |
| Net cash provided (used) by operating activities | <u>\$ 14,521,849</u> | <u>\$ 2,118,104</u> | <u>\$ 466,068</u> | <u>\$ 17,106,021</u> | <u>\$ 1,878,779</u> |
| Non-cash Transactions: | | | | | |
| Capital assets contributed to City | <u>\$ 1,943,720</u> | <u>\$ 1,278,009</u> | <u>\$ -</u> | <u>\$ 3,221,729</u> | |

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF NET POSITION
September 30, 2019

| | 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 | Total Component Units |
|--|---------------------------------|--|--|--|-----------------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 6,097,869 | \$ 109,386 | \$ 40,706 | \$ 3,041,293 | \$ 9,289,254 |
| Investments | 2,149,192 | - | - | - | 2,149,192 |
| Accounts receivable, net of allowance for doubtful accounts | 1,144,619 | 8,849 | 1,203 | 4,938 | 1,159,609 |
| Prepaid items | 5,883 | - | - | - | 5,883 |
| Restricted cash and cash equivalents | 2,989,565 | - | - | - | 2,989,565 |
| Total Assets | 12,387,128 | 118,235 | 41,909 | 3,046,231 | 15,593,503 |
| Deferred Outflows of Resources | | | | | |
| Deferred charge on refunding | 65,828 | - | - | - | 65,828 |
| Total Deferred Outflows of Resources | 65,828 | - | - | - | 65,828 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 140,659 | - | 3,894 | 13,180 | 157,733 |
| Accrued interest | 163,424 | - | - | - | 163,424 |
| Total current liabilities | 304,083 | - | 3,894 | 13,180 | 321,157 |
| Non-current liabilities: | | | | | |
| Due within one year | 2,122,131 | - | - | - | 2,122,131 |
| Due in more than one year | 26,007,325 | - | - | - | 26,007,325 |
| Total non-current liabilities | 28,129,456 | - | - | - | 28,129,456 |
| Total Liabilities | 28,433,539 | - | 3,894 | 13,180 | 28,450,613 |
| Net Position | | | | | |
| Restricted: | | | | | |
| Debt service | 2,826,141 | - | - | - | 2,826,141 |
| Economic development activities | - | 118,235 | 38,015 | 3,033,051 | 3,189,301 |
| Unrestricted | (18,806,724) | - | - | - | (18,806,724) |
| Total Net Position | \$ (15,980,583) | \$ 118,235 | \$ 38,015 | \$ 3,033,051 | \$ (12,791,282) |

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

| 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 | \$ 3,154,052 | \$ 163,100 | \$ (2,990,952) | \$ - | \$ - | \$ - | \$ (2,990,952) |
| Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | 1,634,236 | - | - | (1,634,236) | - | - | (1,634,236) |
| Sugar Land Reinvestment Zone No. 3 | 756,689 | - | - | - | (756,689) | - | (756,689) |
| Sugar Land Reinvestment Zone No. 4 | 48,882 | - | - | - | - | (48,882) | (48,882) |
| | <u>\$ 5,593,859</u> | <u>\$ 163,100</u> | <u>(2,990,952)</u> | <u>(1,634,236)</u> | <u>(756,689)</u> | <u>(48,882)</u> | <u>(5,430,759)</u> |
| General revenues | | | | | | | - |
| Taxes: | | | | | | | - |
| Property taxes | | | - | 1,698,726 | 753,240 | 745,480 | 3,197,446 |
| Sales tax | | | 6,798,877 | - | - | - | 6,798,877 |
| Unrestricted investment earnings | | | 249,640 | 10,997 | 1,048 | 56,088 | 317,773 |
| Miscellaneous | | | 80,000 | - | - | - | 80,000 |
| Total general revenues | | | <u>7,128,517</u> | <u>1,709,723</u> | <u>754,288</u> | <u>801,568</u> | <u>10,394,096</u> |
| Change in net position | | | 4,137,565 | 75,487 | (2,401) | 752,686 | 4,963,337 |
| Net position - beginning | | | <u>(20,118,148)</u> | <u>42,748</u> | <u>40,416</u> | <u>2,280,365</u> | <u>(17,754,619)</u> |
| Net position - ending | | | <u>\$ (15,980,583)</u> | <u>\$ 118,235</u> | <u>\$ 38,015</u> | <u>\$ 3,033,051</u> | <u>\$ (12,791,282)</u> |



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.

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. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

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 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 has been presented as a discretely presented component unit in the City's financial statements. The participants include Fort Bend County, First Colony LID #2 and the City at 100% of incremental value. 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 taxes to be utilized in providing public improvements in TIRZ 3. The City participates at 50% of increment over the 2007 base value plus 50% of sales taxes within the historic district. Fort Bend County General Fund participates at 50% based on an increment over the 2013 tax base. Fort Bend County Drainage District does not participate. TIRZ 3 has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members of which the City Council appoints four members and Fort Bend County has the authority to appoint one member. 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 center with retail, office and entertainment uses. The City participates at a rate of 50 percent of their ad valorem tax rate above the 2009 tax base over the 30 year life of the Zone. Fort Bend County Municipal Utility District Nos. 138 and 139 have also agreed to contribute at a rate of 50 percent of the City's tax rate via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50 percent participation Years 2014 through 2029, 30 percent Years 2030 through 2034, and 20 percent Years 2035 through 2039; however, revenues were not captured until Tax Year 2014 (Fiscal Year 2015). 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 Finance 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 and interfund loans. 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.

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. All capital assets 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 principal source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

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 enterprise funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements. This fund also accounts for activity related to the mandated groundwater reduction plan (GRP) and GRP revenues.

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.

In addition, the City's business type activities includes the following nonmajor enterprise fund:

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.

Enterprise 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:

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

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

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 committed or 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, 2019, outstanding purchase orders totaled \$14.1 million. These were the result of normal operations. Encumbrances are liquidated with existing resources, City Council has committed \$750K and the City Manager has assigned \$314K in the General Fund to liquidate outstanding purchase orders as of September 30, 2019.

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 privately managed public funds investment pools ("TexPool", "TexSTAR" and "Texas CLASS"), balances in a governmental money market mutual fund 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. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

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.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

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. Internal Balances

The effect of interfund activity has been removed from the financial statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances. Goods and services provided by the City's internal service funds are charged as direct costs to the enterprise funds that received those goods and services.

Note 1 - Summary of Significant Accounting Policies (continued)

I. Inventories and Prepaid Items

Inventories of the General and Enterprise Funds are valued at weighted moving average, except for airport fuel which is valued at market 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.

J. Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, cash restricted for other purposes, 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 that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense) until that time. The City has three items that qualify for reporting in this category.

- *Deferred outflows of resources for refunding* - Reported in the government-wide statement of net position, this 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.
- *Deferred outflows of resources for pension activities* - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources (continued)

- *Deferred outflows of resources for other post-employment benefits (OPEB)* – Reported in the government wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

In addition to liabilities, the statement of financial position 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 reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category.

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, photographic traffic enforcement (since we're closing this fund this year, can we remove this?) and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *Deferred inflows of resources for pension activities* - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB.

Note 1 - Summary of Significant Accounting Policies (continued)

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 dissolution. 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 proprietary 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 recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' original estimated useful 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.

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:

| <u>Asset Description</u> | <u>Estimated Useful Life</u> |
|---|------------------------------|
| Vehicles | 3 to 10 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 320 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation. The maximum for Shift Firefighter's is 448 hours.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

O. Other Post-Employment Benefits

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

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

P. 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.

Q. Deficit Equity

The Sugar Land 4B Corporation had deficit net position of \$16 million as of September 30, 2019. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

R. Budgets

Annual appropriated budgets are adopted for the General, Special Revenue, 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 three years from date of purchase.

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, restricted cash and cash equivalents, and restricted investments. 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 and include the same investment vehicles as the unrestricted categories. 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, TexSTAR, Texas CLASS and a governmental security money market mutual fund or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained separately in the records 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:

| | Total Fair Value | |
|--------------------------------|-------------------------------|---|
| | Primary Government | Discretely Presented Component Units |
| Cash Deposits | \$ 592,714 | \$ - |
| Governmental Mutual Fund | 42,717,876 | 12,226,263 |
| Certificates of Deposit | 5,502,127 | 996,434 |
| Temporary Investments: | | |
| Government securities: | | |
| FHLB | 25,558,941 | 501,259 |
| FHLMC | 14,508,918 | - |
| FFCB | 17,369,098 | 251,254 |
| FNMA | 5,996,666 | - |
| FAMCA | 6,009,404 | - |
| Public Funds Investment Pools: | | |
| Texas CLASS | 4,602,816 | 400,245 |
| TexPool | 4,131,332 | 52,556 |
| TexSTAR | 44,214,543 | - |
| | <u>\$ 171,204,435</u> | <u>\$ 14,428,011</u> |

The City's total cash deposits, including certificates of deposit at September 30, 2019 were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

At September 30, 2019, the City invested in a governmental money market mutual fund (Wells Fargo Government Money Market Fund) as part of its investment strategy. This investment is accomplished through daily sweeps of excess cash by the City's custodial bank into a bank-sponsored short-term investment fund. This fund is a custodial bank-sponsored commingled fund that is invested in short-term U.S. government agency and treasury debt and repurchase agreements. At year-end the Fund was rated AAAM by Standard & Poor's

Investments' fair value measurements are as follows at September 30, 2019:

| Investments | Fair Value | Fair Value Measurements Using | | |
|-------------------------|----------------------|--------------------------------------|-----------------------|-----------------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Certificates of Deposit | \$ 5,502,127 | \$ 5,502,127 | \$ - | \$ - |
| Government securities: | | | | |
| FHLB | 25,558,941 | - | 25,558,941 | - |
| FHLMC | 14,508,918 | - | 14,508,918 | - |
| FFCB | 17,369,098 | - | 17,369,098 | - |
| FNMA | 5,996,666 | - | 5,996,666 | - |
| FAMCA | 6,009,404 | - | 6,009,404 | - |
| Total | <u>\$ 74,945,154</u> | <u>\$ 5,502,127</u> | <u>\$ 69,443,027</u> | <u>\$ -</u> |

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

Note 2 - Deposits (Cash) and Investments (continued)

Deposit and Investment Amounts (continued)

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:

| | Primary Government | Discretely Presented Component Units |
|--|-------------------------------|---|
| Interest income | \$ 3,993,543 | \$ 278,580 |
| Unrealized gain (loss) on temporary investments | 954,348 | 39,193 |
| Investment earnings | <u>\$ 4,947,891</u> | <u>\$ 317,773</u> |

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 | | |
|---|-------------------------------|---|---|
| | Primary Government | Discretely Presented Component Units | Weighted Average Maturity (days) |
| Cash Deposits | \$ 592,714 | \$ - | 1 |
| Governmental Mutual Fund | 42,717,876 | 12,226,263 | 27 |
| Certificate of Deposits | 5,502,127 | 996,434 | 349 |
| Temporary Investments: | | | |
| Government securities: | | | |
| U.S. Agency Securities | 69,443,027 | 752,513 | 40 |
| Public Funds Investment Pools: | | | |
| Texas CLASS | 4,602,816 | 400,245 | 70 |
| TexPool | 4,131,332 | 52,556 | 36 |
| TexSTAR | 44,214,543 | - | 37 |
| | <u>\$ 171,204,435</u> | <u>\$ 14,428,011</u> | |
| Portfolio weighted average maturity (days) | <u>46</u> | <u>28</u> | |

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 a maximum stated maturity of 1,095 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 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.

Note 2 - Deposits (Cash) and Investments (continued)

Local Government Investment Pools

As of September 30, 2019, the City's investments included TexPool, TexSTAR and Texas CLASS 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 (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. TexSTAR uses amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares.

Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), is governed by a board of trustees, elected annually by its participants. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The City's fair value in Texas CLASS is the same as the value of the pool shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

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% |
| Bankers' Acceptances | up to 25% |
| No Load Money Market Mutual Funds | up to 50% |
| No Load Mutual Funds | up to 10% |
| Flexible Repurchase Agreements | up to 50% |

A summary of the City’s portfolio by investment follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Percentage of Total Portfolio</u> |
|--------------------------------|-----------------------|--------------------------------------|
| Cash Deposits | \$ 592,714 | 0.3% |
| Governmental Mutual Fund | 54,944,139 | 29.6% |
| Certificates of Deposit | 6,498,561 | 3.5% |
| Temporary Investments: | | |
| Government securities: | | |
| FHLB | 26,060,200 | 14.0% |
| FHLMC | 14,508,918 | 7.8% |
| FFCB | 17,620,352 | 9.5% |
| FNMA | 5,996,666 | 3.2% |
| FAMCA | 6,009,404 | 3.2% |
| Total government securities | 70,195,540 | 37.8% |
| Public Funds Investment Pools: | | |
| Texas CLASS | 5,003,061 | 2.7% |
| TexPool | 4,183,888 | 2.3% |
| TexSTAR | 44,214,543 | 23.8% |
| | <u>\$ 185,632,446</u> | <u>100.0%</u> |

Credit Risk

At year-end balances in TexPool, TexSTAR and Texas CLASS,, privately managed public funds investment pools, were rated AAAM by Standard & Poor’s.

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

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

Note 2 - Deposits (Cash) and Investments (continued)

Credit Risk (continued)

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.

Restricted Assets

The Enterprise Funds have restricted certain cash and cash equivalents and investments for reserve and emergency expenditures, revenue bond debt service, and other purposes. 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 cash equivalents and investments and their respective purpose in the Enterprise Funds are as follows:

| <u>Restricted Purpose</u> | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|---------------------------------|--|---------------------|
| Restricted for Capital Projects | \$ 20,548,075 | \$ 4,753,956 |
| Restricted for Debt Service | 9,107,665 | 1,254,870 |
| Total | <u>\$ 29,655,740</u> | <u>\$ 6,008,826</u> |

The Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service. This is done to comply with certain bond covenants that require funds to be reserved and used only to service outstanding debt.

Restricted cash, cash equivalents and investments are also reported in governmental funds and are restricted for the specific purposes of those particular funds.

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 in accordance with the adopted budget.

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

Note 3 - Receivables (continued)

Receivables at September 30, 2019, consist of the following:

Governmental Activities:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Non -Major Governmental Funds</u> | <u>Total</u> | <u>Internal Service Funds</u> |
|--|---------------------|--------------------------|--------------------------------------|----------------------|-------------------------------|
| Property taxes, including penalties and interest | \$ 793,457 | \$ 299,100 | \$ - | \$ 1,092,557 | \$ - |
| Sales and other taxes | 7,242,700 | - | - | 7,242,700 | - |
| Fines and forfeitures | 2,068,447 | - | 1,141,581 | 3,210,028 | - |
| Interest | 141,239 | 27,366 | 63,416 | 232,021 | 27,837 |
| Other | 1,173,007 | - | 655,080 | 1,828,087 | 448,655 |
| Due from other governments | 1,324,175 | - | 942,229 | 2,266,404 | - |
| Allowance for uncollectibles | (1,127,296) | - | - | (1,127,296) | - |
| Total | <u>\$11,615,729</u> | <u>\$ 326,466</u> | <u>\$ 2,802,306</u> | <u>\$ 14,744,501</u> | <u>\$ 476,492</u> |

Business-Type Activities:

| | <u>Utility Fund</u> | <u>Airport Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
|------------------------------|---------------------|---------------------|-------------------------|---------------------|
| Customer accounts | \$ 5,330,721 | \$ 233,540 | \$ 872,466 | \$ 6,436,727 |
| Interest | 381,879 | 26,606 | 552 | 409,037 |
| Other | - | - | 170,360 | 170,360 |
| Allowance for uncollectibles | (195,933) | (15,552) | (12,021) | (223,506) |
| Total | <u>\$ 5,516,667</u> | <u>\$ 244,594</u> | <u>\$ 1,031,357</u> | <u>\$ 6,792,618</u> |

Component Units:

| | <u>Sugar Land 4B Corporation</u> | <u>Sugar Land Town Square TIRZ #1</u> | <u>Sugar Land TIRZ #3</u> | <u>Sugar Land TIRZ #4</u> | <u>Total</u> |
|----------------------------|----------------------------------|---------------------------------------|---------------------------|---------------------------|---------------------|
| Sales and other taxes | \$ 1,116,803 | \$ - | \$ - | \$ - | \$ 1,116,803 |
| Interest | 17,816 | 138 | 76 | 4,938 | 22,968 |
| Due from other governments | 10,000 | 8,711 | 1,127 | - | 19,838 |
| Total | <u>\$ 1,144,619</u> | <u>\$ 8,849</u> | <u>\$ 1,203</u> | <u>\$ 4,938</u> | <u>\$ 1,159,609</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, 2019, follows:

| | Balance September 30, 2018 | Increases | (Decreases) | Balance September 30, 2019 |
|---|---|----------------------|------------------------|---|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 102,483,696 | \$ - | \$ - | \$ 102,483,696 |
| Construction in progress | 32,044,803 | 12,801,802 | (25,394,724) | 19,451,881 |
| Intangibles | 4,371,959 | 208,016 | - | 4,579,975 |
| Total capital assets not being depreciated | 138,900,458 | 13,009,818 | (25,394,724) | 126,515,552 |
| Other capital assets: | | | | |
| Infrastructure | 571,346,915 | 25,095,956 | (92,747) | 596,350,124 |
| Buildings and improvements | 254,560,335 | 245,822 | - | 254,806,157 |
| Equipment and furniture | 55,055,222 | 2,089,390 | (1,310,176) | 55,834,436 |
| Intangibles | 753,750 | - | - | 753,750 |
| Total other capital assets | 881,716,222 | 27,431,168 | (1,402,923) | 907,744,467 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (302,493,774) | (16,064,249) | 92,753 | (318,465,270) |
| Buildings and improvements | (52,452,488) | (8,149,108) | - | (60,601,596) |
| Equipment and furniture | (31,833,212) | (3,656,708) | 1,281,834 | (34,208,086) |
| Intangibles | (376,747) | (76,154) | - | (452,901) |
| Total accumulated depreciation | (387,156,221) | (27,946,219) | 1,374,587 | (413,727,853) |
| Other capital assets, net | 494,560,001 | (515,051) | (28,336) | 494,016,614 |
| Totals | \$ 633,460,459 | \$ 12,494,767 | \$ (25,423,060) | \$ 620,532,166 |
| | | | | |
| | Balance September 30, 2018 | Increases | (Decreases) | Balance September 30, 2019 |
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 23,389,556 | \$ 232,420 | \$ - | \$ 23,621,976 |
| Construction in progress | 43,868,470 | 9,809,895 | (42,152,986) | 11,525,379 |
| Intangibles | 2,470,095 | 315,841 | - | 2,785,936 |
| Total capital assets not being depreciated | 69,728,121 | 10,358,156 | (42,152,986) | 37,933,291 |
| Other capital assets: | | | | |
| Infrastructure | 601,676,884 | 41,447,621 | (664,231) | 642,460,274 |
| Buildings and improvements | 24,936,696 | 2,100,824 | - | 27,037,520 |
| Equipment and furniture | 10,183,035 | 105,972 | (102,426) | 10,186,581 |
| Intangibles | 1,019,012 | - | - | 1,019,012 |
| Total other capital assets | 637,815,627 | 43,654,417 | (766,657) | 680,703,387 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (249,598,003) | (22,009,274) | 361,205 | (271,246,072) |
| Buildings and improvements | (8,260,312) | (831,429) | - | (9,091,741) |
| Equipment and furniture | (6,052,063) | (463,835) | 102,425 | (6,413,473) |
| Intangibles | (528,435) | (143,685) | - | (672,120) |
| Total accumulated depreciation | (264,438,813) | (23,448,223) | 463,630 | (287,423,406) |
| Other capital assets, net | 373,376,814 | 20,206,194 | (303,027) | 393,279,981 |
| Totals | \$ 443,104,935 | \$ 30,564,350 | \$ (42,456,013) | \$ 431,213,272 |

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

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

| | | |
|--|-----------|-------------------|
| General government | \$ | 650,517 |
| Administrative services | | 1,113,855 |
| Public works | | 19,396,943 |
| Parks and recreation | | 3,008,223 |
| Environmental and neighborhood services | | 1,017,123 |
| Community development | | 72,518 |
| Public safety-Police | | 471,797 |
| Public safety-Fire | | 1,006,012 |
| 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 | | 1,209,231 |
| Total Governmental Activities | \$ | 27,946,219 |
| | | |
| Water and wastewater | \$ | 20,787,959 |
| Airport | | 2,650,384 |
| Solid Waste | | 9,880 |
| Total Business-Type Activities | \$ | 23,448,223 |

The City has active construction projects as of September 30, 2019. 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:

| Project Description | Total In Progress | Remaining Commitment |
|----------------------------------|--------------------------|-----------------------------|
| Drainage improvement | \$ 4,581,092 | \$ 2,685,006 |
| Park improvement | 1,425,210 | 116,398 |
| Municipal improvements | 3,277,260 | 2,600,209 |
| Street improvement | 7,436,153 | 2,531,371 |
| Traffic improvement | 2,732,166 | 541,673 |
| Water and wastewater improvement | 7,171,256 | 2,695,496 |
| Airport improvement | 4,354,123 | 190,328 |
| Totals | \$ 30,977,260 | \$ 11,360,481 |

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 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 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 and transfers from the Utility fund.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2019. 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.

| | <u>Balance September 30, 2018</u> | <u>Increases</u> | <u>(Decreases)</u> | <u>Balance September 30, 2019</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------------|---|----------------------|------------------------|---|--|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 74,750,000 | \$ 13,715,000 | \$ (14,195,000) | \$ 74,270,000 | \$ 7,710,000 |
| Annexed utility district bonds | 31,405,000 | - | (6,400,000) | 25,005,000 | 5,405,000 |
| Certificates of obligation | 111,255,000 | 20,760,000 | (12,750,000) | 119,265,000 | 5,810,000 |
| Sales tax revenue bonds | 47,020,000 | - | (1,900,000) | 45,120,000 | 1,980,000 |
| Tax note | 3,247,426 | - | (1,066,024) | 2,181,402 | 1,085,406 |
| Issuance premiums/discounts | 17,506,838 | 2,756,614 | (1,667,044) | 18,596,408 | - |
| | <u>285,184,264</u> | <u>37,231,614</u> | <u>(37,978,068)</u> | <u>284,437,810</u> | <u>21,990,406</u> |
| Other non-current liabilities: | | | | | |
| Obligation to State | 468,060 | - | (248,798) | 219,262 | 56,527 |
| Compensated absences | 3,195,822 | 5,228,318 | (4,359,263) | 4,064,877 | 75,000 |
| Total Governmental Activities | <u>\$ 288,848,146</u> | <u>\$ 42,459,932</u> | <u>\$ (42,586,129)</u> | <u>\$ 288,721,949</u> | <u>\$ 22,121,933</u> |

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.

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 Enterprise and Tourism Funds. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

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

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2019, follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|---|----------------|---------|-------------------|-----------------------|
| General Obligation Bonds | | | | |
| Series 2012 General Obligation & Refunding Bonds | \$ 9,440,000 | 2021 | 2.0-4.0 | \$ 300,000 |
| Series 2012A General Obligation Refunding Bonds | 4,295,000 | 2025 | 2.0-4.0 | 2,145,000 |
| Series 2014 General Obligation Refunding Bonds | 21,565,000 | 2026 | 2.0-5.0 | 10,405,000 |
| Series 2015 General Obligation Bonds | 13,010,000 | 2035 | 2.125-4.0 | 11,120,000 |
| Series 2015 General Obligation Refunding Bonds | 9,375,000 | 2028 | 2.0-5.0 | 9,070,000 |
| Series 2015 General Obligation Refunding Bonds | 22,745,000 | 2029 | 4.0-5.0 | 21,195,000 |
| Series 2016 General Obligation Bonds | 7,570,000 | 2036 | 2.0-4.0 | 6,435,000 |
| Series 2019 General Obligation Refunding Bonds | 13,715,000 | 2030 | 3.0-5.0 | 13,600,000 |
| Total General Obligation Bonds | | | | <u>\$ 74,270,000</u> |
| Certificates of Obligation | | | | |
| Series 2013 Tax and Revenue Certificates of Obligation | \$ 24,440,000 | 2033 | 2.5-4.0 | \$ 17,930,000 |
| Series 2014 Tax and Revenue Certificates of Obligation | 9,980,000 | 2040 | 3.25-6.0 | 8,930,000 |
| Series 2014A Tax and Revenue Certificates of Obligation - Taxable | 27,130,000 | 2046 | 3.125-4.50 | 26,130,000 |
| Series 2015 Tax and Revenue Certificates of Obligation | 15,005,000 | 2035 | 3.0-4.0 | 12,855,000 |
| Series 2016 Tax and Revenue Certificates of Obligation | 19,190,000 | 2036 | 2.0-4.0 | 16,310,000 |
| Series 2017 Tax and Revenue Certificates of Obligation | 19,060,000 | 2037 | 3.0-5.0 | 17,150,000 |
| Series 2019 Tax and Revenue Certificates of Obligation | 20,760,000 | 2039 | 3.25-5.0 | 19,960,000 |
| Total Certificates of Obligation | | | | <u>\$ 119,265,000</u> |
| Series 2014 Tax Note | \$ 5,700,000 | 2021 | 1.81 | <u>\$ 2,181,402</u> |
| Sales Tax Revenue Bonds | | | | |
| Series 2013 Sales Tax Revenue Bonds | \$ 7,200,000 | 2038 | 4.25-4.375 | \$ 6,015,000 |
| Series 2014 Sales Tax Revenue Refunding Bonds | 7,375,000 | 2025 | 2.0-5.0 | 4,735,000 |
| Series 2014 Sales Tax Revenue Bonds | 38,265,000 | 2040 | 3.75-6.75 | 34,370,000 |
| Total Sales Tax Revenue Bonds | | | | <u>\$ 45,120,000</u> |

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|--|----------------|---------|-------------------|----------------------|
| Annexed Utility District Bonds | | | | |
| Fort Bend County Municipal Utility District No. 21 | | | | |
| Series 2012 Unlimited Tax Refunding | \$ 4,045,000 | 2021 | 2.0-3.0 | \$ 825,000 |
| Fort Bend County Municipal Utility District No. 106 | | | | |
| Series 2009 Unlimited Tax Refunding | 4,780,000 | 2021 | 4.0-5.0 | 460,000 |
| Series 2012 Unlimited Tax Refunding | 5,740,000 | 2021 | 3.0-3.50 | 2,130,000 |
| Fort Bend County Municipal Utility District No. 109 | | | | |
| Series 2012 Unlimited Tax Refunding | 4,805,000 | 2023 | 4.0 | 2,305,000 |
| Series 2015 Unlimited Tax Refunding | 4,960,000 | 2025 | 2.0-4.0 | 3,545,000 |
| Fort Bend County Municipal Utility District No. 117 | | | | |
| Series 2012 Unlimited Tax Refunding | 7,575,000 | 2026 | 3.0-4.0 | 5,885,000 |
| Series 2016 Unlimited Tax Refunding | 7,645,000 | 2025 | 2.0-3.0 | 5,805,000 |
| Fort Bend County Municipal Utility District No. 111 | | | | |
| Series 2009 Unlimited Tax Refunding | 7,475,000 | 2021 | 4.0-4.50 | 1,015,000 |
| Fort Bend County Municipal Utility District No. 112 | | | | |
| Series 2011 Unlimited Tax Refunding | 5,640,000 | 2025 | 4.0 | 3,035,000 |
| Total Annexed Utility District Bonds | | | | <u>\$ 25,005,000</u> |

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 and certificates of obligation outstanding at September 30, 2019, are as follows:

| Year Ending Sept. 30 | Governmental Activities | | | |
|-------------------------|--------------------------|----------------------|----------------------------|----------------------|
| | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 7,710,000 | \$ 2,932,969 | \$ 5,810,000 | \$ 4,531,343 |
| 2021 | 8,230,000 | 2,583,169 | 5,880,000 | 4,296,530 |
| 2022 | 8,585,000 | 2,240,669 | 5,975,000 | 4,052,518 |
| 2023 | 8,435,000 | 1,892,619 | 6,075,000 | 3,803,455 |
| 2024 | 8,045,000 | 1,516,744 | 5,880,000 | 3,553,318 |
| 2025 | 6,490,000 | 1,187,594 | 5,950,000 | 3,304,274 |
| 2026 | 5,150,000 | 924,159 | 6,020,000 | 3,054,408 |
| 2027 | 4,265,000 | 713,925 | 6,090,000 | 2,811,464 |
| 2028 | 4,320,000 | 526,025 | 6,150,000 | 2,577,056 |
| 2029 | 3,630,000 | 370,500 | 6,225,000 | 2,337,288 |
| 2030 | 3,035,000 | 248,425 | 6,115,000 | 2,100,789 |
| 2031 | 1,155,000 | 176,075 | 6,185,000 | 1,872,878 |
| 2032 | 1,175,000 | 141,125 | 6,265,000 | 1,644,418 |
| 2033 | 1,200,000 | 105,500 | 6,340,000 | 1,423,243 |
| 2034 | 1,225,000 | 68,594 | 5,200,000 | 1,228,203 |
| 2035 | 1,245,000 | 30,469 | 5,205,000 | 1,053,043 |
| 2036 | 375,000 | 5,625 | 4,250,000 | 889,711 |
| 2037 | - | - | 3,360,000 | 751,919 |
| 2038 | - | - | 2,480,000 | 639,924 |
| 2039 | - | - | 2,550,000 | 539,301 |
| 2040 | - | - | 1,780,000 | 450,950 |
| 2041 | - | - | 1,190,000 | 388,055 |
| 2042 | - | - | 1,240,000 | 335,810 |
| 2043 | - | - | 1,295,000 | 281,308 |
| 2044 | - | - | 1,350,000 | 224,440 |
| 2045 | - | - | 1,405,000 | 165,208 |
| 2046 | - | - | 1,465,000 | 102,038 |
| 2047 | - | - | 1,535,000 | 34,538 |
| | <u>\$ 74,270,000</u> | <u>\$ 15,664,184</u> | <u>\$ 119,265,000</u> | <u>\$ 48,447,427</u> |

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 dissolved utility district bonds and the tax note outstanding at September 30, 2019, are as follows:

| Year Ending Sept. 30 | Governmental Activities | | | |
|-------------------------|--------------------------------|---------------------|---------------------|------------------|
| | Annexed Utility District Bonds | | Tax Note | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 5,405,000 | \$ 853,356 | \$ 1,085,406 | \$ 34,594 |
| 2021 | 4,960,000 | 688,919 | 1,095,996 | 14,859 |
| 2022 | 3,125,000 | 531,250 | - | - |
| 2023 | 3,240,000 | 419,000 | - | - |
| 2024 | 3,400,000 | 298,700 | - | - |
| 2025 | 3,230,000 | 178,350 | - | - |
| 2026 | 1,645,000 | 65,800 | - | - |
| | <u>\$ 25,005,000</u> | <u>\$ 3,035,375</u> | <u>\$ 2,181,402</u> | <u>\$ 49,453</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, 2019, are as follows:

| Year Ending Sept. 30 | Sugar Land Development Corporation Blended Component Unit Sales Tax Revenue Bonds | |
|-------------------------|---|----------------------|
| | Principal | Interest |
| | 2020 | \$ 1,980,000 |
| 2021 | 2,055,000 | 1,998,721 |
| 2022 | 2,140,000 | 1,884,090 |
| 2023 | 2,225,000 | 1,768,821 |
| 2024 | 2,315,000 | 1,644,571 |
| 2025 | 2,420,000 | 1,512,268 |
| 2026 | 1,610,000 | 1,402,659 |
| 2027 | 1,675,000 | 1,311,318 |
| 2028 | 1,740,000 | 1,216,346 |
| 2029 | 1,815,000 | 1,122,215 |
| 2030 | 1,885,000 | 1,028,808 |
| 2031 | 1,965,000 | 933,456 |
| 2032 | 2,045,000 | 835,944 |
| 2033 | 2,135,000 | 734,106 |
| 2034 | 2,225,000 | 639,431 |
| 2035 | 2,330,000 | 552,075 |
| 2036 | 2,450,000 | 457,600 |
| 2037 | 2,575,000 | 355,478 |
| 2038 | 2,705,000 | 248,172 |
| 2039 | 2,355,000 | 146,100 |
| 2040 | 2,475,000 | 49,500 |
| | <u>\$ 45,120,000</u> | <u>\$ 21,950,664</u> |

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

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

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 fiscal year 2017, the City was informed of an overpayment of sales tax in the amount of \$725,100 in error. At the City's request, the Comptroller's office agreed to deduct \$21,973 from March 2017 through October 2019 followed by one final payment of \$21,964.

Tax Note

In October 2014, the City issued a \$5.7 million tax note to fund the purchase of ambulances and fire trucks. The note was issued for seven years at the rate of 1.81%.

Defeased Debt

In current and prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bonds issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report.

On December 1, 2018 the City issued General Obligation (G.O.) Refunding Bonds, Series 2019, in the par amount of \$13,715,000; Certification of Obligation (C.O.) Bonds, Series 2019, in the amount of \$20,760,000. All bonds closed on January 9, 2019.

The G.O. Refunding Bonds refunded \$14,535,000 par amount in total consisting of \$990,000 par amount of Unlimited Tax Revenue Bonds, Series 1997; \$6,290,000 par amount of C.O. Bonds, Series 2010; \$540,000 par amount of G.O. Bonds, Series 2010 and \$6,715,000 par amount of G.O. Refunding Bonds, Series 2010. The refunding transaction yielded a reduction in debt service and a net present value savings of \$1.0 million or 6.93% of the refunded bonds.

Projects funded from the C.O.s include Street improvements, Drainage & flood control improvements, Traffic improvements and building improvements.

A summary of previously defeased debt still outstanding as of September 30, 2019 follows:

| Description | Call Date | Amount Considered Defeased |
|--|------------------|---|
| Combination Tax & Revenue Certification of Obligation, Series 2011 | 2/15/2020 | \$ 80,935,000 |
| | | <u>\$ 80,935,000</u> |

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

Note 5 - Long-Term Debt (continued)

B. Business Type Activity Debt (continued)

The City issued \$13,660,000 of Waterworks & Sewer System Revenue Bonds Series 2019 on December 1, 2018 for collection system rehabilitation, lift station rehabilitation, easement acquisition, wastewater plant rehabilitation, groundwater plant improvement, well rehabilitation, distribution and water storage tank rehabilitation and to pay the costs incurred in connection with the issuance of the bonds.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2019:

| | Balance September 30, 2018 | Increases | (Decreases) | Balance September 30, 2019 | Amounts Due Within One Year |
|---------------------------------------|---|----------------------|------------------------|---|--|
| Bonds payable: | | | | | |
| Water and wastewater revenue bonds | \$ 98,510,000 | \$ 13,660,000 | \$ (6,475,000) | \$ 105,695,000 | \$ 6,765,000 |
| General obligation bonds | 84,580,000 | - | (690,000) | 83,890,000 | 710,000 |
| Certificates of obligation | 10,035,000 | - | (2,420,000) | 7,615,000 | 2,520,000 |
| Issuance premiums/discounts | 15,488,679 | 388,090 | (899,053) | 14,977,716 | - |
| | <u>208,613,679</u> | <u>14,048,090</u> | <u>(10,484,053)</u> | <u>212,177,716</u> | <u>9,995,000</u> |
| Other liabilities: | | | | | |
| Compensated absences | 375,411 | 673,496 | (522,029) | 526,878 | 10,000 |
| Total Business-type Activities | <u>\$ 208,989,090</u> | <u>\$ 14,721,586</u> | <u>\$ (11,006,082)</u> | <u>\$ 212,704,594</u> | <u>\$ 10,005,000</u> |

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

Note 5 - Long-Term Debt (continued)

B. Business Type Activity Debt (continued)

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2019 follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|--|-------------------|---------|----------------------|-----------------------|
| Utility Fund | | | | |
| Series 2011 Combination Tax and Revenue Certificates of Obligation | \$ 98,810,000 | 2041 | 2.0-5.0 | \$ 2,275,000 |
| Series 2012 Waterworks and Sewer System Revenue Bonds | 21,925,000 | 2031 | 1.5-3.25 | 15,870,000 |
| Series 2012A Waterworks and Sewer System Revenue Refunding Bonds | 9,025,000 | 2030 | 2.0-4.0 | 4,070,000 |
| Series 2013 Waterworks and Sewer System Revenue Bonds | 15,765,000 | 2033 | 2.5-4.0 | 11,960,000 |
| Series 2015 Waterworks and Sewer System Revenue Refunding Bonds | 15,750,000 | 2035 | 3.0-5.0 | 12,920,000 |
| Series 2016 Waterworks and Sewer System Revenue Refunding Bonds | 31,710,000 | 2036 | 2.0-5.0 | 29,145,000 |
| Series 2016 Tax and Revenue Certificates of Obligation | 1,620,000 | 2036 | 2.0-4.0 | 1,455,000 |
| Series 2017 Waterworks and Sewer System Revenue Bonds | 19,780,000 | 2037 | 3.0-5.0 | 18,470,000 |
| Series 2017 G.O. Refunding Bonds | 78,195,000 | 2041 | 3.0-5.0 | 78,195,000 |
| Series 2019 Waterworks and Sewer System Revenue Bonds | 13,660,000 | 2039 | 3.0-5.0 | 13,260,000 |
| Total Utility Fund Debt | | | | <u>187,620,000</u> |
| Airport Fund | | | | |
| Series 2012A General Obligation Refunding | \$ 5,610,000 | 2025 | 2.0-4.0 | \$ 3,255,000 |
| Series 2013 Tax and Revenue Certificates of Obligation | 730,000 | 2033 | 2.5-4.0 | 530,000 |
| Series 2015 Tax and Revenue Certificates of Obligation | 1,670,000 | 2035 | 3.0-4.0 | 1,430,000 |
| Series 2015 General Obligation Refunding | 2,820,000 | 2028 | 2.0-5.0 | 2,240,000 |
| Series 2016 General Obligation Refunding | 225,000 | 2029 | 4.0-5.0 | 200,000 |
| Series 2017 Tax and Revenue Certificates of Obligation | 2,055,000 | 2037 | 3.0-5.0 | 1,925,000 |
| Total Airport Fund Debt | | | | <u>9,580,000</u> |
| Total Enterprise Funds Long-Term Debt | | | | <u>\$ 197,200,000</u> |

On December 1, 2018 the City issued Waterworks & Sewer System Revenue Bonds, Series 2019 in the amount of \$13,660,000. All bonds closed on January 9, 2019. Projects funded from the Revenue Bonds include improvements to water wells, distribution system, groundwater storage tanks, groundwater plants, lift stations, wastewater treatment plant and easement acquisition.

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

Note 5 - Long-Term Debt (continued)

B. Business Type Activity Debt (continued)

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2019, are as follows:

| Year Ending Sept. 30 | Business-Type Activities | | | | | |
|-------------------------|--------------------------|----------------------|----------------------------|---------------------|--------------------------|----------------------|
| | Revenue Bonds | | Certificates of Obligation | | General Obligation Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 6,765,000 | \$ 4,024,713 | \$ 2,520,000 | \$ 220,860 | \$ 710,000 | \$ 3,492,269 |
| 2021 | 6,695,000 | 3,795,763 | 255,000 | 176,629 | 2,970,000 | 3,429,644 |
| 2022 | 6,950,000 | 3,554,013 | 265,000 | 166,016 | 3,105,000 | 3,308,869 |
| 2023 | 6,900,000 | 3,289,013 | 270,000 | 155,023 | 3,270,000 | 3,158,519 |
| 2024 | 7,190,000 | 2,995,363 | 275,000 | 143,698 | 3,445,000 | 2,996,344 |
| 2025 | 7,505,000 | 2,713,288 | 285,000 | 131,973 | 3,615,000 | 2,825,769 |
| 2026 | 7,835,000 | 2,386,600 | 295,000 | 119,776 | 3,180,000 | 2,658,869 |
| 2027 | 7,825,000 | 2,037,425 | 305,000 | 107,913 | 3,340,000 | 2,495,869 |
| 2028 | 8,155,000 | 1,715,900 | 315,000 | 96,910 | 3,500,000 | 2,324,969 |
| 2029 | 7,300,000 | 1,388,688 | 325,000 | 85,538 | 3,355,000 | 2,153,794 |
| 2030 | 5,650,000 | 1,116,638 | 340,000 | 73,723 | 3,500,000 | 1,982,519 |
| 2031 | 5,605,000 | 937,538 | 350,000 | 61,918 | 3,670,000 | 1,803,269 |
| 2032 | 4,070,000 | 752,025 | 360,000 | 50,344 | 3,850,000 | 1,634,519 |
| 2033 | 4,215,000 | 610,000 | 365,000 | 39,053 | 4,010,000 | 1,477,319 |
| 2034 | 3,245,000 | 461,838 | 340,000 | 28,169 | 4,170,000 | 1,313,719 |
| 2035 | 3,330,000 | 349,744 | 355,000 | 17,603 | 4,340,000 | 1,143,519 |
| 2036 | 2,555,000 | 234,719 | 250,000 | 8,369 | 4,515,000 | 966,419 |
| 2037 | 2,170,000 | 142,031 | 145,000 | 2,266 | 4,705,000 | 782,019 |
| 2038 | 850,000 | 65,063 | - | - | 4,905,000 | 589,819 |
| 2039 | 885,000 | 33,188 | - | - | 5,080,000 | 412,344 |
| 2040 | - | - | - | - | 5,245,000 | 251,016 |
| 2041 | - | - | - | - | 5,410,000 | 84,531 |
| | <u>\$ 105,695,000</u> | <u>\$ 32,603,544</u> | <u>\$ 7,615,000</u> | <u>\$ 1,685,778</u> | <u>\$ 83,890,000</u> | <u>\$ 41,285,922</u> |

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, 2019:

| | Balance September 30, 2018 | Increases | (Decreases) | Balance September 30, 2019 | Amounts Due Within One Year |
|-----------------------------|----------------------------------|-------------|-----------------------|----------------------------------|-----------------------------------|
| Bonds payable: | | | | | |
| Sales tax revenue bonds | \$ 30,140,000 | \$ - | \$ (2,025,000) | \$ 28,115,000 | \$ 2,115,000 |
| Issuance premiums/discounts | (9,905) | - | 2,477 | (7,428) | - |
| Other liabilities: | | | | | |
| Obligation to State | 56,483 | - | (34,599) | 21,884 | 7,131 |
| | <u>\$ 30,186,578</u> | <u>\$ -</u> | <u>\$ (2,057,122)</u> | <u>\$ 28,129,456</u> | <u>\$ 2,122,131</u> |

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

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt (continued)

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2019 follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|---|-------------------|---------|----------------------|----------------------|
| Series 2005 Sales Tax Revenue Bonds | \$ 5,530,000 | 2025 | 4.0-6.0 | \$ 1,545,000 |
| Series 2010 Sales Tax Revenue Refunding Bonds | 9,195,000 | 2022 | 2.0-3.7 | 2,535,000 |
| Series 2011 Sales Tax Revenue Bonds | 30,145,000 | 2036 | 4.0-5.0 | 24,035,000 |
| Total Component Unit Long-Term Debt | | | | \$ 28,115,000 |

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2019, are as follows:

| Year Ending Sept. 30 | Sugar Land 4B Corporation Revenue Bonds | |
|-------------------------|--|----------------------|
| | Principal | Interest |
| | 2020 | \$ 2,115,000 |
| 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 |
| | \$ 28,115,000 | \$ 11,593,391 |

D. Legal Compliance

Long-term debt assumed by the City upon dissolution of municipal utility districts in 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 dissolved 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 \$6.1 million.

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

Note 6 - Fund Balance/Net Position

The City records fund balance restrictions at 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.

Fund balance restrictions for capital projects, economic development and tourism & marketing, for the year ended September 30, 2019 is as follows:

| <u>Restricted Fund Balance</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------------------|----------------------|---|
| Debt Service | \$ 8,847,239 | Debt Service activities |
| Non-major governmental funds | \$ 5,286,100 | Debt Service activities |
| | 7,098,197 | Economic development activities |
| | 404,232 | Public safety |
| | 1,941,997 | Tourism & marketing |
| | 22,113,944 | Construction & acquisition of capital assets |
| | <u>\$ 36,844,470</u> | |

The committed and assigned fund balances reported in the General Fund column of the Governmental Funds Balance Sheet are for various operating activities encumbered but not completed at year-end and have been approved by City Council and management respectively. The programs or functions for which these amounts have been committed or assigned are as follows:

| <u>Program or Function</u> | <u>Committed</u> | <u>Assigned</u> |
|----------------------------|-------------------|-------------------|
| General Government | \$ 166,136 | \$ 150,423 |
| Administrative Service | 7,000 | 60,000 |
| Public Works | 276,000 | 17,000 |
| Community Development | 14,000 | 10,000 |
| Public Safety | 286,000 | 77,000 |
| | <u>\$ 749,136</u> | <u>\$ 314,423</u> |

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 \$16 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and 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, 2019 is as follows:

| Transfer In | Transfer Out | Amount | Purpose |
|--|--|----------------------|--|
| General Fund | Tourism Fund | \$ 60,854 | To cover special events site expenditures |
| General Fund | Solid Waste Fund | 300,000 | Street rehabilitation projects |
| General Fund | Photographic Traffic Enforcement Fund | 617,205 | 50% of net revenues for traffic safety |
| | | 978,059 | |
| Debt Service Fund | Tourism Fund | 1,372,461 | Reimbursement for Conference Center, Smart Financial Centre & Plaza debt |
| Debt Service Fund | Utility Fund | 6,086,153 | Reimbursement for Annexed MUD debt |
| Debt Service Fund | GW Debt Reduction Fund | 590,843 | To support annexed debt |
| Debt Service Fund | NT Debt Reduction Fund | 995,822 | To support annexed debt |
| Debt Service Fund | Enclave at River Park PID - Special Revenue Fund | 89,345 | Reimbursement for PID debt issued |
| Debt Service Fund | Capital Projects | 133,405 | Bond proceeds to support the debt issued for Parks Projects |
| | | 9,268,029 | |
| Capital Project Fund | SLDC Fund | 505,000 | To repay interfund loan to Surface Water Fund |
| Capital Project Fund | Tourism Fund | 50,000 | Public art |
| Capital Project Fund | General Fund | 715,000 | Traffic Safety projects from Red Light Camera proceeds |
| | | 1,270,000 | |
| Court Technology fund | General Fund | 6,469 | To cover court software maintenance |
| Enclave at River Park PID - Special Revenue Fund | Debt Service Fund | 19,370 | 50% of property tax in PID collected during the year |
| Enclave at River Park PID - Special Revenue Fund | General Fund | 25,080 | 50% of property tax in PID collected during the year |
| | | 44,450 | |
| Utility Fund | Enclave at River Park PID - Special Revenue Fund | 30,217 | Reimbursement for debt issued |
| Airport Fund | General Fund | 72,406 | Property tax collected during the year on Airport value |
| Airport Fund | Debt Service Fund | 54,436 | Property tax collected during the year on Airport value |
| Airport Fund | SLDC Fund | 50,000 | International Marketing |
| | | 176,842 | |
| | | \$ 11,774,066 | |

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

Note 7 - Interfund Transactions (continued)

On May 3, 2016 the City Council approved an inter-fund loan of \$5.6 million from the Utility fund (connection fees) to the Capital Projects fund for the University Blvd. North extension project. The Utility fund is accumulating funds to support debt service for capital projects driven by new development and is not expected to need the funds through fiscal year 2020. The funds were transferred on May 3, 2016. A portion of this loan, \$1,347,668 together with the accrued interest of 1.00% will be reimbursed by the Sugar Land Development Corporation in October 2019 and the remaining balance of \$4,252,332 together with the accrued interest of 1.00 % will be reimbursed by the developer no later than September 30, 2020.

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 and SBC Retirement Corporation were the initial third-party administrators. In 2007, ICMA was appointed as an additional third-party administrator. 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 participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS. The City does not participate in Social Security for TMRS-eligible employees.

Benefits Provided

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

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

On 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 200% of the employee's accumulated contributions.

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

| | |
|--|--|
| Employee deposit rate: | 7% |
| Matching ratio (City to employee): | 2 to 1 |
| Years required for vesting: | 5 |
| Service retirement eligibility: | 20 years at any age, 5 years at age 60 and above |
| Updated Service Credit: | 100% Repeating Transfers |
| Annuity Increase to retirees: | 70% of CPI Repeating |
| Supplemental death benefit – active employees and retirees | Yes |

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|--------------|
| Retirees or beneficiaries currently receiving benefits | 229 |
| Inactive employees entitled to but not yet receiving benefits | 299 |
| Active employees | <u>750</u> |
| | <u>1,278</u> |

Note 9 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2019, the City made contributions of 15.13% for the months in 2018 and 14.78% for the months in 2019.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|-----------------------------------|
| Inflation: | 2.5% |
| Overall payroll growth: | 3.5% to 10.5% including inflation |
| Investment Rate of Return: | 6.75% |

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

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Note 9 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|-------------------|--|
| U.S. equities | 17.5% | 4.55% |
| International equities | 17.5% | 6.10% |
| Core fixed income | 10.0% | 1.00% |
| Non-core fixed income | 20.0% | 3.65% |
| Real estate | 10.0% | 4.03% |
| Real return | 10.0% | 5.00% |
| Absolute return | 10.0% | 4.00% |
| Private equity | 5.0% | 8.00% |
| Total | 100.0% | |

Discount Rate

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

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|--|---------------------------------------|
| Balance at 12/31/2017 | \$ 234,987,994 | \$ 213,791,953 | \$ 21,196,041 |
| Changes for the year: | | | |
| Service cost | 9,388,573 | - | 9,388,573 |
| Interest | 15,982,991 | - | 15,982,991 |
| Change in benefit terms | - | | - |
| Difference between expected and actual experience | (1,631,866) | - | (1,631,866) |
| Changes in assumptions | - | | - |
| Contributions - employer | - | 7,856,693 | (7,856,693) |
| Contributions - employee | - | 3,634,956 | (3,634,956) |
| Net investment income | - | (6,409,298) | 6,409,298 |
| Benefit payments, including refunds, of employee contributions | (5,794,458) | (5,794,458) | - |
| Administrative expense | - | (123,770) | 123,770 |
| Other charges | - | (6,466) | 6,466 |
| Net changes | 17,945,240 | (842,343) | 18,787,583 |
| Balance at 12/31/2018 | \$ 252,933,234 | \$ 212,949,610 | \$ 39,983,624 |

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

Note 9 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Sensitivity of the Net Pension Liability

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

| | 1% Decrease to 5.75% | Current Single Rate Assumption 6.75% | 1% Increase to 7.75% |
|------------------------------|---------------------------------|---|---------------------------------|
| City's net pension liability | \$ 79,586,390 | \$ 39,983,624 | \$ 7,800,980 |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$11,634,770.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between actuarial assumptions and actual experience | \$ 2,428,308 | \$ 1,872,066 |
| Changes in actuarial assumptions used | - | 807,624 |
| Differences between projected and actual investment earnings | 11,038,114 | - |
| Contributions subsequent to the measurement date | 6,051,322 | - |
| Total | <u>\$ 19,517,744</u> | <u>\$ 2,679,690</u> |

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

Note 9 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$6,051,322 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019 (i.e. recognized in the City’s fiscal year 2020 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Fiscal Year</u> | <u>Net deferred outflows (inflows) of resources</u> |
|------------------------|---|
| 2020 | \$ 3,825,239 |
| 2021 | 1,677,187 |
| 2022 | 1,666,555 |
| 2023 | 3,961,464 |
| 2024 | (280,950) |
| Thereafter | (62,763) |
| Total | <u>\$ 10,786,732</u> |

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

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 (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2018 was as follows:

| | |
|---|--------------|
| Inactive plan members or beneficiaries currently receiving benefits | 174 |
| Inactive plan members entitled to but not yet receiving benefits | 104 |
| Active employees | <u>750</u> |
| Total plan members | <u>1,028</u> |

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.15% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.71% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018..

Actuarial Assumptions

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

Valuation Date: December 31, 2018

Methods and Assumptions:

| | |
|---|---|
| Inflation: | 2.50% |
| Salary Increases: | 3.50% to 10.50%, including inflation |
| Discount rate: | 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. |
| Retirees' share of benefit related costs: | \$0 |
| Administrative expenses: | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality rates – service retirees: | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

Actuarial Assumptions (continued)

Mortality rates – disabled retirees: RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

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

Changes in the Total OPEB Liability

| | | |
|--|----|------------------|
| Total OPEB Liability | | |
| Service cost | \$ | 88,278 |
| Interest | | 48,529 |
| Changes of benefit terms | | - |
| Difference between expected and actual experience of the total OPEB liability | | (26,653) |
| Changes of assumptions | | (118,129) |
| Benefit payments | | (5,193) |
| Net change in total OPEB liability | | (13,168) |
| Total OPEB liability - beginning | | 1,424,601 |
| Total OPEB liability - ending | \$ | <u>1,411,433</u> |
| | | |
| Covered payroll | \$ | 51,927,946 |
| | | |
| Total OPEB liability as a percentage of covered payroll | | 2.72% |

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.71%, as well as what the City’s Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

| Current Discount Rate | | |
|---------------------------------|-----------------------------|---------------------------------|
| 1% Decrease to 2.71% | Assumption 3.71% | 1% Increase to 4.71% |
| \$ 1,732,954 | \$ 1,411,433 | \$ 1,165,552 |

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$134,723 relating to the SDBF plan.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ | \$ 23,160 |
| Changes assumptions | 95,098 | 102,647 |
| Contributions subsequent to the measurement date | 4,094 | - |
| Total | \$ 99,192 | \$ 125,807 |

The \$4,094 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2020.

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

| Fiscal Year | Net deferred outflows (inflows) of resources |
|------------------------|---|
| 2020 | \$ (2,084) |
| 2021 | (2,084) |
| 2022 | (2,084) |
| 2023 | (2,084) |
| 2024 | (2,084) |
| Thereafter | (20,289) |
| Total | \$ (30,709) |

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP)

Plan Description

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

Benefits provided

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

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

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 8 |
| Inactive plan members entitled to but not yet receiving benefits | 0 |
| Active employees | <u>730</u> |
| Total plan members | <u>738</u> |

Total OPEB Liability

The City’s total OPEB liability of \$4,827,303 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial assumptions and methods

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

Valuation Date: December 31, 2018

Methods and Assumptions:

| | |
|--------------------------|--|
| Actuarial Cost Method: | Individual Entry-Age |
| Discount Rate: | 3.71% as of December 31, 2018 |
| Inflation: | 2.50% |
| Salary Increases: | 3.50% to 10.50%, including inflation |
| Demographic Assumptions: | Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS) |

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP) (continued)

Actuarial assumptions and methods (continued)

Mortality: For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Health Care Trend Rates: Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
 Participation Rates:

| <u>Age at Retirement</u> | <u>Participation Assumption</u> |
|--------------------------|---------------------------------|
| Less than 50 | 0% |
| Between 50 and 54 | 15% |
| Between 55 and 59 | 20% |
| Between 60 and 64 | 30% |
| 65 and over | 0% |

Other Information:

Notes: The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Discount Rate

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds or 3.71% as of the measurement date of December 31, 2018 based on the 20 Year Bond GO Index published by bondbuyer.com.

Changes in the Total OPEB Liability

| | |
|--|---------------------|
| Total OPEB Liability | |
| Service cost | \$ 283,352 |
| Interest | 143,990 |
| Difference between expected and actual experience of the total OPEB liability | 186,156 |
| Changes of assumptions | 42,490 |
| Benefit payments | (74,311) |
| Net change in total OPEB liability | 581,677 |
| Total OPEB liability - beginning | 4,245,626 |
| Total OPEB liability - ending | <u>\$ 4,827,303</u> |
| | |
| Covered payroll | \$ 51,927,946 |
| | |
| Total OPEB liability as a percentage of covered payroll | 9.30% |

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP) (continued)

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

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

| 1% Decrease to 2.71% | Current Discount Rate Assumption 3.71% | 1% Increase to 4.71% |
|---------------------------------|---|---------------------------------|
| \$ 5,312,786 | \$ 4,827,303 | \$ 4,386,635 |

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

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

| 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|--------------------|--|--------------------|
| \$ 4,257,591 | \$ 4,827,303 | \$ 5,501,221 |

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$496,166. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 167,417 | \$ 3,551 |
| Changes assumptions | 194,422 | - |
| Contributions subsequent to the measurement date | 63,606 | - |
| Total | \$ 425,445 | \$ 3,551 |

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP) (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

City contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2018) and prior to year-end (September 30, 2019) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year | Net deferred outflows (inflows) of resources |
|------------------------|---|
| 2020 | \$ 41,824 |
| 2021 | 41,824 |
| 2022 | 41,824 |
| 2023 | 41,824 |
| 2024 | 41,824 |
| Thereafter | 149,168 |
| Total | <u>\$ 358,288</u> |

Aggregate Totals – All OPEB plans

Aggregate totals for all OPEB plans administered by the City are as follows:

| | |
|--|-------------|
| Total OPEB liabilities | \$6,238,736 |
| Total deferred outflows of resources related to OPEB | \$524,439 |
| Total deferred inflows of resources related to OPEB | \$129,358 |
| Total OPEB expense | \$630,889 |

Note 11 - Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 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.

Note 11 - Contracts with Special Districts (continued)

Agreements with Utility Districts (continued)

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, 2019, were approximately \$4.1 million. Estimated payment for the year ending September 30, 2020 budget are \$4.2 million.

The City has entered into agreements with various Municipal Utility Districts (MUDs), Fort Bend County and the City's extraterritorial jurisdiction (ETJ) to provide fire services within the developments of Tara and Riverstone subdivisions. The districts pay a fee for these services. In addition, Fort Bend County reimburses the City for calls made into the unincorporated areas of the County. The City estimates to have received \$1,063,784 from the participating MUDs and Fort Bend County in the year ended September 30, 2019, in connection with these agreements.

Note 12 - Lease Agreements

Smart Financial Centre at Sugar Land

The Smart Financial Centre at Sugar Land reached substantial completion December 9, 2016 and the lease with ACE SL, LLC began December 14, 2016 under the terms of the first amendment to the development agreement and execution of lease agreement approved by City Council on October 28, 2014. The lease of the facility is for a term of 30 years from lease commencement date with lease payments due monthly in arrears. The lease agreement defines base rent, additional base rent, parking fees and participation rent and how each is calculated and when due to the City. ACE SL, LLC has provided City a letter of credit equal to the last three years' annual debt service requirements that will be reduced as additional base rent payments are set aside to build a three-year debt service reserve. ACE SL, LLC is responsible for all operations and maintenance of the Smart Financial Centre at Sugar Land during the term of the lease.

The lease payments are based on the following calculation: Base Rent: 1/12 of the annual debt service requirement for the Series 2014A Taxable Certificates of Obligation issued by the City to fund a portion of the project construction. Base rent is payable in arrears on the first day of the following month without demand. Rent payment resets each January 1 for the term of the lease. Beginning in the third year of the lease, and until a debt service reserve equal to the last three years debt service payments, the base rent increases to 125% of the annual debt service requirement. Under the lease agreement, the City is entitled to participation rent and a share of parking fees as well. The City received \$64,323 in participation rent during the fiscal year ended September 30, 2019.

Sugar Land Baseball, LLC

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1st 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. In 2019 the City received \$0 in addition to the base rent.

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

Note 12 - Lease Agreements (continued)

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.

Note 13 - Commitments and Contingencies

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:

| <u>Fiscal Year</u> | <u>Grant Commitments</u> |
|------------------------|------------------------------|
| 2020 | \$ 1,685,000 |
| 2021 | 885,000 |
| 2022 | 920,000 |
| 2023 | 920,000 |
| 2024 | 610,000 |
| 2025 | 580,000 |
| 2026 | 580,000 |
| 2027 | 315,000 |
| 2028 | 270,000 |
| 2029 | 270,000 |
| 2030 | 270,000 |
| Totals | <u>\$ 7,305,000</u> |

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2019. 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, 2019.

Note 13 - Commitments and Contingencies (continued)

Brooks Lake Diversion Weir Agreement

The AMIL Gates structure was constructed in the early to mid-1970's as a flood control structure to work in conjunction with the dam system along Oyster Creek. The gates are a hydraulically activated structure that opens from the bottom to maintain a maximum flood elevation for Oyster Creek and the Brooks Lake area during high water events. The gates were designed and have operated in this fashion over 35 years.

The gates operate at a high efficiency as it relates to flooding but they naturally release flow due to the design and type of construction. The gates were never envisioned to be a watertight structure; however, the flow over time has become a large concern for the City and Gulf Coast Water Authority (GCWA). The gates were rehabilitated over five years ago to address normal wear and tear on the gate structure but these improvements did not address the release of flow. The gates have lived their useful life and are not in production any longer. The study performed by Klotz Associates recommends replacement of the AMIL Gates with the proposed Brooks Lake Diversion Weir (BLDW).

The City has teamed with the GCWA on this project and has drafted the Brooks Lakes Diversion Weir Agreement to identify the parties' obligations. Terms of this agreement are as follows:

- City pays for engineering and construction costs as per the PER
- GCWA will credit half of the costs of engineering and construction plus any interests on debt against GCWA Raw Water Agreement (payment schedule of 10 years)
- The costs owed by GCWA will go through a "true-up" process at the completion of the project to include total project costs and interest
- GCWA has the option to pay their portion of the debt ahead of the schedule but will true-up upon final completion of the project
- GCWA may review design and be present for construction meetings, but City retains right to make all decisions regarding final design criteria
- City solicits competitive bids, selects contractor, manages construction
- City owns, operates and maintains project
- If GCWA wants to monitor flow from the weir, they can install flow monitoring devices but at its own cost

On January 19, 2017 the GCWA's board of directors unanimously approved the agreement to pay \$2,193,995, which is 50% of estimated project cost of \$4,387,990 over period of 10 years.

As of September 30, 2019, the City received payments of \$250,000.

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.

Note 14 - 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; airport operations, law enforcement operations, cyber security, pollution; injuries to employees; and natural disasters. The City's Risk Management Program manages these risks, which are covered by Liability, Property and Crime and Fidelity commercial insurance purchased from Texas Municipal League Intergovernmental Risk Pool (TMLIRP), and through commercial insurance carriers. The participation of the City in TMLIRP is for payment of premiums, insurance claims above the City's deductibles and loss control services. The City has various levels of deductibles for these coverages with the maximum deductible set at \$10,000. 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 and volunteers through TMLIRP. Workers' Compensation premiums are subject to change each year when audited by TMLIRP. As of September 30, 2019, 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 City processes health claim payments.

The City has obtained excess loss insurance which limits the City's aggregate claims responsibility at 120% of expected claims and sets a deductible of \$175,000 annually for any individual, with the exception of two known catastrophic claimants which were issued a "laser" deductible of \$400,000 each for the plan year.

Settled claims did not exceed insurance coverages in fiscal year 2019. Estimates of claims payable and of claims incurred, but not reported at September 30, 2019, 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, 2019. 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 reasonable 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 15 - Tax Abatements

In May 2018, the Sugar Land City Council approved Resolution No. 18-16, as required by Chapter 312 of the Texas Tax Code, to strengthen minimum guidelines and criteria governing tax abatement agreements in the City of Sugar Land. The City has an ad valorem tax abatement program that abates property taxes on new value created as a result of the proposed project, with possible abatements available from the City, Fort Bend County, and, as applicable, other taxing jurisdictions.

To be eligible to receive a tax abatement the guidelines stipulate that the company must add, at minimum, a value of \$4 million to the tax rolls, with the exact abatement percentage determined by a tiered structure related to the cumulative value of improvements and personal property. The city's maximum abatement duration is 10 years with abatement percentages ranging from 35% to 100%. To receive their abatement each year, companies must submit compliance documentation to the City as outlined in their respective Tax Abatement Agreements. Compliance criteria may typically include, but are not limited to, the following requirements: minimum employee count, minimum average annual salary, minimum real, personal, and / or inventory value on tax roll, construction material / improvement receipts, minimum taxable sales, occupancy / lease requirements, and LEED certifications. Additionally, each company is required to submit their tax abatement application to the Fort Bend Central Appraisal District (FBCAD) by April 30th of each year to receive their abatement. The FBCAD will apply the abatement after confirming with the City that no deductions need to occur, which would only happen if a company did not meet a certain requirement of their Tax Abatement Agreement. Each agreement outlines how deductions will be calculated, if the noncompliance does not automatically result in a default for that year. The City typically includes a recapture clause in Tax Abatement Agreements that requires the company to return all property taxes abated under the agreement with interest and penalties to the City should the City have to terminate the agreement due to noncompliance issues. The Office of Economic Development performs an annual assessment of the compliance performance for companies receiving tax abatements.

Currently, the City has 8 active tax abatement agreements under contract for tax year 2019. These companies comprise \$165 million in real and personal property values. They also provide \$15 million in inventory values not subject to tax abatement. In tax year 2019, the City abated \$94.7 million in improvements and personal property value, and the revenue received for real and personal property from these companies was \$223,122 for tax year 2018.

Note 16 - Termination of Funds and Activities

Photographic Traffic Signal Enforcement Fund

The Photographic Traffic Signal Enforcement Fund was created when the City's program began in 2007. Due to the passing of House Bill 1631 by the 86th legislature, this program ended on June 2, 2019 when the cameras were deactivated by the City. No payments were accepted by the City after June 12, 2019. This fund was closed out upon payment of the remaining obligations of the fund with half of the net income due to the state at the close of fiscal year 2019. Because the outstanding receivable balance at June 2, 2019 was uncollectible due to State action, the entire amount was written off as an extraordinary item in the government-wide financial statements as the matter was both unusual and infrequent in nature and outside of management's control.

Greatwood & New Territory Debt Reduction Activities

In December 2017 the City annexed nine Municipal Utility Districts in Greatwood and New Territory into the City limits and assumed the assets and liabilities of each district. Each area had established a Debt Reduction Fund as part of the Strategic Partnership Agreement with the City to fund annexation related expenditures and pay debt upon annexation. In fiscal year 2019, the remaining balances of the two Debt Reduction Funds were transferred to the Debt Service Fund. Balances remain in the Debt Reduction Fund under separate, unrelated agreements.

Note 17 - Combination of Surface Water Fund into Utility Fund

Combining of Utility Enterprise Fund and Surface Water Enterprise Fund

In fiscal year 2019 the City combined the assets, liabilities and equity of the Surface Water Enterprise Fund were consolidated into the Water Utility Enterprise Fund to create the System Utility Fund. The fiscal year 2019 budget combined the revenues and expenditures of the two funds and the operating results for fiscal year 2019 reflect the combined results of the two funds as well as financial position. The beginning equity of the Surface Water Enterprise Fund of approximately \$9.0 million has been combined with the beginning balance of the Water Utility Enterprise Fund in the proprietary fund financial statements.

Note 18 - Subsequent Events

Issuance of Bonds

On October 15, 2019 the City issued General Obligation Improvement and Refunding Bonds, Series 2019A through a competitive transaction that closed November 14, 2019. The refunding defeased \$13,620,000 in principal from Fort Bend MUD 109 Series 2009, Fort Bend MUD 112 Series 2011, Fort Bend MUD 106 Series 2012, Fort Bend MUD 109 Series 2012, Fort Bend MUD 117 Series 2012, all issued by the respective districts and assumed by the City in December 2017 upon annexation of the districts; and GO Refunding Bonds series 2012 issued by the City for overall debt service savings. The transaction yielded net present value savings of 6.73% of the refunded amount.

On October 15, 2019 the City issued Sugar Land 4B Corporation Sales Tax Refunding Bonds Series 2019 through a competitive transaction that closed November 19, 2019. The refunding defeased \$26,230,000 in outstanding par amount from series 2005, 2010 Refunding and 2011 bonds issued by the corporation to fund various capital improvements. The transaction yielded net present value savings of 16.9% of the refunded amount.

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, 2019

| | <i>General Fund</i> | | | Variance with Final Budget Positive / (Negative) |
|---|-------------------------|----------------------|----------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 28,385,000 | \$ 28,385,000 | \$ 28,556,776 | \$ 171,776 |
| Sales tax | 37,350,000 | 40,389,440 | 40,585,670 | 196,230 |
| Franchise and other taxes | 6,269,479 | 6,537,959 | 6,522,234 | (15,725) |
| Licenses and permits | 3,682,528 | 3,434,335 | 3,585,270 | 150,935 |
| Fines and forfeitures | 1,654,300 | 1,774,565 | 1,675,673 | (98,892) |
| Charges for services | 9,880,173 | 9,985,883 | 9,687,009 | (298,874) |
| Investment earnings | 287,800 | 662,100 | 1,062,735 | 400,635 |
| Intergovernmental | 415,959 | 1,780,549 | 2,171,380 | 390,831 |
| Other | 1,059,100 | 1,218,700 | 900,286 | (318,414) |
| Total Revenues | 88,984,339 | 94,168,531 | 94,747,033 | 578,502 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 17,598,690 | 18,547,106 | 17,387,937 | 1,159,169 |
| Administrative services | 3,798,014 | 4,370,946 | 4,173,575 | 197,371 |
| Public safety - Police | 25,691,337 | 25,510,550 | 24,869,229 | 641,321 |
| Public safety - Fire | 14,400,170 | 14,172,686 | 13,714,585 | 458,101 |
| Public safety - EMS | 2,218,079 | 2,043,330 | 1,943,258 | 100,072 |
| Public Works | 11,883,702 | 12,027,550 | 11,408,302 | 619,248 |
| Parks and recreation | 4,993,020 | 5,093,844 | 5,008,567 | 85,277 |
| Community development | 5,566,925 | 5,589,856 | 5,337,472 | 252,384 |
| Environmental and neighborhood services | 5,659,916 | 6,649,192 | 5,826,617 | 822,575 |
| Total Expenditures | 91,809,853 | 94,005,060 | 89,669,542 | 4,335,518 |
| Excess (deficiency) of revenues over expenditures | (2,825,514) | 163,471 | 5,077,491 | 4,914,020 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,312,706 | 951,991 | 978,059 | 26,068 |
| Transfers (out) | (581,249) | (796,249) | (818,955) | (22,706) |
| Total Other Financing Sources (Uses) | 731,457 | 155,742 | 159,104 | 3,362 |
| Net change in fund balance | (2,094,057) | 319,213 | 5,236,595 | 4,917,382 |
| Fund balance - beginning | 35,064,884 | 35,064,884 | 35,064,884 | - |
| Fund balance - ending | \$ 32,970,827 | \$ 35,384,097 | \$ 40,301,479 | \$ 4,917,382 |

CITY OF SUGAR LAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
For the Year ended September 30, 2019

Budgetary Compliance

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2019.

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 yearend. 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 except TIRZ #1.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests that require an increase in total budgeted appropriation, 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 Department Directors of the City and the Budget Officer, 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.

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Last Five Measurement Years Ended December 31

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Total pension liability: | | | | | |
| Service cost | \$ 9,388,573 | \$ 9,074,683 | \$ 8,454,923 | \$ 8,049,539 | \$ 6,851,489 |
| Interest | 15,982,991 | 14,773,403 | 13,448,410 | 12,692,457 | 11,663,572 |
| Changes of benefit terms | | | | | |
| Difference between expected and actual experience | (1,631,866) | (451,230) | 2,302,226 | 3,187,321 | (793,047) |
| Change in assumptions | | | | (2,120,835) | |
| Benefit payments, including refunds of employee contributions | (5,794,458) | (5,473,504) | (4,298,333) | (3,894,213) | (3,351,164) |
| Net change in total pension liability | 17,945,240 | 17,923,352 | 19,907,226 | 17,914,269 | 14,370,850 |
| Total pension liability - beginning | 234,987,994 | 217,064,642 | 197,157,416 | 179,243,147 | 164,872,297 |
| Total pension liability - ending (a) | <u>\$252,933,234</u> | <u>\$234,987,994</u> | <u>\$217,064,642</u> | <u>\$197,157,416</u> | <u>\$ 179,243,147</u> |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 7,856,693 | \$ 7,432,931 | \$ 6,863,791 | \$ 6,787,295 | \$ 6,171,200 |
| Contributions - employee | 3,634,956 | 3,503,739 | 3,266,250 | 3,144,351 | 2,801,455 |
| Net investment income | (6,409,298) | 25,390,226 | 11,233,878 | 236,145 | 8,361,151 |
| Benefit payments, including refunds of employee contributions | (5,794,458) | (5,473,504) | (4,298,333) | (3,894,213) | (3,351,164) |
| Administrative expense | (123,770) | (131,498) | (126,810) | (143,822) | (87,280) |
| Other | (6,466) | (6,665) | (6,832) | (7,103) | (7,176) |
| Net change in plan fiduciary net position | (842,343) | 30,715,229 | 16,931,944 | 6,122,653 | 13,888,186 |
| Plan fiduciary net position - beginning | 213,791,953 | 183,076,724 | 166,144,780 | 160,022,127 | 146,133,941 |
| Plan fiduciary net position - ending (b) | <u>212,949,610</u> | <u>213,791,953</u> | <u>183,076,724</u> | <u>166,144,780</u> | <u>160,022,127</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 39,983,624</u> | <u>\$ 21,196,041</u> | <u>\$ 33,987,918</u> | <u>\$ 31,012,636</u> | <u>\$ 19,221,020</u> |
| Plan fiduciary net position as a percentage of total pension liability | 84.19% | 90.98% | 84.34% | 84.27% | 89.28% |
| Covered payroll | \$ 51,927,946 | \$ 50,053,408 | \$ 46,660,720 | \$ 44,919,301 | \$ 40,020,785 |
| Net pension liability as a percentage of covered payroll | 77.00% | 42.35% | 72.84% | 69.04% | 48.03% |

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

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

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

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years Ended September 30

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 7,917,557 | \$ 7,828,102 | \$ 7,371,464 | \$ 7,182,639 | \$ 6,731,282 |
| Contribution in relation of the actuarially determined contribution | <u>7,917,557</u> | <u>7,828,102</u> | <u>7,371,464</u> | <u>7,182,639</u> | <u>6,731,282</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 53,277,303 | \$ 51,481,994 | \$ 49,279,670 | \$ 48,031,610 | \$ 43,906,341 |
| Contributions as a percentage of covered payroll | 14.9% | 15.2% | 15.0% | 15.0% | 15.3% |
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Actuarially determined contribution | \$ 6,051,096 | \$ 5,646,329 | \$ 5,577,309 | \$ 5,800,525 | \$ 5,693,306 |
| Contribution in relation of the actuarially determined contribution | <u>6,051,096</u> | <u>5,646,329</u> | <u>5,577,309</u> | <u>5,800,525</u> | <u>5,693,306</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 39,133,715 | \$ 36,193,853 | \$ 35,535,263 | \$ 36,245,839 | \$ 32,942,985 |
| Contributions as a percentage of covered payroll | 15.5% | 15.6% | 15.7% | 16.0% | 17.3% |

Notes to Required Supplementary Information:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 27 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

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

OTHER SUPPLEMENTARY INFORMATION



CITY OF SUGAR LAND, TEXAS
NON-MAJOR GOVERNMENTAL 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 was used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system. Legislation passed by the State in 2019, removed any leverage the City had to collecting fines due from citations related to this system. As a result, the City has discontinued this fund in the current fiscal year.

Debt Reduction Funds - These funds are used to account for activities as a result of agreements with various Municipal Utility Districts in the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities. These include Riverstone, Greatwood, New Territory, and Tara Plantation. During the 2019 fiscal year, the remaining balances pertaining to Greatwood and New Territory were transferred to the Debt Service Fund.

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 principal source of revenue for the Sugar Land Development Corporation Fund is sales taxes.

Enclave at River Park PID - This fund allows the City to levy and collect an assessment on property within the PID for reimbursement of expenses associated with improvement projects which include: water, wastewater, or drainage facility construction/improvements; street and sidewalk construction/improvements; park and recreation establishment/improvements; acquisition of property; and administration/operational expenses.

Capital Projects Fund – This fund is used to account for the expenditures of resources accumulated from 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
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2019

| | Tourism Fund | Court Security Fund | Community Development Block Grant Fund |
|---|-------------------------|------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Receivables (net of allowance for uncollectibles) | 563,126 | 33 | 132,011 |
| Interest receivable | | | |
| Due from other governments | | | |
| Inventories | 7,104 | - | - |
| Prepaid items | 5,200 | - | - |
| Restricted cash and cash equivalents | 1,179,569 | 19,511 | - |
| Restricted investments | 248,706 | - | - |
| Total Assets | \$ 2,003,705 | \$ 19,544 | \$ 132,011 |
| Liabilities | | | |
| Accounts payable | \$ 43,273 | \$ - | \$ 132,011 |
| Accrued expenditures | 6,131 | 841 | |
| Due to other funds | - | - | - |
| Total Liabilities | 49,404 | 841 | 132,011 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | - | - | - |
| Total Deferred Inflows of Resources | - | - | - |
| Fund Balance | | | |
| Nonspendable: | | | |
| Inventories | 7,104 | - | - |
| Prepaid expenses | 5,200 | - | - |
| Restricted: | | | |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Economic development activities | - | - | - |
| Public safety | - | 18,703 | - |
| Tourism & marketing | 1,941,997 | - | - |
| Committed | - | - | - |
| Total Fund Balance | 1,954,301 | 18,703 | - |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 2,003,705 | \$ 19,544 | \$ 132,011 |

CITY OF SUGAR LAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2019

| | Court Technology Fund | Law Enforcement Grant Fund | Photographic Traffic Enforcement Fund | Debt Reduction Funds |
|---|--------------------------------------|---|--|-------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Receivables (net of allowance for uncollectibles) | 6 | 539 | - | 61,067 |
| Due from other governments | | | | |
| Inventories | - | - | - | - |
| Prepaid items | - | - | - | - |
| Restricted cash and cash equivalents | 26,304 | 358,680 | - | 357,446 |
| Restricted investments | - | - | - | 752,999 |
| Total Assets | \$ 26,310 | \$ 359,219 | \$ - | \$ 1,171,512 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued expenditures | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | - | - | - | - |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - |
| Fund Balance | | | | |
| Nonspendable: | | | | |
| Inventories | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Restricted: | | | | |
| Debt service | - | - | - | 1,171,512 |
| Capital projects | - | - | - | - |
| Economic development activities | - | - | - | - |
| Public safety | 26,310 | 359,219 | - | - |
| Tourism & marketing | - | - | - | - |
| Committed | - | - | - | - |
| Total Fund Balance | 26,310 | 359,219 | - | 1,171,512 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 26,310 | \$ 359,219 | \$ - | \$ 1,171,512 |

CITY OF SUGAR LAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2019

| | Sugar Land Development Corporation Fund | Enclave at River Park PID | Capital Projects Fund | Totals |
|---|--|--|--------------------------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 3,557,589 | \$ 3,557,589 |
| Receivables (net of allowance for uncollectibles) | 1,142,762 | 24,820 | 877,942 | 2,802,306 |
| Due from other governments | | | | - |
| Inventories | - | - | - | 7,104 |
| Prepaid items | 7,159 | - | - | 12,359 |
| Restricted cash and cash equivalents | 6,322,369 | 70,155 | 22,847,450 | 31,181,484 |
| Restricted investments | 3,913,065 | - | 2,258,130 | 7,172,900 |
| Total Assets | \$ 11,385,355 | \$ 94,975 | \$ 29,541,111 | \$ 44,733,742 |
| Liabilities | | | | |
| Accounts payable | \$ 235,608 | \$ 3,232 | \$ 1,827,167 | \$ 2,241,291 |
| Accrued expenditures | - | - | - | 6,972 |
| Due to other funds | - | - | 5,600,000 | 5,600,000 |
| Total Liabilities | 235,608 | 3,232 | 7,427,167 | 7,848,263 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | - | 21,546 | - | 21,546 |
| Total Deferred Inflows of Resources | - | 21,546 | - | 21,546 |
| Fund Balance | | | | |
| Nonspendable: | | | | |
| Inventories | - | - | - | 7,104 |
| Prepaid expenses | 7,159 | - | - | 12,359 |
| Restricted: | | | | |
| Debt service | 4,044,391 | 70,197 | - | 5,286,100 |
| Capital projects | - | - | 22,113,944 | 22,113,944 |
| Economic development activities | 7,098,197 | - | - | 7,098,197 |
| Public safety | - | - | - | 404,232 |
| Tourism & marketing | - | - | - | 1,941,997 |
| Committed | - | - | - | - |
| Total Fund Balance | 11,149,747 | 70,197 | 22,113,944 | 36,863,933 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 11,385,355 | \$ 94,975 | \$ 29,541,111 | \$ 44,733,742 |

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

| | Tourism Fund | Court Security Fund | Community Development Block Grant Fund |
|---|-------------------------|--------------------------------|---|
| Revenues | | | |
| Sales tax | \$ - | \$ - | \$ - |
| Franchise and other taxes | 2,402,962 | - | - |
| Fines and forfeitures | - | 37,536 | - |
| Charges for services | - | - | - |
| Investment earnings | 37,333 | 382 | - |
| Intergovernmental | - | - | 201,069 |
| Other | 22,232 | - | - |
| Total Revenues | 2,462,527 | 37,918 | 201,069 |
| Expenditures | | | |
| Current: | | | |
| General government | 819,192 | - | 201,069 |
| Administrative services | - | 38,975 | - |
| Public safety - Police | - | - | - |
| Public safety - EMS | - | - | - |
| Public works | - | - | - |
| Parks and recreation | - | - | - |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest and other charges | - | - | - |
| Bond issuance costs | - | - | - |
| Capital Outlay | - | - | - |
| Total Expenditures | 819,192 | 38,975 | 201,069 |
| Excess (deficiency) of revenues over expenditures | 1,643,335 | (1,057) | - |
| Other Financing Sources (Uses) | | | |
| Certificates of obligation issued | - | - | - |
| Premium on debt issued | - | - | - |
| Transfers in | - | - | - |
| Transfers (out) | (1,483,315) | - | - |
| Total Other Financing Sources and Uses | (1,483,315) | - | - |
| Net change in fund balance | 160,020 | (1,057) | - |
| Fund balance - beginning | 1,794,281 | 19,760 | - |
| Fund balance - ending | \$ 1,954,301 | \$ 18,703 | \$ - |

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

| | Court Technology Fund | Law Enforcement Grant Fund | Photographic Traffic Enforcement Fund | Debt Reduction Funds |
|---|--------------------------------------|---|--|-------------------------------------|
| Revenues | | | | |
| Sales tax | \$ - | \$ - | \$ - | \$ - |
| Franchise and other taxes | - | - | - | - |
| Fines and forfeitures | 50,049 | - | 1,835,668 | - |
| Charges for services | - | - | - | - |
| Investment earnings | 854 | 5,615 | 22,200 | 63,294 |
| Intergovernmental | - | - | - | 215,271 |
| Other | - | 120,679 | 150 | - |
| Total Revenues | 50,903 | 126,294 | 1,858,018 | 278,565 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Administrative services | 56,493 | - | - | - |
| Public Safety - Police | - | - | 1,237,629 | - |
| Public Safety - EMS | - | - | - | - |
| Public Works | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Expenditures | 56,493 | - | 1,237,629 | - |
| Excess (deficiency) of revenues over expenditures | (5,590) | 126,294 | 620,389 | 278,565 |
| Other Financing Sources (Uses) | | | | |
| Certificates of obligation issued | - | - | - | - |
| Premium on debt issued | - | - | - | - |
| Transfers in | 6,469 | - | - | - |
| Transfers (out) | - | - | (617,205) | (1,586,665) |
| Total Other Financing Sources and Uses | 6,469 | - | (617,205) | (1,586,665) |
| Net change in fund balance | 879 | 126,294 | 3,184 | (1,308,100) |
| Fund balance - beginning | 25,431 | 232,925 | (3,184) | 2,479,612 |
| Fund balance - ending | \$ 26,310 | \$ 359,219 | \$ - | \$ 1,171,512 |

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

| | Sugar Land Development Corporation Fund | Enclave at River Park PID | Capital Projects Fund | Totals |
|---|--|--------------------------------------|----------------------------------|----------------------|
| Revenues | | | | |
| Sales tax | \$ 6,764,278 | \$ - | \$ - | \$ 6,764,278 |
| Franchise and other taxes | - | 137,831 | - | 2,540,793 |
| Fines and forfeitures | - | - | - | 1,923,253 |
| Charges for services | - | - | 169,580 | 169,580 |
| Investment earnings | 262,406 | 4,110 | 666,478 | 1,062,672 |
| Intergovernmental | 1,150,000 | - | 412,871 | 1,979,211 |
| Other | 124,557 | - | 397,609 | 665,227 |
| Total Revenues | 8,301,241 | 141,941 | 1,646,538 | 15,105,014 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,973,234 | - | - | 2,993,495 |
| Administrative services | 2,740 | - | 4,600 | 102,808 |
| Public Safety - Police | - | - | - | 1,237,629 |
| Public Safety - EMS | - | - | 38,733 | 38,733 |
| Public Works | - | 495,998 | 1,198,621 | 1,694,619 |
| Parks and recreation | - | - | 2,025 | 2,025 |
| Debt Service: | | | | |
| Principal | 1,900,000 | - | - | 1,900,000 |
| Interest and other charges | 2,212,621 | - | 5,000 | 2,217,621 |
| Bond issuance costs | - | - | 252,376 | 252,376 |
| Capital Outlay | 123,436 | - | 13,166,738 | 13,290,174 |
| Total Expenditures | 6,212,031 | 495,998 | 14,668,093 | 23,729,480 |
| Excess (deficiency) of revenues over expenditures | 2,089,210 | (354,057) | (13,021,555) | (8,624,466) |
| Other Financing Sources (Uses) | | | | |
| Certificates of obligation issued | - | - | 20,760,000 | 20,760,000 |
| Premium on debt issued | - | - | 1,541,198 | 1,541,198 |
| Transfers in | - | 44,450 | 1,270,000 | 1,320,919 |
| Transfers (out) | (555,000) | (119,562) | (133,405) | (4,495,152) |
| Total Other Financing Sources and Uses | (555,000) | (75,112) | 23,437,793 | 19,126,965 |
| Net change in fund balance | 1,534,210 | (429,169) | 10,416,238 | 10,502,499 |
| Fund balance - beginning | 9,615,537 | 499,366 | 11,697,706 | 26,361,434 |
| Fund balance - ending | \$ 11,149,747 | \$ 70,197 | \$ 22,113,944 | \$ 36,863,933 |

CITY OF SUGAR LAND, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---|---------------------|---------------------|---|---------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 21,476,863 | \$ 21,353,784 | \$ (123,079) | \$ 21,265,277 |
| Investment earnings | 160,220 | 308,958 | 148,738 | 104,509 |
| Intergovernmental | - | - | - | 3,651,210 |
| Other | 1,868,687 | 1,868,689 | 2 | 1,601,308 |
| Total Revenues | 23,505,770 | 23,531,431 | 25,661 | 26,622,304 |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 1,862,554 | 1,754,394 | 108,160 | 1,647,389 |
| Debt Service: | | | | |
| Principal | 34,411,024 | 34,411,024 | - | 19,498,344 |
| Interest and other charges | 8,986,370 | 8,784,592 | 201,778 | 8,794,998 |
| Handling fees & issuance costs | 122,533 | 122,533 | - | - |
| Total Expenditures | 45,382,481 | 45,072,543 | 309,938 | 29,940,731 |
| Excess (deficiency) of revenues over expenditures | (21,876,711) | (21,541,112) | 335,599 | (3,318,427) |
| Other Financing Sources (Uses) | | | | |
| Refunding bonds issued | 13,715,005 | 13,715,000 | (5) | - |
| Premium on general obligation debt | 1,215,416 | 1,215,416 | - | - |
| Transfers in | 9,740,529 | 9,268,029 | (472,500) | 4,077,656 |
| Transfers (out) | (57,170) | (73,806) | (16,636) | (44,530) |
| Total other financing sources (uses) | 24,613,780 | 24,124,639 | (489,141) | 4,033,126 |
| Changes in fund balance | 2,737,069 | 2,583,527 | (153,542) | 714,699 |
| Fund balance - beginning | 6,263,712 | 6,263,712 | - | 5,549,013 |
| Fund balance - ending | \$ 9,000,781 | \$ 8,847,239 | \$ (153,542) | \$ 6,263,712 |

CITY OF SUGAR LAND, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---|----------------------|----------------------|---|----------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Charges for services | \$ 472,500 | \$ 169,580 | \$ (302,920) | \$ 231,700 |
| Investment earnings | 135,000 | 666,478 | 531,478 | 322,886 |
| Intergovernmental | 412,871 | 412,871 | - | 2,641,567 |
| Other | 135,664 | 397,609 | 261,945 | 756,635 |
| Total Revenues | 1,156,035 | 1,646,538 | 490,503 | 3,952,788 |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 14,300 | 4,600 | 9,700 | 212,500 |
| Public safety - police | - | - | - | 25 |
| Public safety - fire | - | - | - | 106,806 |
| Public safety - EMS | - | 38,733 | (38,733) | 2,736 |
| Public works | 483,130 | 1,198,621 | (715,491) | 6,956,479 |
| Parks and recreation | 5,101 | 2,025 | 3,076 | 1,241,944 |
| Debt Service: | | | | |
| Principal | 500,000 | 500,000 | - | 500,000 |
| Interest | 5,000 | 5,000 | - | 20,575 |
| Handling fees & issuance costs | 443,000 | 252,376 | 190,624 | - |
| Capital outlay | 28,657,005 | 13,166,738 | 15,490,267 | 10,723,460 |
| Total Expenditures | 30,107,536 | 15,168,093 | 14,939,443 | 19,764,525 |
| Excess (deficiency) of revenues over expenditures | (28,951,501) | (13,521,555) | 15,429,946 | (15,811,737) |
| Other Financing Sources (Uses) | | | | |
| Certificates of obligation issued | 20,760,000 | 20,760,000 | - | - |
| Premium on debt issued | 1,541,198 | 1,541,198 | - | - |
| Capital leases | - | - | - | 840,000 |
| Transfers in | 1,270,000 | 1,270,000 | - | 671,577 |
| Transfers (out) | (605,905) | (133,405) | 472,500 | (616,372) |
| Total other financing sources (uses) | 22,965,293 | 23,437,793 | 472,500 | 895,205 |
| Changes in fund balance | (5,986,208) | 9,916,238 | 15,902,446 | (14,916,532) |
| Fund balance - beginning | 17,297,706 | 17,297,706 | - | 32,214,238 |
| Fund balance - ending | \$ 11,311,498 | \$ 27,213,944 | \$ 15,902,446 | \$ 17,297,706 |

Refer to the following page for further information on the Budgetary Basis.

CITY OF SUGAR LAND, TEXAS
NOTES TO CAPITAL PROJECTS FUND BUDGETARY SCHEDULE
For the Year Ended September 30, 2019

Budgetary Basis

While the City reports financial position, results of operations and changes in fund balances on the basis of accounting allowed under generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and cash disbursements.

The major differences between the budgetary and GAAP basis of accounting is the adjustment to beginning fund balance. In the prior year an interfund loan was reported; the proceeds from interfund loans are budgetary resources reported as Other Financing Sources, rather than Due to Other Funds (a liability), for GAAP reporting.

The following is a reconciliation of the Capital Projects Fund net changes in fund balance as reported in the budgetary and GAAP basis of accounting schedule of revenues, expenditures, and changes in fund balance:

| | Budgetary Basis | Adjustments | GAAP Basis |
|--|-----------------------------|------------------------------|-----------------------------|
| Total Revenues | \$ 1,646,538 | \$ - | \$ 1,646,538 |
| Total Expenditures | <u>15,168,093</u> | <u>500,000</u> | <u>14,668,093</u> |
| Excess (deficiency) of revenues over expenditures | (13,521,555) | 500,000 | (13,021,555) |
| Total Other Financing Sources (Uses) | <u>23,437,793</u> | <u>-</u> | <u>23,437,793</u> |
| Changes in Fund Balance | 9,916,238 | 500,000 | 10,416,238 |
| Fund balance - beginning | <u>17,297,706</u> | <u>(5,600,000)</u> | <u>11,697,706</u> |
| Fund balance - ending | <u><u>\$ 27,213,944</u></u> | <u><u>\$ (5,100,000)</u></u> | <u><u>\$ 22,113,944</u></u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---|---------------------|---------------------|---|---------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Hotel occupancy tax | \$ 2,337,690 | \$ 2,402,962 | \$ 65,272 | \$ 2,707,936 |
| Investment Income | 31,000 | 37,333 | 6,333 | 19,158 |
| Other | 10,684 | 22,232 | 11,548 | 14,044 |
| Total Revenues | <u>2,379,374</u> | <u>2,462,527</u> | <u>83,153</u> | <u>2,741,138</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,018,952 | 819,192 | 199,760 | 914,511 |
| Total Expenditures | <u>1,018,952</u> | <u>819,192</u> | <u>199,760</u> | <u>914,511</u> |
| Excess (deficiency) of revenues over expenditures | 1,360,422 | 1,643,335 | 282,913 | 1,826,627 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (1,483,315) | (1,483,315) | - | (1,434,446) |
| Total Other Financing Sources and Uses | <u>(1,483,315)</u> | <u>(1,483,315)</u> | <u>-</u> | <u>(1,434,446)</u> |
| Changes in fund balance | (122,893) | 160,020 | 282,913 | 392,181 |
| Fund balance - beginning | <u>1,794,281</u> | <u>1,794,281</u> | <u>-</u> | <u>1,402,100</u> |
| Fund balance - ending | <u>\$ 1,671,388</u> | <u>\$ 1,954,301</u> | <u>\$ 282,913</u> | <u>\$ 1,794,281</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COURT SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---------------------------------|------------------|------------------|---|------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 49,146 | \$ 37,536 | \$ (11,610) | \$ 40,030 |
| Investment earnings | 354 | 382 | 28 | 174 |
| Total Revenues | <u>49,500</u> | <u>37,918</u> | <u>(11,582)</u> | <u>40,204</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 37,612 | 38,975 | (1,363) | 36,546 |
| Total Expenditures | <u>37,612</u> | <u>38,975</u> | <u>(1,363)</u> | <u>36,546</u> |
| Changes in fund balance | <u>11,888</u> | <u>(1,057)</u> | <u>(12,945)</u> | <u>3,658</u> |
| Fund balance - beginning | <u>19,760</u> | <u>19,760</u> | <u>-</u> | <u>16,102</u> |
| Fund balance - ending | <u>\$ 31,648</u> | <u>\$ 18,703</u> | <u>\$ (12,945)</u> | <u>\$ 19,760</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---------------------------------|--------------------|--------------------|---|--------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Intergovernmental | \$ 383,731 | \$ 201,069 | \$ (182,662) | \$ 247,261 |
| Total Revenues | <u>383,731</u> | <u>201,069</u> | <u>(182,662)</u> | <u>247,261</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 383,731 | 201,069 | 182,662 | 247,261 |
| Total Expenditures | <u>383,731</u> | <u>201,069</u> | <u>182,662</u> | <u>247,261</u> |
| Changes in fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <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 BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---|------------------|------------------|---|------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 65,528 | \$ 50,049 | \$ (15,479) | \$ 53,361 |
| Investment earnings | 664 | 854 | 190 | 678 |
| Total Revenues | <u>66,192</u> | <u>50,903</u> | <u>(15,289)</u> | <u>54,039</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 75,403 | 56,493 | 18,910 | 52,873 |
| Total Expenditures | <u>75,403</u> | <u>56,493</u> | <u>18,910</u> | <u>52,873</u> |
| Revenues over (under) expenditures | <u>(9,211)</u> | <u>(5,590)</u> | <u>3,621</u> | <u>1,166</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | <u>6,469</u> | <u>6,469</u> | <u>-</u> | <u>-</u> |
| Changes in fund balance | (2,742) | 879 | 3,621 | 1,166 |
| Fund balance - beginning | <u>25,431</u> | <u>25,431</u> | <u>-</u> | <u>24,265</u> |
| Fund balance - ending | <u>\$ 22,689</u> | <u>\$ 26,310</u> | <u>\$ 3,621</u> | <u>\$ 25,431</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | | 2018 |
|---------------------------------|-------------------|-------------------|---|-------------------|
| | Budget | Actual | Variance Positive / (Negative) | |
| Revenues | | | | |
| Investment earnings | \$ 4,605 | \$ 5,615 | \$ 1,010 | \$ 2,320 |
| Other | 3,787 | 120,679 | 116,892 | 170,104 |
| Total Revenues | 8,392 | 126,294 | 117,902 | 172,424 |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety - Police | - | - | - | 63,979 |
| Capital Outlay | - | - | - | 51,008 |
| Total Expenditures | - | - | - | 114,987 |
| Changes in fund balance | 8,392 | 126,294 | 117,902 | 57,437 |
| Fund balance - beginning | 232,925 | 232,925 | - | 175,488 |
| Fund balance - ending | \$ 241,317 | \$ 359,219 | \$ 117,902 | \$ 232,925 |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | | 2018 |
|---|------------------|------------------|---|-------------------|
| | Budget | Actual | Variance Positive / (Negative) | |
| Revenues | | | | |
| Fines and forfeitures | \$ 1,802,739 | \$ 1,835,668 | \$ 32,929 | \$ 2,863,697 |
| Investment earnings | 13,358 | 22,200 | 8,842 | 14,401 |
| Other | - | 150 | 150 | - |
| Total Revenues | <u>1,816,097</u> | <u>1,858,018</u> | <u>41,921</u> | <u>2,878,098</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety - Police | 1,221,776 | 1,237,629 | (15,853) | 1,888,152 |
| Total Expenditures | <u>1,221,776</u> | <u>1,237,629</u> | <u>(15,853)</u> | <u>1,888,152</u> |
| Excess (deficiency) of revenues over expenditures | 594,321 | 620,389 | 26,068 | 989,946 |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | (591,137) | (617,205) | (26,068) | (966,617) |
| Changes in fund balance | 3,184 | 3,184 | - | 23,329 |
| Fund balance - beginning | <u>(3,184)</u> | <u>(3,184)</u> | <u>-</u> | <u>(26,513)</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,184)</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - DEBT REDUCTION FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | | 2018 |
|---|---------------------|---------------------|---|---------------------|
| | Budget | Actual | Variance Positive / (Negative) | |
| Revenues | | | | |
| Investment earnings | \$ 54,096 | \$ 63,294 | \$ 9,198 | \$ 105,124 |
| Intergovernmental | 168,063 | 215,271 | 47,208 | 248,274 |
| Other | - | - | - | 110,849 |
| Total Revenues | <u>222,159</u> | <u>278,565</u> | <u>56,406</u> | <u>464,247</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(1,586,665)</u> | <u>(1,586,665)</u> | - | <u>(5,391,272)</u> |
| Total other financing sources (uses) | <u>(1,586,665)</u> | <u>(1,586,665)</u> | - | <u>(5,391,272)</u> |
| Changes in fund balance | (1,364,506) | (1,308,100) | 56,406 | (4,927,025) |
| Fund balance - beginning | <u>2,479,612</u> | <u>2,479,612</u> | - | <u>7,406,637</u> |
| Fund balance - ending | <u>\$ 1,115,106</u> | <u>\$ 1,171,512</u> | <u>\$ 56,406</u> | <u>\$ 2,479,612</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | Variance Positive / (Negative) | 2018 |
|---|---------------------|----------------------|---|---------------------|
| | Budget | Actual | | |
| Revenues | | | | |
| Sales and use taxes | \$ 6,731,573 | \$ 6,764,278 | \$ 32,705 | \$ 6,686,780 |
| Investment earnings | 150,000 | 262,406 | 112,406 | 121,740 |
| Intergovernmental | 1,150,000 | 1,150,000 | - | 1,050,000 |
| Other | 124,555 | 124,557 | 2 | 317,776 |
| Total Revenues | 8,156,128 | 8,301,241 | 145,113 | 8,176,296 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,407,334 | 1,973,234 | 1,434,100 | 1,380,440 |
| Administrative services | 3,540 | 2,740 | 800 | 2,740 |
| Debt Service: | | | | |
| Principal | 1,900,000 | 1,900,000 | - | 1,845,000 |
| Interest and other charges | 2,212,871 | 2,212,621 | 250 | 2,307,046 |
| Capital Outlay | 400,000 | 123,436 | 276,564 | 115,938 |
| Total Expenditures | 7,923,745 | 6,212,031 | 1,711,714 | 5,651,164 |
| Excess (deficiency) of revenues over expenditures | 232,383 | 2,089,210 | 1,856,827 | 2,525,132 |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | (555,000) | (555,000) | - | (570,577) |
| Total other financing sources (uses) | (555,000) | (555,000) | - | (570,577) |
| Changes in fund balance | (322,617) | 1,534,210 | 1,856,827 | 1,954,555 |
| Fund balance - beginning | 9,615,537 | 9,615,537 | - | 7,660,982 |
| Fund balance - ending | \$ 9,292,920 | \$ 11,149,747 | \$ 1,856,827 | \$ 9,615,537 |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - ENCLAVE AT RIVER PARK PID
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2019
with comparative actual totals for the year ended September 30, 2018

| | 2019 | | | 2018 |
|---|------------------|------------------|---|-------------------|
| | Budget | Actual | Variance Positive / (Negative) | |
| Revenues | | | | |
| Other Taxes | \$ 132,133 | \$ 137,831 | \$ 5,698 | \$ 137,284 |
| Investment earnings | 4,275 | 4,110 | (165) | 7,286 |
| Total Revenues | <u>136,408</u> | <u>141,941</u> | <u>5,533</u> | <u>144,570</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works | 495,999 | 495,998 | 1 | - |
| Total Expenditures | <u>495,999</u> | <u>495,998</u> | <u>1</u> | <u>-</u> |
| Revenues over (under) expenditures | (359,591) | (354,057) | 5,534 | 144,570 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 44,450 | 44,450 | - | 22,993 |
| Transfers (out) | (119,562) | (119,562) | - | - |
| (uses) | <u>(75,112)</u> | <u>(75,112)</u> | <u>-</u> | <u>22,993</u> |
| Changes in fund balance | (434,703) | (429,169) | 5,534 | 167,563 |
| Fund balance - beginning | <u>499,366</u> | <u>499,366</u> | <u>-</u> | <u>331,803</u> |
| Fund balance - ending | <u>\$ 64,663</u> | <u>\$ 70,197</u> | <u>\$ 5,534</u> | <u>\$ 499,366</u> |

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, 2019

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|--|-----------------------------------|---------------------------------------|--|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 947,271 | \$ 1,454,206 | \$ 1,115,448 | \$ 3,516,925 |
| Cash with fiscal agent | 588,000 | - | - | 588,000 |
| Investments | - | 2,002,271 | 2,000,589 | 4,002,860 |
| Accounts receivable, net of allowance for doubtful accounts | 365,763 | 72,886 | 37,843 | 476,492 |
| Prepaid items | 9,883 | - | - | 9,883 |
| Total current assets | 1,910,917 | 3,529,363 | 3,153,880 | 8,594,160 |
| Non-current assets: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment and furniture | - | 8,497,488 | 4,822,788 | 13,320,276 |
| Intangibles | - | - | 30,354 | 30,354 |
| Less accumulated depreciation | - | (4,886,911) | (3,946,736) | (8,833,647) |
| Total non-current assets | - | 3,610,577 | 906,406 | 4,516,983 |
| Total Assets | 1,910,917 | 7,139,940 | 4,060,286 | 13,111,143 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 88,487 | 27,267 | 511,962 | 627,716 |
| Claims and judgments | 550,263 | - | - | 550,263 |
| Total current liabilities | 638,750 | 27,267 | 511,962 | 1,177,979 |
| Total Liabilities | 638,750 | 27,267 | 511,962 | 1,177,979 |
| Net Position | | | | |
| Investment in capital assets | - | 3,610,577 | 906,406 | 4,516,983 |
| Unrestricted | 1,272,167 | 3,502,096 | 2,641,918 | 7,416,181 |
| Total Net Position | \$ 1,272,167 | \$ 7,112,673 | \$ 3,548,324 | \$ 11,933,164 |

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, 2019

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|---|-----------------------------------|---------------------------------------|--|----------------------|
| Revenues | | | | |
| Charges for services | \$ 13,508,648 | \$ 1,635,645 | \$ 1,290,049 | \$ 16,434,342 |
| Total operating revenues | <u>13,508,648</u> | <u>1,635,645</u> | <u>1,290,049</u> | <u>16,434,342</u> |
| Operating Expenses | | | | |
| Personnel services | - | 39,162 | - | 39,162 |
| Supplies and materials | - | 184,147 | 995,157 | 1,179,304 |
| Contractual services | 409,274 | - | 2,495 | 411,769 |
| Repairs and maintenance | - | 3,441 | 1,941 | 5,382 |
| Insurance claims | 12,969,671 | - | - | 12,969,671 |
| Depreciation | - | 741,859 | 467,372 | 1,209,231 |
| Total operating expenses | <u>13,378,945</u> | <u>968,609</u> | <u>1,466,965</u> | <u>15,814,519</u> |
| Operating income (loss) | <u>129,703</u> | <u>667,036</u> | <u>(176,916)</u> | <u>619,823</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Interest and investment revenue | 4,450 | 92,913 | 85,161 | 182,524 |
| Gain (loss) on disposal of capital assets | - | 211,848 | 22,495 | 234,343 |
| Total non-operating revenue (expenses) | <u>4,450</u> | <u>304,761</u> | <u>107,656</u> | <u>416,867</u> |
| Change in net position | 134,153 | 971,797 | (69,260) | 1,036,690 |
| Total net position - beginning | <u>1,138,014</u> | <u>6,140,876</u> | <u>3,617,584</u> | <u>10,896,474</u> |
| Total net position - ending | <u>\$ 1,272,167</u> | <u>\$ 7,112,673</u> | <u>\$ 3,548,324</u> | <u>\$ 11,933,164</u> |

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2019

| | <u>Benefits Fund</u> | <u>Replacement</u> | <u>Technology</u> | <u>Total</u> |
|--|----------------------|---------------------|---------------------|---------------------|
| Cash Flows from Operating Activities: | | | | |
| Receipts from interfund charges for services | \$ 13,588,591 | \$ 1,596,572 | \$ 1,265,005 | \$ 16,450,168 |
| Disbursed for personnel services | - | (39,162) | - | (39,162) |
| Disbursed for goods and services | (13,638,741) | (359,246) | (534,240) | (14,532,227) |
| Net cash provided (used) by operating activities | <u>(50,150)</u> | <u>1,198,164</u> | <u>730,765</u> | <u>1,878,779</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | - | (937,472) | (375,111) | (1,312,583) |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(937,472)</u> | <u>(375,111)</u> | <u>(1,312,583)</u> |
| Cash Flows from Investing Activities | | | | |
| Purchase of investments | - | (19,661) | (521,733) | (541,394) |
| Interest received | 4,987 | 89,108 | 80,420 | 174,515 |
| Net cash provided (used) by investing activities | <u>4,987</u> | <u>69,447</u> | <u>(441,313)</u> | <u>(366,879)</u> |
| Net increase/(decrease) in cash and equivalents | (45,163) | 330,139 | (85,659) | 199,317 |
| Cash and equivalents, beginning of year | 992,434 | 1,124,067 | 1,201,107 | 3,317,608 |
| Cash and equivalents, at end of year | <u>\$ 947,271</u> | <u>\$ 1,454,206</u> | <u>\$ 1,115,448</u> | <u>\$ 3,516,925</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ 129,703 | \$ 667,036 | \$ (176,916) | \$ 619,823 |
| Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities: | | | | |
| Depreciation | | 741,859 | 467,372 | 1,209,231 |
| (Increase) decrease in accounts receivable | 13,356 | (39,073) | (25,044) | (50,761) |
| (Increase) decrease in prepaid items | 10,717 | - | - | 10,717 |
| Increase (decrease) in accounts payable | (270,513) | (171,658) | 465,353 | 23,182 |
| Increase (decrease) in claims and judgments | 66,587 | - | - | 66,587 |
| Net cash provided (used) by operating activities | <u>\$ (50,150)</u> | <u>\$ 1,198,164</u> | <u>\$ 730,765</u> | <u>\$ 1,878,779</u> |

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

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

| | 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 | Total |
|---|---------------------------------|--|--|--|------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 6,097,869 | \$ 109,386 | \$ 40,706 | \$ 3,041,293 | \$ 9,289,254 |
| Investments | 2,149,192 | - | - | - | 2,149,192 |
| Accounts receivable, net of allowance for doubtful accounts | 1,144,619 | 8,849 | 1,203 | 4,938 | 1,159,609 |
| Prepaid items | 5,883 | - | - | - | 5,883 |
| Restricted cash and cash equivalents | 2,989,565 | - | - | - | 2,989,565 |
| Total Assets | <u>12,387,128</u> | <u>118,235</u> | <u>41,909</u> | <u>3,046,231</u> | <u>15,593,503</u> |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | 140,659 | - | 3,894 | 13,180 | 157,733 |
| Total Liabilities | <u>140,659</u> | <u>-</u> | <u>3,894</u> | <u>13,180</u> | <u>157,733</u> |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 5,883 | - | - | - | 5,883 |
| Restricted: | | | | | |
| Debt service | 2,989,565 | - | - | - | 2,989,565 |
| Development activities | 9,251,021 | 118,235 | 38,015 | 3,033,051 | 12,440,322 |
| Total Fund Balances | <u>12,246,469</u> | <u>118,235</u> | <u>38,015</u> | <u>3,033,051</u> | <u>15,435,770</u> |
| Total Liabilities and Fund Balances | <u>\$ 12,387,128</u> | <u>\$ 118,235</u> | <u>\$ 41,909</u> | <u>\$ 3,046,231</u> | <u>\$ 15,593,503</u> |
| Reconciliation from Fund Balance to Net Position | | | | | |
| Fund Balance | \$ 12,246,469 | \$ 118,235 | \$ 38,015 | \$ 3,033,051 | \$ 15,435,770 |
| Plus deferred outflows of resources | 65,828 | - | - | - | 65,828 |
| Less long-term liabilities | (28,129,456) | - | - | - | (28,129,456) |
| Less interest payable | (163,424) | - | - | - | (163,424) |
| Net Position | <u>\$ (15,980,583)</u> | <u>\$ 118,235</u> | <u>\$ 38,015</u> | <u>\$ 3,033,051</u> | <u>\$ (12,791,282)</u> |

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

| | 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 | Total Component Units |
|---|---------------------------------|--|--|--|-----------------------------|
| Revenues | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ - | \$ 1,698,726 | \$ 753,240 | \$ 745,480 | \$ 3,197,446 |
| Sales tax | 6,764,278 | - | - | - | 6,764,278 |
| Intergovernmental | 163,100 | - | - | - | 163,100 |
| Investment earnings | 249,640 | 10,997 | 1,048 | 56,088 | 317,773 |
| Other | 80,000 | - | - | - | 80,000 |
| Total Revenues | <u>7,257,018</u> | <u>1,709,723</u> | <u>754,288</u> | <u>801,568</u> | <u>10,522,597</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,195,658 | 1,634,236 | 756,689 | 48,882 | 3,635,465 |
| Capital Outlay | 624,931 | - | - | - | 624,931 |
| Debt Service: | | | | | |
| Principal | 2,025,000 | - | - | - | 2,025,000 |
| Interest and fiscal charges | 1,318,594 | - | - | - | 1,318,594 |
| Total Expenditures | <u>5,164,183</u> | <u>1,634,236</u> | <u>756,689</u> | <u>48,882</u> | <u>7,603,990</u> |
| Revenues over (under) expenditures | 2,092,835 | 75,487 | (2,401) | 752,686 | 2,918,607 |
| Fund balance - beginning | <u>10,153,634</u> | <u>42,748</u> | <u>40,416</u> | <u>2,280,365</u> | <u>12,517,163</u> |
| Fund balances - ending | <u>\$ 12,246,469</u> | <u>\$ 118,235</u> | <u>\$ 38,015</u> | <u>\$ 3,033,051</u> | <u>\$ 15,435,770</u> |
| Reconciliation from changes in fund balance to changes in net position | | | | | |
| Change in fund balance | \$ 2,092,835 | \$ 75,487 | \$ (2,401) | \$ 752,686 | \$ 2,918,607 |
| Add principal payments | 2,025,000 | - | - | - | 2,025,000 |
| Add other changes in long-term assets and liabilities | 19,730 | - | - | - | 19,730 |
| Changes in Net Position | <u>\$ 4,137,565</u> | <u>\$ 75,487</u> | <u>\$ (2,401)</u> | <u>\$ 752,686</u> | <u>\$ 4,963,337</u> |



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.

| | <u>Page</u> |
|--|-------------|
| Financial Trends | 122 |
| These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time. | |
| Revenue Capacity | 132 |
| These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes. | |
| Debt Capacity | 141 |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 146 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| Operating Information | 150 |
| 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

| | Fiscal Year | | | | |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 161,857 | \$ 213,685 | \$ 255,293 | \$ 280,082 | \$ 282,719 |
| Restricted | 21,535 | 14,705 | 18,863 | 20,305 | 28,311 |
| Unrestricted | 28,639 | 26,882 | 27,698 | 32,551 | 37,503 |
| Total governmental activities net position | \$ 212,031 | \$ 255,272 | \$ 301,854 | \$ 332,937 | \$ 348,533 |
| Business-type Activities | | | | | |
| Net investment in capital assets | \$ 218,494 | \$ 224,092 | \$ 240,741 | \$ 231,676 | \$ 229,356 |
| Restricted | 6,963 | 7,475 | 7,926 | 8,068 | 26,945 |
| Unrestricted | 10,200 | 15,760 | 9,848 | 23,675 | 16,718 |
| Total business-type net position | \$ 235,657 | \$ 247,327 | \$ 258,515 | \$ 263,418 | \$ 273,019 |
| Primary government | | | | | |
| Net investment in capital assets | \$ 380,352 | \$ 437,777 | \$ 496,034 | \$ 511,757 | \$ 512,075 |
| Restricted | 28,498 | 22,180 | 26,789 | 28,372 | 55,256 |
| Unrestricted | 38,838 | 42,642 | 37,546 | 56,226 | 54,221 |
| Total primary government net position | \$ 447,688 | \$ 502,599 | \$ 560,369 | \$ 596,355 | \$ 621,552 |

CITY OF SUGAR LAND, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
Amounts in (000's) - Accrual Basis of Accounting

| | Fiscal Year | | | | |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2016 | 2017 | 2018* | 2019 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 268,582 | \$ 304,720 | \$ 340,298 | \$ 358,639 | \$ 359,391 |
| Restricted | 51,879 | 24,902 | 21,152 | 19,535 | 22,177 |
| Unrestricted | 24,026 | 37,413 | 23,084 | 23,129 | 19,059 |
| Total governmental activities net position | \$ 344,487 | \$ 367,035 | \$ 384,534 | \$ 401,303 | \$ 400,627 |
| Business-type Activities | | | | | |
| Net investment in capital assets | \$ 224,544 | \$ 225,650 | \$ 228,369 | \$ 252,642 | \$ 237,564 |
| Restricted | 27,736 | 8,549 | 9,116 | 9,770 | 11,190 |
| Unrestricted | 22,722 | 47,766 | 45,383 | 48,149 | 48,726 |
| Total business-type net position | \$ 275,002 | \$ 281,965 | \$ 282,868 | \$ 310,561 | \$ 297,480 |
| Primary government | | | | | |
| Net investment in capital assets | \$ 493,126 | \$ 530,370 | \$ 568,667 | \$ 611,281 | \$ 596,955 |
| Restricted | 79,615 | 33,451 | 30,268 | 29,305 | 33,367 |
| Unrestricted | 46,748 | 85,179 | 68,467 | 71,278 | 67,785 |
| Total primary government net position | \$ 619,489 | \$ 649,000 | \$ 667,402 | \$ 711,864 | \$ 698,107 |

* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts effective December 12, 2017.

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

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 11,950,794 | \$ 11,969,433 | \$ 11,463,677 | \$ 13,087,580 | \$ 15,675,644 |
| Administrative services | 14,617,875 | 12,721,478 | 9,802,035 | 10,471,115 | 7,876,517 |
| Public safety - Police | 17,126,183 | 18,095,251 | 18,354,251 | 18,333,422 | 19,541,680 |
| Public safety - Fire | 10,325,782 | 10,199,579 | 10,898,603 | 10,838,009 | 12,045,062 |
| Public safety - EMS | - | - | - | - | - |
| Public works | 16,673,481 | 17,027,897 | 22,311,568 | 23,481,443 | 24,894,769 |
| Parks and recreation | 9,159,332 | 7,264,499 | 8,504,303 | 8,177,350 | 7,916,451 |
| Community development | 4,073,334 | 4,038,545 | 4,855,764 | 4,667,336 | 5,188,471 |
| Environmental and neighborhood services | - | - | - | - | - |
| Interest on long-term debt | 5,394,340 | 6,555,667 | 5,908,721 | 5,066,337 | 5,910,083 |
| Total governmental activities expenses | <u>89,321,121</u> | <u>87,872,349</u> | <u>92,098,922</u> | <u>94,122,592</u> | <u>99,048,677</u> |
| Business-Type Activities: | | | | | |
| Utility | 22,248,954 | 26,487,388 | 28,574,352 | 46,589,564 | 34,946,846 |
| Regional airport | 11,366,997 | 14,874,179 | 16,002,860 | 16,633,872 | 16,828,870 |
| Solid waste management | 5,279,327 | 5,305,970 | 5,087,731 | 5,067,548 | 5,147,195 |
| Total business-type activities expenses | <u>38,895,278</u> | <u>46,667,537</u> | <u>49,664,943</u> | <u>68,290,984</u> | <u>56,922,911</u> |
| Total primary government expenses | <u>\$ 128,216,399</u> | <u>\$ 134,539,886</u> | <u>\$ 141,763,865</u> | <u>\$ 162,413,576</u> | <u>\$ 155,971,588</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for services: | | | | | |
| Administrative services | \$ 3,352,232 | \$ 3,916,555 | \$ 3,663,149 | \$ 3,261,324 | \$ 2,678,310 |
| Public safety - Fire | 1,552,253 | 1,526,340 | 2,102,494 | 2,229,152 | 2,233,714 |
| Public safety - EMS | - | - | - | - | - |
| Community development | 2,188,436 | 2,404,638 | 2,376,127 | 2,817,871 | 3,033,205 |
| Other | 3,608,192 | 3,534,161 | 3,231,665 | 2,748,396 | 4,766,369 |
| Operating grants and contributions | 1,480,490 | 1,019,323 | 1,566,549 | 1,517,342 | 936,559 |
| Capital grants and contributions | 8,420,807 | 42,497,257 | 43,196,769 | 27,028,874 | 9,004,691 |
| Total governmental activities program revenues | <u>20,602,410</u> | <u>54,898,274</u> | <u>56,136,753</u> | <u>39,602,959</u> | <u>22,652,848</u> |
| Business-Type Activities | | | | | |
| Charges for services: | | | | | |
| Utility | 27,593,557 | 35,625,109 | 40,543,433 | 47,142,244 | 44,302,320 |
| Regional airport | 11,084,688 | 14,355,810 | 15,675,468 | 16,576,205 | 16,939,277 |
| Solid waste management | 4,859,770 | 5,264,072 | 5,068,656 | 5,007,131 | 5,030,491 |
| Operating grants and contributions | 216,570 | 354,865 | 84,271 | 65,091 | 73,199 |
| Capital grants and contributions | 12,163,511 | 8,193,030 | 6,297,452 | 11,560,813 | 6,641,939 |
| Total business-type activities program revenues | <u>55,918,096</u> | <u>63,792,886</u> | <u>67,669,280</u> | <u>80,351,484</u> | <u>72,987,226</u> |
| Total primary government program revenues | <u>\$ 76,520,506</u> | <u>\$ 118,691,160</u> | <u>\$ 123,806,033</u> | <u>\$ 119,954,443</u> | <u>\$ 95,640,074</u> |

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

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018* | 2019 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 12,886,353 | \$ 18,591,072 | \$ 23,393,933 | \$ 19,825,982 | \$ 23,018,595 |
| Administrative services | 9,067,022 | 6,643,488 | 5,514,367 | 5,877,451 | 5,705,656 |
| Public safety - Police | 21,128,023 | 22,979,425 | 26,137,845 | 26,691,650 | 28,010,543 |
| Public safety - Fire | 13,164,239 | 14,195,523 | 14,196,831 | 14,516,604 | 15,098,092 |
| Public safety - EMS | 1,916,547 | 1,722,037 | 1,803,131 | 2,109,566 | 2,137,263 |
| Public works | 30,122,770 | 22,827,677 | 27,074,624 | 37,700,186 | 32,541,073 |
| Parks and recreation | 8,286,024 | 6,215,405 | 7,870,047 | 10,891,960 | 9,471,888 |
| Community development | 5,672,387 | 5,484,522 | 5,563,555 | 5,570,870 | 7,597,307 |
| Environmental and neighborhood services | - | 5,902,886 | 6,064,691 | 6,138,127 | 6,873,883 |
| Interest on long-term debt | 10,243,695 | 9,778,640 | 9,393,095 | 9,810,360 | 10,233,207 |
| Total governmental activities expenses | 112,487,060 | 114,340,675 | 127,012,119 | 139,132,756 | 140,687,507 |
| Business-Type Activities: | | | | | |
| Utility | 44,002,542 | 46,517,275 | 46,153,991 | 59,854,392 | 57,533,727 |
| Regional airport | 14,335,885 | 12,485,217 | 14,345,583 | 16,239,202 | 16,934,859 |
| Solid waste management | 5,625,859 | 5,926,813 | 6,196,978 | 7,980,124 | 8,200,994 |
| Total business-type activities expenses | 63,964,286 | 64,929,305 | 66,696,552 | 84,073,718 | 82,669,580 |
| Total primary government expenses | \$ 176,451,346 | \$ 179,269,980 | \$ 193,708,671 | \$ 223,206,474 | \$ 223,357,087 |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for services: | | | | | |
| Administrative services | \$ 6,906,002 | \$ 8,522,761 | \$ 6,598,604 | \$ 7,532,287 | \$ 8,933,444 |
| Public safety - Fire | 2,369,089 | 2,833,491 | 3,139,758 | 1,390,232 | 1,065,013 |
| Public safety - EMS | 459,223 | 1,132,847 | 1,426,438 | 1,634,675 | 1,864,409 |
| Community development | 3,494,806 | 3,242,529 | 3,061,505 | 3,388,539 | 3,589,181 |
| Other | 4,967,637 | 4,164,196 | 3,830,309 | 5,211,165 | 3,431,576 |
| Operating grants and contributions | 2,831,268 | 1,740,054 | 1,824,906 | 2,215,263 | 2,438,000 |
| Capital grants and contributions | 11,071,624 | 19,053,728 | 29,996,719 | 15,378,644 | 4,621,744 |
| Total governmental activities program revenues | 32,099,649 | 40,689,606 | 49,878,239 | 36,750,805 | 25,943,367 |
| Business-Type Activities | | | | | |
| Charges for services: | | | | | |
| Utility | 43,037,218 | 46,140,497 | 42,458,489 | 50,529,248 | 45,314,713 |
| Regional airport | 13,747,794 | 11,830,391 | 13,539,743 | 15,449,972 | 15,351,003 |
| Solid waste management | 5,770,866 | 5,950,568 | 6,475,296 | 7,974,887 | 8,620,756 |
| Operating grants and contributions | 131,567 | 50,000 | 50,000 | 195,438 | 58,221 |
| Capital grants and contributions | 3,020,185 | 9,417,603 | 6,675,068 | 11,538,729 | 3,221,729 |
| Total business-type activities program revenues | 65,707,630 | 73,389,059 | 69,198,596 | 85,688,274 | 72,566,422 |
| Total primary government program revenues | \$ 97,807,279 | \$ 114,078,665 | \$ 119,076,835 | \$ 122,439,079 | \$ 98,509,789 |

* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts effective December 12, 2017.

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

| | Fiscal Year | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Net (Expense) Revenue | | | | | |
| Governmental activities | \$ (68,718,711) | \$ (32,974,075) | \$ (35,962,169) | \$ (54,519,633) | \$ (76,395,829) |
| Business-type activities | 17,022,818 | 17,125,349 | 18,004,337 | 12,060,500 | 16,064,315 |
| Total primary government net expense | <u>\$ (51,695,893)</u> | <u>\$ (15,848,726)</u> | <u>\$ (17,957,832)</u> | <u>\$ (42,459,133)</u> | <u>\$ (60,331,514)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 29,128,113 | \$ 27,539,737 | \$ 28,282,258 | \$ 29,920,274 | \$ 31,367,793 |
| Sales tax | 33,039,840 | 35,086,830 | 38,239,215 | 39,790,138 | 43,453,673 |
| Franchise and other taxes | 6,611,934 | 6,751,900 | 7,472,103 | 8,019,976 | 8,373,935 |
| Investment earnings | 467,715 | 360,902 | 250,959 | 236,117 | 240,913 |
| Miscellaneous | 849,701 | 756,532 | 1,054,383 | 1,328,239 | 1,393,438 |
| Transfers | 5,849,543 | 5,718,716 | 7,245,571 | 7,287,990 | 7,161,781 |
| Special Item | (13,906,224) | - | - | - | - |
| Total governmental activities | <u>62,040,622</u> | <u>76,214,617</u> | <u>82,544,489</u> | <u>86,582,734</u> | <u>91,991,533</u> |
| Business-Type Activities: | | | | | |
| Investment earnings | 269,249 | 263,593 | 429,350 | 218,645 | 117,683 |
| Miscellaneous | - | - | - | 404,274 | 580,735 |
| Transfers | (5,849,543) | (5,718,716) | (7,245,571) | (7,287,990) | (7,161,781) |
| Extraordinary item | - | - | - | - | - |
| Total business-type activities | <u>(5,580,294)</u> | <u>(5,455,123)</u> | <u>(6,816,221)</u> | <u>(6,665,071)</u> | <u>(6,463,363)</u> |
| Total primary government | <u>\$ 56,460,328</u> | <u>\$ 70,759,494</u> | <u>\$ 75,728,268</u> | <u>\$ 79,917,663</u> | <u>\$ 85,528,170</u> |
| Changes in Net Position: | | | | | |
| Governmental activities | \$ (6,678,089) | \$ 43,240,542 | \$ 46,582,320 | \$ 32,063,101 | \$ 15,595,704 |
| Business-type activities | 11,442,524 | 11,670,226 | 11,188,116 | 5,395,429 | 9,600,952 |
| Total primary government | <u>\$ 4,764,435</u> | <u>\$ 54,910,768</u> | <u>\$ 57,770,436</u> | <u>\$ 37,458,530</u> | <u>\$ 25,196,656</u> |

* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts (MUDs) effective December 12, 2017. Operations for this fiscal year include the activity from the MUDs from the beginning of the fiscal year to the date of the annexation.

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

| | Fiscal Year | | | | |
|---|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| | 2015 | 2016 | 2017 | 2018* | 2019 |
| Net (Expense) Revenue | | | | | |
| Governmental activities | \$ (80,387,411) | \$ (73,651,069) | \$ (77,133,880) | \$ (102,381,951) | \$ (114,744,140) |
| Business-type activities | 1,743,344 | 8,459,754 | 2,502,044 | 1,614,556 | (10,103,158) |
| Total primary government net expense | <u>\$ (78,644,067)</u> | <u>\$ (65,191,315)</u> | <u>\$ (74,631,836)</u> | <u>\$ (100,767,395)</u> | <u>\$ (124,847,298)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 34,205,770 | \$ 37,227,640 | \$ 39,052,391 | \$ 44,092,389 | \$ 49,988,676 |
| Sales tax | 45,320,979 | 45,967,293 | 41,330,120 | 47,038,175 | 47,580,665 |
| Franchise and other taxes | 8,398,820 | 8,231,034 | 8,535,339 | 9,196,843 | 8,925,196 |
| Investment earnings | 1,062,965 | 1,089,499 | 826,905 | 1,106,332 | 2,616,889 |
| Miscellaneous | 1,297,768 | 1,507,896 | 2,645,117 | 2,642,416 | (1,222,389) |
| Transfers | (1,300,673) | 2,176,006 | 2,243,212 | 3,093,659 | 6,179,094 |
| Special Item | - | - | - | - | - |
| Total governmental activities | <u>88,985,629</u> | <u>96,199,368</u> | <u>94,633,084</u> | <u>107,169,814</u> | <u>114,068,131</u> |
| Business-Type Activities: | | | | | |
| Investment earnings | 531,396 | 599,435 | 561,113 | 1,077,401 | 2,331,002 |
| Miscellaneous | 59,565 | 79,707 | 83,106 | 44,386 | 869,998 |
| Transfers | 1,300,673 | (2,176,006) | (2,243,212) | (3,093,659) | (6,179,094) |
| Extraordinary item | - | - | - | (2,410,372) | - |
| Total business-type activities | <u>1,891,634</u> | <u>(1,496,864)</u> | <u>(1,598,993)</u> | <u>(4,382,244)</u> | <u>(2,978,094)</u> |
| Total primary government | <u>\$ 90,877,263</u> | <u>\$ 94,702,504</u> | <u>\$ 93,034,091</u> | <u>\$ 102,787,570</u> | <u>\$ 111,090,037</u> |
| Changes in Net Position: | | | | | |
| Governmental activities | \$ 8,598,218 | \$ 22,548,299 | \$ 17,499,204 | \$ 4,787,863 | \$ (676,009) |
| Business-type activities | 3,634,978 | 6,962,890 | 903,051 | (2,767,688) | (13,081,252) |
| Total primary government | <u>\$ 12,233,196</u> | <u>\$ 29,511,189</u> | <u>\$ 18,402,255</u> | <u>\$ 2,020,175</u> | <u>\$ (13,757,261)</u> |

CITY OF SUGAR LAND, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General fund | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ 170,230 | \$ 169,208 | \$ 160,635 | \$ 209,793 | \$ 217,124 |
| Prepaid items | 48,690 | 49,727 | 43,861 | 30,008 | 25,655 |
| Committed | - | - | - | 463,599 | 3,091,704 |
| Assigned | 1,259,302 | 638,523 | 652,316 | 219,357 | 385,205 |
| Unassigned | 26,400,935 | 25,359,638 | 24,260,117 | 25,740,747 | 24,544,824 |
| Total General fund | <u>\$ 27,879,157</u> | <u>\$ 26,217,096</u> | <u>\$ 25,116,929</u> | <u>\$ 26,663,504</u> | <u>\$ 28,264,512</u> |
| All other governmental funds | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ - | \$ - |
| Prepaid items | 2,740 | 9,740 | 2,740 | 2,740 | 2,740 |
| Restricted: | | | | | |
| Debt service | 9,822,105 | 7,602,464 | 7,397,649 | 9,419,630 | 11,448,975 |
| Capital projects | 39,154,554 | 30,931,980 | 15,443,725 | 3,517,678 | 23,785,846 |
| Economic development activities | 9,856,844 | 4,333,696 | 7,689,398 | 7,019,867 | 11,048,740 |
| Public safety | 1,053,827 | 1,488,292 | 1,779,756 | 230,282 | 209,920 |
| Tourism & marketing | 2,348,244 | 2,681,505 | 3,228,805 | 4,269,302 | 5,359,797 |
| Committed | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total all other governmental funds | <u>\$ 62,238,314</u> | <u>\$ 47,047,677</u> | <u>\$ 35,542,073</u> | <u>\$ 24,459,499</u> | <u>\$ 51,856,018</u> |

CITY OF SUGAR LAND, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| General fund | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ 204,263 | \$ 195,050 | \$ 211,199 | \$ 217,019 | \$ 250,126 |
| Prepaid items | 18,328 | 27,701 | 255,751 | 54,161 | 77,771 |
| Committed | 146,728 | 411,849 | 376,995 | 341,202 | 749,136 |
| Assigned | 339,946 | 332,452 | 272,224 | 409,335 | 314,423 |
| Unassigned | 28,085,267 | 27,575,295 | 27,980,279 | 34,043,167 | 38,910,023 |
| Total General fund | <u>\$ 28,794,532</u> | <u>\$ 28,542,347</u> | <u>\$ 29,096,448</u> | <u>\$ 35,064,884</u> | <u>\$ 40,301,479</u> |
| All other governmental funds | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ 7,935 | \$ 7,104 |
| Prepaid items | 2,740 | 18,353 | 11,735 | 7,036 | 12,359 |
| Restricted: | | | | | |
| Debt service | 11,892,292 | 18,881,941 | 13,287,453 | 9,242,690 | 14,133,339 |
| Capital projects | 60,550,768 | 14,122,714 | 18,346,186 | 8,700,056 | 22,113,944 |
| Economic development activities | 37,689,753 | 5,656,856 | 7,655,992 | 9,608,501 | 7,098,197 |
| Public safety | 202,439 | 228,335 | 215,855 | 278,116 | 404,232 |
| Tourism & marketing | 3,533,713 | 1,053,237 | 1,395,355 | 1,786,346 | 1,941,997 |
| Committed | - | 18,273,467 | 7,768,052 | 2,997,650 | - |
| Unassigned | (17,434) | - | (26,513) | (3,184) | - |
| Total all other governmental funds | <u>\$ 113,854,271</u> | <u>\$ 58,234,903</u> | <u>\$ 48,654,115</u> | <u>\$ 32,625,146</u> | <u>\$ 45,711,172</u> |

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

| | Fiscal Year | | | | |
|---|----------------------|------------------------|------------------------|-----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | |
| Taxes: | | | | | |
| General property | \$ 29,102,845 | \$ 27,588,283 | \$ 28,242,085 | \$ 29,874,615 | \$ 31,356,582 |
| Sales and use taxes | 34,581,479 | 36,857,302 | 40,111,821 | 39,344,519 | 43,008,054 |
| Franchise taxes | 4,920,376 | 4,731,821 | 5,161,877 | 8,019,976 | 8,373,935 |
| Licenses and permits | 2,163,562 | 2,371,944 | 2,332,393 | 2,817,871 | 3,033,205 |
| Fines and forfeitures | 3,273,032 | 3,874,845 | 3,399,284 | 3,364,798 | 3,964,053 |
| Charges for services | 3,694,519 | 3,399,457 | 3,182,908 | 3,649,563 | 4,477,416 |
| Investment earnings | 461,633 | 352,469 | 242,856 | 230,542 | 235,034 |
| Intergovernmental | 8,183,086 | 30,102,390 | 29,941,993 | 4,477,965 | 14,014,873 |
| Other | 308,694 | 5,345,683 | 1,193,356 | 1,444,727 | 1,300,331 |
| Total Revenues | <u>86,689,226</u> | <u>114,624,194</u> | <u>113,808,573</u> | <u>93,224,576</u> | <u>109,763,483</u> |
| Expenditures | | | | | |
| General government | 10,682,661 | 10,421,139 | 10,350,520 | 12,019,511 | 13,934,579 |
| Administrative services | 12,200,260 | 10,728,359 | 6,665,760 | 7,708,191 | 7,743,921 |
| Public safety | 26,263,330 | 28,858,550 | 27,852,455 | 27,951,639 | 29,573,636 |
| Public works | 9,397,495 | 10,092,059 | 15,280,951 | 14,456,178 | 13,947,304 |
| Parks and recreation | 8,088,715 | 6,131,140 | 7,245,735 | 6,782,321 | 6,726,036 |
| Community development | 3,981,327 | 3,965,737 | 4,781,203 | 4,592,647 | 4,917,761 |
| Environmental and neighborhood services | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal | 12,458,335 | 14,744,007 | 13,643,295 | 12,529,510 | 12,216,112 |
| Interest and other charges | 5,875,464 | 6,491,477 | 5,769,576 | 5,261,161 | 5,717,937 |
| Bond issuance costs | 611,160 | - | - | - | 322,504 |
| Capital outlay | 12,099,869 | 44,225,175 | 38,821,615 | 15,262,218 | 21,672,372 |
| Total Expenditures | <u>101,658,616</u> | <u>135,657,643</u> | <u>130,411,110</u> | <u>106,563,376</u> | <u>116,772,162</u> |
| Excess of revenues over (under) expenditures | <u>(14,969,390)</u> | <u>(21,033,449)</u> | <u>(16,602,537)</u> | <u>(13,338,800)</u> | <u>(7,008,679)</u> |
| Other Financing Sources (Uses) | | | | | |
| Certificates of obligation issued | 40,775,000 | - | - | - | 24,440,000 |
| General obligation bonds issued | 2,435,000 | - | - | - | - |
| Revenue bonds issued | - | - | - | - | 7,200,000 |
| Refunding bonds issued | 26,810,000 | - | 9,440,000 | 4,295,000 | - |
| Premium (discount) on debt issued | 1,707,730 | - | 806,260 | 491,941 | 201,566 |
| Payments to refunded bond escrow agent | (28,296,220) | - | (10,328,482) | (4,758,878) | - |
| Capital leases and other debt issued | 1,709,042 | - | - | - | - |
| Proceeds of the sale of capital assets | 78,465 | 125,995 | 90,953 | 78,516 | 54,949 |
| Transfers in | 10,438,670 | 17,193,975 | 13,518,223 | 16,183,645 | 13,794,353 |
| Transfers (out) | (6,126,018) | (13,139,219) | (9,530,188) | (10,987,848) | (9,684,662) |
| Total other financing sources (uses) | <u>49,531,669</u> | <u>4,180,751</u> | <u>3,996,766</u> | <u>5,302,376</u> | <u>36,006,206</u> |
| Net change in fund balances | <u>\$ 34,562,279</u> | <u>\$ (16,852,698)</u> | <u>\$ (12,605,771)</u> | <u>\$ (8,036,424)</u> | <u>\$ 28,997,527</u> |
| Debt service as a percentage of noncapital expenditures | 20.6% | 23.9% | 21.4% | 19.5% | 19.1% |

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

| | Fiscal Year | | | | |
|---|----------------------|------------------------|-----------------------|------------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues | | | | | |
| Taxes: | | | | | |
| General property | \$ 34,073,015 | \$ 37,310,936 | \$ 38,999,063 | \$ 43,924,495 | \$ 49,910,560 |
| Sales and use taxes | 44,975,136 | 45,821,869 | 41,829,998 | 46,807,458 | 47,349,948 |
| Franchise taxes | 8,398,820 | 8,231,034 | 8,535,339 | 9,196,843 | 9,063,027 |
| Licenses and permits | 3,494,806 | 3,242,529 | 3,052,646 | 3,392,020 | 3,585,270 |
| Fines and forfeitures | 3,956,657 | 3,741,662 | 3,983,863 | 4,681,871 | 3,598,926 |
| Charges for services | 9,792,915 | 11,732,687 | 11,668,937 | 9,803,954 | 9,856,589 |
| Investment earnings | 1,030,032 | 1,050,958 | 803,175 | 1,049,546 | 2,434,365 |
| Intergovernmental | 4,853,727 | 4,295,673 | 21,608,448 | 8,469,413 | 4,150,591 |
| Other | 4,676,006 | 6,335,230 | 4,344,488 | 3,742,667 | 3,434,202 |
| Total Revenues | <u>115,251,114</u> | <u>121,762,578</u> | <u>134,825,957</u> | <u>131,068,267</u> | <u>133,383,478</u> |
| Expenditures | | | | | |
| General government | 13,932,805 | 17,263,024 | 19,441,297 | 18,828,683 | 20,381,432 |
| Administrative services | 9,221,555 | 7,167,251 | 6,807,905 | 6,277,823 | 6,030,777 |
| Public safety | 38,688,191 | 36,894,350 | 39,819,840 | 41,773,376 | 41,803,434 |
| Public works | 17,764,680 | 12,004,180 | 15,014,862 | 17,704,168 | 13,102,921 |
| Parks and recreation | 5,452,923 | 5,107,971 | 5,383,089 | 5,960,126 | 5,010,592 |
| Community development | 5,583,223 | 5,155,978 | 5,163,724 | 5,269,134 | 5,337,472 |
| Environmental and neighborhood services | - | 4,892,216 | 5,112,858 | 5,143,190 | 5,826,617 |
| Debt Service: | | | | | |
| Principal | 13,339,382 | 14,565,041 | 16,149,483 | 21,343,344 | 36,311,024 |
| Interest and other charges | 7,716,310 | 9,282,752 | 10,159,604 | 11,122,619 | 11,002,213 |
| Bond issuance costs | 2,012,869 | 629,239 | 355,510 | - | 374,909 |
| Capital outlay | 55,311,453 | 89,073,807 | 51,470,423 | 10,890,406 | 13,290,174 |
| Total Expenditures | <u>169,023,391</u> | <u>202,035,809</u> | <u>174,878,595</u> | <u>144,312,869</u> | <u>158,471,565</u> |
| Excess of revenues over (under) expenditures | <u>(53,772,277)</u> | <u>(80,273,231)</u> | <u>(40,052,638)</u> | <u>(13,244,602)</u> | <u>(25,088,087)</u> |
| Other Financing Sources (Uses) | | | | | |
| Certificates of obligation issued | 52,115,000 | 19,190,000 | 19,060,000 | - | 20,760,000 |
| General obligation bonds issued | 13,010,000 | - | 7,570,000 | - | - |
| Revenue bonds issued | 38,265,000 | - | - | - | - |
| Refunding bonds issued | 28,940,000 | 32,120,000 | - | - | 13,715,000 |
| Premium (discount) on debt issued | 11,469,874 | 6,464,472 | 2,045,464 | - | 2,756,614 |
| Payments to refunded bond escrow agent | (32,902,683) | (36,935,787) | - | - | - |
| Capital leases and other debt issued | 3,510,000 | 1,350,000 | 107,275 | 840,000 | - |
| Proceeds of the sale of capital assets | 54,099 | 36,987 | - | 36,569 | - |
| Transfers in | 12,979,491 | 20,089,727 | 11,854,100 | 12,180,115 | 11,567,007 |
| Transfers (out) | (11,140,231) | (17,913,721) | (9,610,888) | (9,872,615) | (5,387,913) |
| Total other financing sources (uses) | <u>116,300,550</u> | <u>24,401,678</u> | <u>31,025,951</u> | <u>3,184,069</u> | <u>43,410,708</u> |
| Net change in fund balances | <u>\$ 62,528,273</u> | <u>\$ (55,871,553)</u> | <u>\$ (9,026,687)</u> | <u>\$ (10,060,533)</u> | <u>\$ 18,322,621</u> |
| Debt service as a percentage of noncapital expenditures | 19.1% | 21.2% | 21.5% | 24.1% | 21.5% |

CITY OF SUGAR LAND, TEXAS
TAXABLE SALES
LAST TEN CALENDAR YEARS

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Retail trade | \$ 817,695,030 | \$ 820,003,254 | \$ 867,111,564 | \$ 929,146,373 | \$ 1,013,038,055 |
| Accommodation/Food Services | 192,249,613 | 201,788,407 | 218,501,058 | 250,015,141 | 266,588,831 |
| Wholesale trade | 180,406,668 | 178,624,633 | 187,615,472 | 187,011,775 | 223,242,793 |
| Construction | 36,651,229 | 25,341,501 | 19,921,962 | 32,689,492 | 34,937,314 |
| Information | 38,724,172 | 42,562,635 | 55,552,360 | 55,714,105 | 58,052,627 |
| Professional/Scientific/Technical Services | 47,152,301 | 50,418,078 | 56,999,807 | 55,122,521 | 50,596,341 |
| Arts/Entertainment/Recreation | 39,254,647 | 39,319,467 | 42,862,934 | 50,293,772 | 50,560,192 |
| Manufacturing | 29,117,441 | 18,700,212 | 20,258,143 | 29,071,293 | 33,219,238 |
| Other services (except public administration) | 26,341,315 | 25,115,775 | 25,601,706 | 27,119,294 | 28,242,044 |
| Admin/Support/Waste Mgmt./Remediation Service | 18,392,831 | 19,456,520 | 23,205,438 | 23,316,739 | 26,184,607 |
| Real Estate/Rental/Leasing | 24,123,822 | 28,589,598 | 27,704,045 | 25,874,568 | 18,062,334 |
| Utilities | 14,793,208 | 31,999,808 | 58,554,971 | 41,645,585 | 32,630,922 |
| Management of Companies/Enterprises | 117,446 | 60,298 | 616,716 | 403,809 | 394,466 |
| Transportation/Warehousing | 1,007,624 | 958,673 | 1,154,717 | 1,007,418 | 1,721,390 |
| Health Care/Social Assistance | 2,604,444 | 3,180,679 | 3,974,677 | 5,304,237 | 3,994,579 |
| Finance/Insurance | 2,060,437 | 1,690,868 | 4,640,404 | 6,248,890 | 4,575,685 |
| Educational services | 953,485 | 884,432 | 991,469 | 1,227,275 | 1,568,185 |
| Mining/Quarrying/Oil and Gas Extraction | 314,960,195 | 235,249 | 29,244,015 | 7,157,655 | 10,513,820 |
| Public administration | - | 2,506,111 | 5,243,483 | 4,931,239 | 4,958,782 |
| Agriculture/Forestry/Fishing/Hunting | - | - | 2,706 | - | - |
| Other | 17,250 | 37,492 | 26,574 | 2,382 | - |
| | \$ 1,786,623,158 | \$ 1,491,473,690 | \$ 1,649,784,221 | \$ 1,733,303,563 | \$ 1,863,082,205 |

Source of information: Texas State Comptrollers Office.

<https://mycpa.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 | 2.00% |

CITY OF SUGAR LAND, TEXAS
TAXABLE SALES
LAST TEN CALENDAR YEARS

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Retail trade | \$ 1,079,111,307 | \$ 1,112,422,397 | \$ 1,078,154,112 | \$ 1,107,045,921 | \$ 1,115,249,001 |
| Accommodation/Food Services | 291,440,468 | 306,003,246 | 310,863,946 | 333,828,851 | 348,338,861 |
| Wholesale trade | 322,215,101 | 264,383,272 | 203,846,328 | 91,137,977 | 107,641,860 |
| Construction | 31,891,454 | 32,514,909 | 34,515,325 | 22,812,465 | 37,280,176 |
| Information | 65,549,620 | 77,592,685 | 90,100,073 | 94,842,740 | 99,393,379 |
| Professional/Scientific/Technical Services | 70,107,578 | 73,059,491 | 70,067,880 | 83,684,771 | 86,423,185 |
| Arts/Entertainment/Recreation | 47,548,675 | 49,334,544 | 48,468,763 | 51,106,601 | 56,504,179 |
| Manufacturing | 52,646,578 | 33,044,113 | 35,093,475 | 51,980,628 | 75,091,082 |
| Other services (except public administration) | 30,831,362 | 30,318,512 | 26,317,822 | 29,400,115 | 28,370,411 |
| Admin/Support/Waste Mgmt./Remediation Services | 30,250,196 | 26,562,888 | 28,754,310 | 138,907,539 | 198,013,909 |
| Real Estate/Rental/Leasing | 25,860,657 | 44,888,541 | 68,015,167 | 61,691,905 | 30,098,567 |
| Utilities | 42,308,231 | 50,970,885 | 54,203,886 | 85,489,356 | 146,896,379 |
| Management of Companies/Enterprises | 470,557 | 2,196,489 | 1,579,909 | 1,142,959 | 255,496 |
| Transportation/Warehousing | 5,214,426 | 2,306,433 | 1,836,865 | 3,125,489 | 8,774,930 |
| Health Care/Social Assistance | 4,539,906 | 5,201,086 | 4,606,933 | 4,881,867 | 5,401,865 |
| Finance/Insurance | 5,420,994 | 7,515,705 | 8,103,032 | 11,304,921 | 16,558,369 |
| Educational services | 1,714,360 | 1,626,077 | 1,659,343 | 1,513,260 | 1,535,277 |
| Mining/Quarrying/Oil and Gas Extraction | 14,160,548 | 10,431,168 | 7,323,000 | 32,799,761 | 41,870,881 |
| Public administration | 5,096,682 | 5,284,355 | 5,432,006 | 5,763,562 | 7,845,421 |
| Agriculture/Forestry/Fishing/Hunting | - | - | 1,886 | - | 1,131 |
| Other | - | - | - | - | 13,333 |
| | <u>\$ 2,126,378,700</u> | <u>\$ 2,135,656,796</u> | <u>\$ 2,078,944,061</u> | <u>\$ 2,212,460,688</u> | <u>\$ 2,411,557,692</u> |

Source of information: Texas State Comptrollers Office.

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

CITY OF SUGAR LAND, TEXAS

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

| Fiscal Year | Tax Year | Real Property | | Personal Property | | Less Tax Exempt Real Property |
|------------------------|---------------------|---------------------------------|--------------------------------|---------------------------|------------------|--|
| | | Residential Property | Commercial Property | Motor Vehicles | Other | |
| 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 |
| 2014 | 2013 | 7,304,799,346 | 4,716,532,408 | 46,326,301 | 11,026,160 | 834,025,711 |
| 2015 | 2014 | 7,848,719,852 | 4,902,444,421 | 40,119,210 | 10,982,250 | 850,115,704 |
| 2016 | 2015 | 8,753,398,998 | 5,250,244,090 | 13,465,326 | 10,934,610 | 890,919,215 |
| 2017 | 2016 | 9,356,751,552 | 5,577,510,842 | 61,980,101 | 10,933,960 | 1,053,008,824 |
| 2018 | 2017 | 9,629,528,349 | 5,821,685,395 | 100,439,699 | 11,030,700 | 1,125,507,638 |
| 2019 | 2018 | 12,913,825,342 | 6,086,844,258 | 133,597,965 | 10,513,100 | 1,166,296,847 |

Source: Budget Department of the City.

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

CITY OF SUGAR LAND, TEXAS

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

| Fiscal Year | Tax Year | Less Other Exemptions and Abatements | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|--------------------|-----------------|---|-------------------------------------|------------------------------|---------------------------------------|---|
| 2010 | 2009 | \$ 889,528,924 | \$ 9,288,942,030 | \$ 0.30000 | \$ 9,288,942,030 | 100.00% |
| 2011 | 2010 | 908,796,522 | 9,276,620,542 | 0.30245 | 9,276,620,542 | 100.00% |
| 2012 | 2011 | 915,453,424 | 9,498,998,038 | 0.30895 | 9,498,998,038 | 100.00% |
| 2013 | 2012 | 921,195,348 | 9,700,427,151 | 0.30895 | 9,700,427,151 | 100.00% |
| 2014 | 2013 | 940,543,105 | 10,304,111,372 | 0.31595 | 10,304,111,372 | 100.00% |
| 2015 | 2014 | 1,006,806,921 | 10,945,339,079 | 0.31595 | 10,945,339,079 | 100.00% |
| 2016 | 2015 | 1,093,598,345 | 12,043,521,433 | 0.31595 | 12,043,521,433 | 100.00% |
| 2017 | 2016 | 1,334,356,794 | 12,619,806,804 | 0.31762 | 12,619,806,804 | 100.00% |
| 2018 | 2017 | 1,457,960,326 | 12,979,212,144 | 0.31762 | 12,979,212,144 | 100.00% |
| 2019 | 2018 | 1,879,921,316 | 16,098,558,465 | 0.31762 | 16,098,558,465 | 100.00% |

Source: Budget Department of the City.

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

CITY OF SUGAR LAND, TEXAS
PROPERTY TAX RATES (A)
DIRECT AND OVERLAPPING GOVERNMENTS (B)
LAST TEN FISCAL YEARS

| Fiscal Year | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Tax Year | 2009 | 2010 | 2011 | 2012 | 2013 |
| Tax Rates | | | | | |
| City of Sugar Land | | | | | |
| Operating tax rate | \$ 0.16000 | \$ 0.16500 | \$ 0.16635 | \$ 0.17285 | \$ 0.17285 |
| Debt service tax rate | 0.14000 | 0.13500 | 0.13610 | 0.13610 | 0.13610 |
| Total tax rate | <u>\$ 0.30000</u> | <u>\$ 0.30000</u> | <u>\$ 0.30245</u> | <u>\$ 0.30895</u> | <u>\$ 0.30895</u> |
| Fort Bend County | \$ 0.49976 | \$ 0.48556 | \$ 0.49976 | \$ 0.48076 | \$ 0.49976 |
| Fort Bend ISD | 1.30500 | 1.34000 | 1.34000 | 1.34000 | 1.34000 |
| Fort Bend LID 2 | 0.13400 | 0.13400 | 0.13400 | 0.12900 | 0.12900 |
| Fort Bend County MUD No. 21 | 0.27000 | 0.26000 | 0.26000 | 0.24000 | - |
| Fort Bend LID 7 | 0.19460 | 0.19460 | 0.19460 | 0.19460 | 0.20500 |
| Eldridge Road MUD | 0.22000 | 0.08000 | - | - | - |
| Fort Bend WCID No. 2 | 0.18000 | 0.18000 | 0.18000 | 0.18000 | 0.18000 |
| First Colony LID No. 2 | 0.28500 | 0.27500 | 0.27500 | 0.27500 | 0.27500 |
| Burney Road MUD | 0.24250 | 0.26750 | 0.26750 | 0.26750 | 0.26000 |
| First Colony MUD 10 | 0.75000 | 0.49000 | 0.49000 | 0.49000 | 0.47000 |
| Ft. Bend MUD 136 | 0.62000 | 0.57000 | 0.57000 | 0.54000 | 0.54000 |
| Ft. Bend MUD 137 | 0.57000 | 0.57000 | 0.57000 | 0.54000 | 0.48000 |
| Ft. Bend MUD 138 | 0.57000 | 0.57000 | 0.57000 | 0.54000 | 0.48000 |
| Ft. Bend MUD 139 | - | 0.57000 | 0.57000 | 0.54000 | 0.54000 |
| Ft. Bend LID 17 | 0.63000 | 0.63000 | 0.63000 | 0.65000 | 0.65000 |
| Imperial Redevelopment District | - | - | - | - | 1.10000 |
| Ft. Bend LID 14 | - | 0.20000 | 0.20500 | 0.20500 | 0.20500 |
| Ft. Bend LID 10 | - | 0.47500 | 0.47500 | 0.62000 | 0.62000 |
| First Colony LID | - | 0.19460 | 0.19460 | 0.19460 | 0.15500 |
| Lamar Consolidated ISD | - | 1.36455 | 1.39000 | 1.39000 | 1.39000 |

Source: Central Appraisal District 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.

CITY OF SUGAR LAND, TEXAS
PROPERTY TAX RATES (A)
DIRECT AND OVERLAPPING GOVERNMENTS (B)
LAST TEN FISCAL YEARS

| Fiscal Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Tax Year | 2014 | 2015 | 2016 | 2017 | 2018 |
| Tax Rates | | | | | |
| City of Sugar Land | | | | | |
| Operating tax rate | \$ 0.17035 | \$ 0.17035 | \$ 0.17035 | \$ 0.17921 | \$ 0.18131 |
| Debt service tax rate | 0.14560 | 0.14560 | 0.14560 | 0.13841 | 0.13631 |
| Total tax rate | <u>\$ 0.31595</u> | <u>\$ 0.31595</u> | <u>\$ 0.31595</u> | <u>\$ 0.31762</u> | <u>\$ 0.31762</u> |
| Fort Bend County | \$ 0.49476 | \$ 0.48600 | \$ 0.47400 | \$ 0.46900 | \$ 0.46400 |
| Fort Bend ISD | 1.34000 | 1.34000 | 1.34000 | 1.32000 | 1.32000 |
| Fort Bend LID 2 | 0.12000 | 0.11000 | 0.10670 | 0.11100 | 0.14500 |
| Fort Bend County MUD No. 21 | - | - | - | - | - |
| Fort Bend LID 7 | 0.23500 | 0.23500 | 0.22500 | 0.32000 | 0.32000 |
| Eldridge Road MUD | - | - | - | - | - |
| Fort Bend WCID No. 2 | 0.18000 | 0.18000 | 0.21250 | 0.21250 | 0.21250 |
| First Colony LID No. 2 | 0.25000 | 0.25000 | 0.20000 | 0.20000 | 0.20000 |
| Burney Road MUD | 0.26000 | 0.25500 | 0.25000 | 0.23000 | 0.22000 |
| First Colony MUD 10 | 0.41000 | 0.25000 | 0.20000 | 0.19000 | 0.17000 |
| Ft. Bend MUD 136 | 0.50000 | 0.43000 | 0.42000 | 0.42000 | 0.42000 |
| Ft. Bend MUD 137 | 0.43000 | 0.42000 | 0.41500 | 0.41500 | 0.41000 |
| Ft. Bend MUD 138 | 0.44500 | 0.43500 | 0.41500 | 0.41500 | 0.40860 |
| Ft. Bend MUD 139 | 0.44000 | 0.41000 | 0.41000 | 0.41000 | 0.41000 |
| Ft. Bend LID 17 | 0.63000 | 0.61000 | 0.57000 | 0.57000 | 0.57000 |
| Imperial Redevelopment District | 1.10000 | 1.10000 | 1.10000 | 1.10000 | 1.10000 |
| Ft. Bend LID 14 | 0.20000 | 0.19500 | 0.19500 | 0.19500 | 0.20950 |
| Ft. Bend LID 10 | 0.64300 | 0.64300 | 0.64300 | 0.69000 | 0.69000 |
| First Colony LID | 0.15500 | 0.15250 | 0.15000 | 0.14620 | 0.14620 |
| Lamar Consolidated ISD | 1.39000 | 1.39000 | 1.39000 | 1.39000 | 1.39000 |

Source: Central Appraisal District Website

- (A) Tax rate per \$100 assessed valuation
 (B) Overlapping rates are those of local and county go
 to property owners within the City. Not all overlapping rates apply to
 all City property owners.

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

| Fiscal Year | Tax Year | Tax Rate | Total Tax Levy for Fiscal Year | Collected Within the Fiscal Year of the Levy | |
|--------------------|-----------------|-----------------|---------------------------------------|---|------------------------|
| | | | | Amount | Percent of Levy |
| 2010 | 2009 | \$ 0.30000 | \$ 27,470,783 | \$ 27,567,908 | 99.5% |
| 2011 | 2010 | 0.30245 | 27,792,898 | 27,743,159 | 99.7% |
| 2012 | 2011 | 0.30895 | 28,555,106 | 28,502,346 | 99.6% |
| 2013 | 2012 | 0.30895 | 29,941,217 | 29,998,455 | 99.6% |
| 2014 | 2013 | 0.31595 | 31,510,269 | 31,543,063 | 99.6% |
| 2015 | 2014 | 0.31595 | 34,686,633 | 34,625,522 | 99.5% |
| 2016 | 2015 | 0.31595 | 37,935,518 | 37,856,002 | 99.6% |
| 2017 | 2016 | 0.31762 | 39,637,482 | 39,563,094 | 99.6% |
| 2018 | 2017 | 0.31762 | 40,931,077 | 40,828,540 | 99.5% |
| 2019 | 2018 | 0.31762 | 51,146,415 | 50,871,136 | 99.5% |

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

| Fiscal Year | Tax Year | Collections (Refunds) in Subsequent Years | Total Collections to Date | |
|--------------------|-----------------|--|----------------------------------|------------------------|
| | | Amount | Amount | Percent of Levy |
| 2010 | 2009 | \$ (117,738) | \$ 27,450,170 | 99.9% |
| 2011 | 2010 | 33,220 | 27,776,379 | 99.9% |
| 2012 | 2011 | 36,523 | 28,538,869 | 99.9% |
| 2013 | 2012 | (74,193) | 29,924,262 | 99.9% |
| 2014 | 2013 | (60,301) | 31,482,762 | 99.9% |
| 2015 | 2014 | 20,250 | 34,645,772 | 99.9% |
| 2016 | 2015 | 50,069 | 37,906,071 | 99.9% |
| 2017 | 2016 | 29,835 | 39,592,929 | 99.9% |
| 2018 | 2017 | 6,150 | 40,834,690 | 99.8% |
| 2019 | 2018 | - | 50,871,136 | 99.5% |

CITY OF SUGAR LAND, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS

| Taxpayer | Fiscal Year 2019 | | | Fiscal Year 2010 | | |
|---|--------------------------|------|-------------------------------|-------------------------|------|-------------------------------|
| | Tax Year 2018 | | | Tax Year 2009 | | |
| | Taxable Assessed Value | Rank | % of Total Assessed Valuation | Taxable Assessed Value | Rank | % of Total Assessed Valuation |
| LCFRE Sugar Land Town Square LLC | \$ 126,274,299 | 1 | 0.78% | | | |
| Amerisource Bergen Drug Corp. | 121,651,480 | 2 | 0.76% | \$ 43,832,430 | 10 | 0.48% |
| Tramontina USA Inc. | 105,711,410 | 3 | 0.66% | 103,395,750 | 2 | 1.13% |
| First Colony Mall LLC | 87,022,910 | 4 | 0.54% | 77,649,660 | 4 | 0.85% |
| Lakepointe Assets, LLC | 84,341,250 | 5 | 0.52% | 100,719,790 | 3 | 1.10% |
| Sugar Creek/EPG LLC & Sugar Creek TIC Investors LLC | 64,970,390 | 6 | 0.40% | | | |
| Schlumberger Tech Corp-SPC & Well Services | 56,549,520 | 7 | 0.35% | | | |
| Nalco Energy Services | 49,290,410 | 8 | 0.31% | | | |
| BRE RC Riverpark SC TX LP | 46,614,226 | 9 | 0.29% | | | |
| Houston Sugar Creek LLC | 45,884,310 | 10 | 0.29% | | | |
| STC, MFG Group-SPC | | | | 184,837,730 | 1 | 2.01% |
| Medistar Sugar Land Medical Center, Ltd | | | | 62,178,890 | 5 | |
| Sugar Land Telephone Co. (Alltel) | | | | 56,710,520 | 6 | 0.62% |
| Convington First Colony Acquisition LLC | | | | 51,220,000 | 7 | 0.56% |
| Weingarten Realty Investors & WRI/Post Oak Inc. | | | | 49,628,690 | 8 | 0.54% |
| HE Sugar Land Buildings LP | | | | 43,866,860 | 9 | 0.48% |
| | 788,310,205 | | 4.90% | 774,040,320 | | 8.44% |
| Other taxpayers | 15,310,252,296 | | 95.10% | 8,399,985,664 | | 91.56% |
| Total Assessed Valuation | \$ 16,098,562,501 | | 100.0% | \$ 9,174,025,984 | | 100.0% |

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

| Fiscal Year | Tax Year | General Obligation Debt*** | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value* of Property | Per Capita** |
|--------------------|-----------------|-----------------------------------|---|----------------|--|---------------------|
| 2010 | 2009 | \$ 162,675,000 | \$ 4,808,870 | \$ 157,866,130 | 1.7% | \$ 1,868 |
| 2011 | 2010 | 248,415,000 | 5,226,158 | 243,188,842 | 2.6% | 2,878 |
| 2012 | 2011 | 232,965,000 | 7,014,403 | 225,950,597 | 2.4% | 2,674 |
| 2013 | 2012 | 218,415,000 | 4,069,685 | 214,345,315 | 2.2% | 2,536 |
| 2014 | 2013 | 236,850,000 | 3,230,208 | 233,619,792 | 2.3% | 2,701 |
| 2015 | 2014 | 286,340,000 | 4,105,011 | 282,234,989 | 2.6% | 3,245 |
| 2016 | 2015 | 289,765,000 | 4,639,682 | 285,125,318 | 2.4% | 3,258 |
| 2017 | 2016 | 302,289,999 | 5,749,686 | 296,540,313 | 2.3% | 3,324 |
| 2018 | 2017 | 312,025,000 | 6,263,712 | 305,761,288 | 2.4% | 2,605 |
| 2019 | 2018 | 310,045,000 | 8,847,239 | 301,197,761 | 1.9% | 2,552 |

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.

*** Includes general obligation bonds and certificates of obligation of governmental activities and business-type activities

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

Governmental Activities

| Fiscal Year | General Obligation Bonds | Annexed MUD Debt | Certificates of Obligation | Capital Leases | Sales Tax Revenue Bonds | Tax Note | Issuance Premiums/ (Discounts) |
|--------------------|---------------------------------|-------------------------|-----------------------------------|-----------------------|--------------------------------|-----------------|---------------------------------------|
| 2010 | \$ 87,580,000 | \$ 6,235,000 | \$ 56,913,005 | \$ 2,430,846 | \$ 10,515,000 | \$ - | \$ 1,561,071 |
| 2011 | 78,005,000 | 5,850,000 | 54,313,990 | 2,030,854 | 10,010,000 | - | 1,333,100 |
| 2012 | 74,095,000 | 5,525,000 | 45,376,995 | 1,664,554 | 9,485,000 | - | 1,759,679 |
| 2013 | 67,090,000 | 5,190,000 | 40,879,596 | 1,287,784 | 8,935,000 | - | 1,847,338 |
| 2014 | 58,440,000 | 11,665,000 | 63,231,995 | 954,273 | 15,345,000 | - | 1,731,326 |
| 2015 | 66,190,000 | 6,270,000 | 111,279,394 | 611,817 | 52,400,000 | 3,120,675 | 12,054,362 |
| 2016 | 82,065,000 | 2,325,000 | 104,245,202 | 260,170 | 50,655,000 | 3,964,881 | 16,802,933 |
| 2017 | 82,095,000 | 1,785,000 | 118,057,601 | - | 48,865,000 | 3,193,169 | 17,512,513 |
| 2018 | 74,750,000 | 31,405,000 | 111,255,000 | - | 47,020,000 | 3,247,426 | 17,506,838 |
| 2019 | 74,270,000 | 25,005,000 | 119,265,000 | - | 45,120,000 | 2,181,402 | 18,596,408 |

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

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

| Business-Type Activities | | | | | | | | |
|---------------------------------|----------------------|---------------------------------|-----------------------------------|---------------------------------------|---------------------------------|---------------------------------------|---|--------------------|
| Fiscal Year | Revenue Bonds | General Obligation Bonds | Certificates of Obligation | Issuance Premiums/ (Discounts) | Total Primary Government | Percentage of Personal Income* | Percentage of Actual Taxable Value of Property | Per Capita* |
| 2010 | \$ 65,940,000 | \$ - | \$ 11,946,995 | \$ 220,808 | \$ 243,344,735 | 7.3% | 2.6% | \$ 2,879 |
| 2011 | 62,225,000 | - | 110,246,010 | 184,234 | 324,200,199 | 12.2% | 3.5% | 3,836 |
| 2012 | 80,400,000 | - | 107,968,005 | 147,404 | 326,423,649 | 9.1% | 3.4% | 3,862 |
| 2013 | 75,670,000 | 5,610,000 | 99,645,404 | 1,419,321 | 307,576,456 | 8.2% | 3.2% | 3,639 |
| 2014 | 86,180,000 | 5,510,000 | 98,003,005 | 1,222,767 | 342,285,380 | 9.1% | 3.3% | 3,957 |
| 2015 | 92,980,000 | 5,080,000 | 97,520,606 | 2,278,431 | 449,787,300 | 10.8% | 4.1% | 5,172 |
| 2016 | 91,355,000 | 7,660,000 | 93,469,798 | 7,756,729 | 460,561,729 | 11.3% | 3.8% | 5,263 |
| 2017 | 105,220,000 | 7,030,000 | 93,322,398 | 8,228,825 | 485,311,523 | 10.9% | 3.8% | 5,441 |
| 2018 | 98,510,000 | 84,580,000 | 10,035,000 | 15,488,679 | 493,799,961 | 8.3% | 3.8% | 4,207 |
| 2019 | 105,695,000 | 83,890,000 | 7,615,000 | 14,977,716 | 496,617,545 | 8.6% | 3.1% | 4,208 |

*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, 2019

| Taxing Jurisdiction | Gross Debt | Overlapping | |
|---|----------------|------------------------|-------------------------|
| | | Estimated Percentage * | Amount |
| Burney Road MUD | 7,725,000 | 100.00% | \$ 7,725,000 |
| First Colony MUD No. 10 | 12,125,000 | 100.00% | 12,125,000 |
| Fort Bend County | 496,459,527 ** | 21.88% | 108,625,345 |
| Fort Bend County LID No. 2 | 59,045,000 | 100.00% | 59,045,000 |
| Fort Bend County LID No. 7 | 34,430,000 | 100.00% | 34,430,000 |
| Fort Bend County LID No. 10 | 11,995,000 | 100.00% | 11,995,000 |
| Fort Bend County LID No. 11 | 26,845,000 | 100.00% | 26,845,000 |
| Fort Bend County LID No. 14 | 2,015,000 | 100.00% | 2,015,000 |
| Fort Bend County LID No. 17 | 52,155,000 | 100.00% | 52,155,000 |
| Fort Bend County MUD No. 116 | 22,740,000 | 0.33% | 75,042 |
| Fort Bend County MUD No. 136 | 3,895,000 | 100.00% | 3,895,000 |
| Fort Bend County MUD No. 137 | 25,870,000 | 100.00% | 25,870,000 |
| Fort Bend County MUD No. 138 | 36,585,000 | 100.00% | 36,585,000 |
| Fort Bend County MUD No. 139 | 12,395,000 | 100.00% | 12,395,000 |
| Fort Bend County WC&ID No. 2 | 99,960,000 | 0.47% | 469,812 |
| Fort Bend ISD | 1,092,173,767 | 37.32% | 407,599,250 |
| Imperial Redevelopment District | 29,435,000 | 100.00% | 29,435,000 |
| Lamar CISD | 1,039,230,000 | 11.04% | 114,730,992 |
| Total Overlapping Debt | | | \$ 946,015,440 |
| City of Sugar Land | \$ 190,408,585 | 100.00% | 190,408,585 |
| Total Direct and Overlapping Debt | | | \$ 1,136,424,025 |
| Ratio of Direct and Overlapping Funded Debt to 2018 Taxable Assessed Valuation | | | 7.06% |
| Per Capita Debt - Direct and Overlapping | | | \$ 9,629 |

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.

**Does not include the \$98,940,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2012.

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 | |
| Utility/Surface Water - Waterworks and Sewer System Revenue Bonds | | | | | | | |
| 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 | 3,750,000 | 2,518,210 | 6,268,210 | 3.41 |
| 2012 | 40,961,236 | 13,325,073 | 27,636,163 | 4,560,000 | 2,964,523 | 7,524,523 | 3.67 |
| 2013 | 47,760,631 | 15,615,041 | 32,145,590 | 4,680,000 | 2,727,394 | 7,407,394 | 4.34 |
| 2014 | 44,461,529 | 15,551,786 | 28,909,743 | 5,395,000 | 3,105,204 | 8,500,204 | 3.40 |
| 2015 | 43,600,496 | 18,328,040 | 25,272,456 | 5,575,000 | 3,383,656 | 8,958,656 | 2.82 |
| 2016 | 46,769,917 | 18,788,100 | 27,981,817 | 5,915,000 | 3,424,344 | 9,339,344 | 3.00 |
| 2017 | 43,050,288 | 19,820,706 | 23,229,582 | 6,710,000 | 3,997,194 | 10,707,194 | 2.17 |
| 2018 | 50,858,241 | 25,895,388 | 24,962,853 | 6,075,000 | 3,764,669 | 9,839,669 | 2.54 |
| 2019 | 48,383,222 | 25,473,677 | 22,909,545 | 6,765,000 | 4,024,713 | 10,789,713 | 2.12 |
| Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds | | | | | | | |
| 2010 | \$ 11,095,870 | \$ 8,990,900 | \$ 2,104,970 | \$ 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 |
| 2014 | 16,947,944 | 14,005,337 | 2,942,607 | 672,399 | 359,000 | 1,031,399 | 2.85 |
| 2015 | 13,773,157 | 11,605,184 | 2,167,973 | 692,399 | 400,254 | 1,092,653 | 1.98 |
| 2016 | 11,884,935 | 9,844,254 | 2,040,681 | 757,399 | 365,604 | 1,123,003 | 1.82 |
| 2017 | 13,574,284 | 11,661,097 | 1,913,187 | 837,398 | 433,676 | 1,271,074 | 1.51 |
| 2018 | 15,561,819 | 13,592,408 | 1,969,411 | 860,000 | 398,623 | 1,258,623 | 1.56 |
| 2019 | 15,753,168 | 13,943,863 | 1,809,305 | 890,000 | 366,285 | 1,256,285 | 1.44 |
| Sugar Land Development Corporation - Sales Tax Revenue Bonds | | | | | | | |
| 2010 | \$ 4,765,732 | | \$ 4,765,732 | \$ 505,000 | \$ 465,436 | \$ 970,436 | 4.91 |
| 2011 | 5,002,594 | | 5,002,594 | 525,000 | 433,249 | 958,249 | 5.22 |
| 2012 | 5,418,133 | | 5,418,133 | 550,000 | 405,499 | 955,499 | 5.67 |
| 2013 | 5,635,748 | | 5,635,748 | 575,000 | 382,655 | 957,655 | 5.88 |
| 2014 | 6,155,747 | | 6,155,747 | 775,000 | 635,546 | 1,410,546 | 4.36 |
| 2015 | 6,591,808 | | 6,591,808 | 1,745,000 | 2,480,746 | 4,225,746 | 1.56 |
| 2016 | 6,679,523 | | 6,679,523 | 1,790,000 | 2,395,290 | 4,185,290 | 1.60 |
| 2017 | 6,432,303 | | 6,432,303 | 1,845,000 | 2,304,296 | 4,149,296 | 1.55 |
| 2018 | 7,126,296 | | 7,126,296 | 1,900,000 | 2,210,621 | 4,110,621 | 1.73 |
| 2019 | 7,151,241 | | 7,151,241 | 1,980,000 | 2,108,984 | 4,088,984 | 1.75 |
| Sugar Land 4B Corporation - Sales Tax Revenue Bonds | | | | | | | |
| 2010 | \$ 4,735,081 | | \$ 4,735,081 | \$ 1,195,000 | \$ 429,231 | \$ 1,624,231 | 2.92 |
| 2011 | 5,020,642 | | 5,020,642 | 1,635,000 | 1,742,456 | 3,377,456 | 1.49 |
| 2012 | 5,470,437 | | 5,430,099 | 1,660,000 | 1,691,606 | 3,351,606 | 1.62 |
| 2013 | 6,132,918 | | 5,629,941 | 1,705,000 | 1,639,706 | 3,344,706 | 1.68 |
| 2014 | 6,442,616 | | 6,506,277 | 1,780,000 | 1,583,844 | 3,363,844 | 1.93 |
| 2015 | 6,677,932 | | 6,727,338 | 1,840,000 | 1,522,638 | 3,362,638 | 2.00 |
| 2016 | 6,714,723 | | 6,714,723 | 1,885,000 | 1,457,419 | 3,342,419 | 2.01 |
| 2017 | 6,137,600 | | 6,137,600 | 1,960,000 | 1,388,781 | 3,348,781 | 1.83 |
| 2018 | 6,907,114 | | 6,907,114 | 2,025,000 | 1,316,344 | 3,341,344 | 2.07 |
| 2019 | 7,093,918 | | 7,093,918 | 2,115,000 | 1,239,175 | 3,354,175 | 2.11 |

- (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, bond interest and fiscal charges or transfers to the general fund reclassified as operating expenses for external reporting purposes.
- (C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

Note: Pledged revenue, as defined in the revenue bond ordinance, for SLDC and SL4B sales tax revenue bonds are sales tax revenues and interest and earnings from investment of funds on deposit. Expenses are not netted with pledged revenues for the purpose of calculating times coverage.

CITY OF SUGAR LAND, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | Population | Personal Income¹ (\$000's) | Per Capita Income¹ | Median Age² | Educational Attainment¹* | Unemployment Rate² |
|--------------------|-------------------|--|--------------------------------------|-------------------------------|--|--------------------------------------|
| 2010 | 84,511 | \$ 3,353,396 | \$ 39,680 | 36.7 | 55% | 6.1% |
| 2011 | 84,511 | 2,659,858 | 41,683 | 40.5 | 54% | 6.5% |
| 2012 | 84,511 | 3,586,815 | 42,442 | 41.2 | 54% | 4.5% |
| 2013 | 84,511 | 3,737,330 | 44,223 | 40.7 | 54% | 4.9% |
| 2014 | 86,495 | 3,781,499 | 44,375 | 41.4 | 54% | 3.9% |
| 2015 | 86,972 | 4,149,181 | 48,807 | 41.7 | 55% | 4.6% |
| 2016 | 87,504 | 4,086,683 | 48,117 | 41.8 | 54% | 4.5% |
| 2017 | 89,203 | 4,465,681 | 50,062 | 42.0 | 56% | 3.9% |
| 2018 | 117,386 ** | 5,937,149 | 50,578 | 41.2 | 58% | 3.5% |
| 2019 | 118,023 | 5,786,550 | 49,029 | 41.4 | 60% | 3.7% |

Data Sources:

1 - U.S. Census; ESRI

2 - Texas Workforce Commission

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

** Annexation of Greatwood and New Territory

CITY OF SUGAR LAND, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| Employer | 2019 | | | 2010 | | |
|-----------------------------------|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total City Employment (A) | Employees | Rank | Percentage of Total City Employment (A) |
| Methodist Sugar Land Hospital | 2,400 | 1 | 3.55% | 1,000 | 3 | 2.50% |
| Fluor Enterprises, Inc. | 1,980 | 2 | 2.92% | 2,000 | 1 | 4.99% |
| Schlumberger | 1,900 | 3 | 2.81% | 2,000 | 2 | 4.99% |
| Nalco Champion, an Ecolab Company | 1,216 | 4 | 1.80% | 541 | 4 | 1.35% |
| Memorial Hermann Sugar Land | 800 | 5 | 1.18% | 457 | 6 | 1.14% |
| St. Luke's Hospital Sugar Land | 473 | 6 | 0.70% | 532 | 5 | 1.33% |
| Accredo Packaging | 425 | 7 | 0.63% | | | 0.00% |
| Baker Hughes | 422 | 8 | 0.62% | | | 0.00% |
| Applied Optoelectronics | 396 | 9 | 0.58% | | | 0.00% |
| AmerisourceBergen Drug Company | 380 | 10 | 0.56% | | | 0.00% |
| Noble Drilling Services, Inc. | | | | 407 | 7 | 1.02% |
| Camelot Desserts | | | | 400 | 8 | 1.00% |
| Aetna US Healthcare | | | | 360 | 9 | 0.90% |
| Baker Petrolite Corp. | | | | 350 | 10 | 0.87% |
| | <u>10,392</u> | | <u>15%</u> | <u>8,047</u> | | <u>20%</u> |

(A) For 2019, estimated total employment was 67,697. For 2010, estimated total employment was 40,046
Source: Total employment estimates were obtained from the City's Economic Development Website

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

| Function | Full-time Equivalent Employees as of September 30, | | | | |
|---------------------------------------|---|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental Activities: | | | | | |
| General government | 77.7 | 80.2 | 80.2 | 83.2 | 78.7 |
| Administrative services | 58.5 | 30.2 | 30.2 | 27.5 | 34.0 |
| Public safety - Police | 190.5 | 191.8 | 191.8 | 194.5 | 198.5 |
| Public safety - Fire | 108.0 | 107.0 | 107.0 | 107.0 | 108.0 |
| *Public safety - EMS | | | | | 3.0 |
| **Public works | 41.9 | 52.5 | 52.5 | 54.9 | 54.4 |
| Parks and recreation | 34.4 | 34.4 | 34.4 | 35.9 | 37.3 |
| **Community development | 54.1 | 52.0 | 55.0 | 56.0 | 54.1 |
| Environmental & Neighborhood Services | | | | | |
| Business-type activities: | | | | | |
| Utility | 56.5 | 55.5 | 55.5 | 59.5 | 66.0 |
| Solid waste management | 2.0 | 2.0 | 2.0 | 2.0 | 2.5 |
| Regional Airport | 33.5 | 33.5 | 33.5 | 42.0 | 42.0 |
| Total | 657.1 | 639.1 | 642.1 | 662.5 | 678.5 |

Source: Budget Office

* Three employees from Public Safety Fire were moved to Public Safety - EMS in 2014

** Some employees from Public Works and Community Development were transferred to a new program called Environmental & Neighborhood Services in 2016

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

| Function | Full-time Equivalent Employees as of September 30, | | | | |
|---------------------------------------|---|--------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Governmental Activities: | | | | | |
| General government | 82.0 | 77.7 | 95.2 | 93.2 | 93.4 |
| Administrative services | 34.0 | 38.0 | 39.0 | 40.5 | 39.5 |
| Public safety - Police | 200.5 | 201.3 | 230.5 | 230.5 | 229.6 |
| Public safety - Fire | 109.0 | 109.0 | 109.0 | 110.0 | 111.0 |
| *Public safety - EMS | 13.0 | 13.0 | 20.0 | 20.0 | 20.0 |
| **Public works | 53.5 | 34.0 | 35.5 | 43.5 | 43.0 |
| Parks and recreation | 31.0 | 30.4 | 35.1 | 35.1 | 38.8 |
| **Community development | 61.0 | 50.1 | 49.3 | 51.3 | 49.3 |
| Environmental & Neighborhood Services | | 40.5 | 40.5 | 43.5 | 44.5 |
| Business-type activities: | | | | | |
| Utility | 67.5 | 71.5 | 85.5 | 87.5 | 85.0 |
| Solid waste management | 2.5 | 2.5 | 2.5 | 3.5 | 3.5 |
| Regional Airport | 41.0 | 44.0 | 46.0 | 46.0 | 47.0 |
| Total | 695.0 | 712.0 | 788.0 | 804.5 | 804.5 |

Source: Budget Office

* Three employees from Public Safety Fire were moved to Public Safety - EMS in 2014

** Some employees from Public Works and Community Development were transferred to a new program called Environmental & Neighborhood Services in 2016

CITY OF SUGAR LAND, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | |
|---|--------------|---------------|---------------|---------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| City of Sugar Land | | | | | |
| Population | 84,511 | 84,511 | 84,511 | 84,511 | 86,495 |
| Square miles | 33.5 | 33.5 | 33.5 | 35.1 | 35.2 |
| Acres | 21,451 | 21,451 | 21,516 | 22,475 | 22,500 |
| Budgeted full time equivalent employees | 657.1 | 642.0 | 642.0 | 662.5 | 678.5 |
| Police | | | | | |
| Physical arrests | 3,212 | 3,914 | 3,792 | 3,009 | 2,899 |
| Traffic violations | 21,370 | 27,053 | 24,157 | 21,577 | 20,534 |
| Parking violations | 203 | 615 | 652 | 469 | 377 |
| Calls for service | 69,298 | 162,669 | 151,967 | 155,718 | 123,450 |
| Fire | | | | | |
| Number of calls answered | 6,106 | 6,293 | 6,419 | 7,250 | 7,328 |
| Parks and recreation | | | | | |
| Special events | 19 | 15 | 18 | 18 | 18 |
| Water | | | | | |
| New connections | 1,656 | 448 | 432 | 186 | 186 |
| Water main breaks | 51 | 357 | 59 | 211 | 35 ** |
| Annual Rainfall (inches) | 55.0 | 17.2 | 57.1 | 35.5 | 48.3 |
| Average daily production (MG) | 12.99 | 18.01 | 15.70 | 15.15 | 15.47 |
| Sewer | | | | | |
| Average daily WW treatment (MG) | 7.81 | 7.71 | 8.27 | 7.28 | 8.02 |
| Community Development | | | | | |
| Building Permits issued | 7,982 | 8,629 | 7,583 | 7,362 | 7,271 |
| Airport | | | | | |
| No. of fuel gallons sold | 2,418,443 | 2,714,881 | 2,847,905 | 3,015,916 | 2,968,546 |
| Fuel Sales | \$ 9,530,961 | \$ 12,766,985 | \$ 13,876,503 | \$ 14,616,206 | \$ 14,934,003 *** |
| Aircraft served | 12,309 | 13,160 | 18,843 | 13,353 | 12,017 **** |

Source: Various City Departments.

* The Police calls for service had included out of service calls in prior years. A new tracking system implemented in FY 2015.

** There is a correction on the number of water main breaks from 170 to 35 FY 2014.

*** Correction on fuel sales for 2014

****Correction for 2013 and 2014 aircraft served from budget to actual

CITY OF SUGAR LAND, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | |
|---|---------------|--------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| City of Sugar Land | | | | | |
| Population | 86,972 | 87,504 | 87,730 | 117,386 | 118,023 |
| Square miles | 35.2 | 36.5 | 36.5 | 42.9 | 42.9 |
| Acres | 22,500 | 23,341 | 23,341 | 27,425 | 27,424 |
| Budgeted full time equivalent employees | 695.0 | 712.0 | 788.0 | 804.5 | 804.5 |
| Police | | | | | |
| Physical arrests | 2,247 * | 2,033 | 1,951 | 2,279 | 1,848 |
| Traffic violations | 19,364 * | 17,117 | 15,433 | 15,740 | 13,740 |
| Parking violations | 313 * | 446 | 440 | 560 | 527 |
| Calls for service | 70,136 * | 73,546 | 72,597 | 84,468 | 77,195 |
| Fire | | | | | |
| Number of calls answered | 8,248 | 8,197 | 8,867 | 9,464 | 9,587 |
| Parks and recreation | | | | | |
| Special events | 20 | 18 | 12 | 7 | 9 |
| Water | | | | | |
| New connections | 194 | 207 | 210 | 200 | 175 |
| Water main breaks | 45 | 26 | 42 | 33 | 27 |
| Annual Rainfall (inches) | 62.6 | 73.6 | 92.9 | 47.4 | 66.0 |
| Average daily production (MG) | 15.35 | 15.51 | 15.99 | 19.56 | 20.02 |
| Sewer | | | | | |
| Average daily WW treatment (MG) | 8.65 | 8.59 | 8.49 | 10.75 | 10.88 |
| Community Development | | | | | |
| Building Permits issued | 6,798 | 6,973 | 6,683 | 7,850 | 8,585 |
| Airport | | | | | |
| No. of fuel gallons sold | 2,868,330 | 2,820,170 | 3,064,106 | 3,203,339 | 3,237,334 |
| Fuel Sales | \$ 11,551,592 | \$ 9,636,133 | \$ 11,187,372 | \$ 13,048,560 | \$ 13,050,412 |
| Aircraft served | 11,375 ** | 11,648 | 11,510 | 12,274 | 13,207 |

Source: Various City Departments.

* The Police calls for service had included out of service calls in prior years. A new tracking system implemented in FY 2015.

** There is a correction on the number of water main breaks from 170 to 35 FY 2014.

*** Correction on fuel sales for 2014

****Correction for 2013 and 2014 aircraft served from budget to actual

CITY OF SUGAR LAND, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | |
|---|-------------|-------|-------|-------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General government | | | | | |
| Municipal buildings | 36 | 38 | 40 | 40 | 40 |
| Conference center | 1 | 1 | 1 | 1 | 1 |
| Public safety | | | | | |
| Police Protection | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Protection | | | | | |
| Stations within city limits | 5 | 5 | 6 | 6 | 6 |
| Stations operated through agreements with MUDs served in ETJ | 1 | 1 | 1 | 1 | 1 |
| Highways and streets | | | | | |
| Linear miles of sidewalks | 432 | 432 | 450 | 500 | 500 |
| Storm sewers (miles) | 246 | 246 | 338 | 338 | 338 |
| Traffic signals | 80 | 78 | 79 | 81 | 85 |
| Parks and recreation | | | | | |
| Parks | 24 | 23 | 24 | 24 | 24 |
| Community centers | 6 | 6 | 6 | 6 | 6 |
| Parks acreage | | | | | |
| Developed | 562 | 562 | 562 * | 562 * | 571 ** |
| Undeveloped | 695 | 695 | 760 * | 760 * | 807 ** |
| Water | | | | | |
| Water wells | 17 | 17 | 17 | 17 | 16 |
| Water mains (miles) | 415 | 421 | 431 | 431 | 441 |
| Fire hydrants | 3,610 | 3,817 | 3,993 | 4,000 | 4,050 |
| Maximum daily demand (MG) | | | | | |
| Groundwater | 27.20 | 36.07 | 30.14 | 29.89 | 29.97 |
| Waste water | | | | | |
| Waste water treatment plants | 2 | 2 | 2 | 2 | 2 |
| Sanitary sewers (miles) | 381 | 395 | 405 | 405 | 412 |
| Max daily efficiency flow (MG) | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |

Source: Various City Departments.

* This includes NP at 12.9 and SP at 11.4-Add'l Information

** Correcting the data for 2012-2014

*** Well at Sugar Creek Tennis Court Well has been plugged in April 2014-Correction to 2014 data

CITY OF SUGAR LAND, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | |
|---|-------------|-------|-------|-------|-------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| General government | | | | | |
| Municipal buildings | 40 | 40 | 40 | 40 | 40 |
| Conference center | 1 | 1 | 1 | 1 | 1 |
| Public safety | | | | | |
| Police Protection | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Protection | | | | | |
| Stations within city limits | 6 | 6 | 6 | 7 | 7 |
| Stations operated through agreements with MUDs served in ETJ | 1 | 1 | 1 | - | - |
| Highways and streets | | | | | |
| Linear miles of sidewalks | 537 | 537 | 538 | 846 | 903 |
| Storm sewers (miles) | 350 | 350 | 343 | 619 | 662 |
| Traffic signals | 85 | 85 | 88 | 90 | 92 |
| Parks and recreation | | | | | |
| Parks | 26 | 27 | 27 | 27 | 27 |
| Community centers | 6 | 6 | 6 | 6 | 6 |
| Parks acreage | | | | | |
| Developed | 571 | 924 | 963 | 966 | 971 |
| Undeveloped | 807 | 1484 | 1261 | 1261 | 1261 |
| Water | | | | | |
| Water wells | 16 | 16 | 16 | 23 | 23 |
| Water mains (miles) | 452 | 465 | 495 | 643 | 652 |
| Fire hydrants | 4,134 | 4,296 | 4,320 | 5,495 | 5,837 |
| Maximum daily demand (MG) | | | | | |
| Groundwater | 25.84 | 31.00 | 35.70 | 36.22 | 37.27 |
| Waste water | | | | | |
| Waste water treatment plants | 2 | 2 | 2 | 4 | 4 |
| Sanitary sewers (miles) | 426 | 424 | 450 | 549 | 550 |
| Max daily efficiency flow (MG) | 24.3 * | 18.8 | 44.4 | 21.2 | 30.3 |

Source: Various City Departments.

* This includes NP at 12.9 and SP at 11.4-Add'l Information

** Correcting the data for 2012-2014

*** Well at Sugar Creek Tennis Court Well has been plugged in April 2014-Correction to 2014 data

