

**CITY OF SUGAR LAND, TEXAS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2012**

**Officials Issuing Report**

**Allen Bogard  
City Manager**

**Karen Glynn  
Karen Daly  
Steve Griffith  
Assistant City Managers**

**Alka B. Shah  
Chief Accountant**



# MAYOR AND CITY COUNCIL MEMBERS



*List in order: (L to R)*

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



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## **INTRODUCTORY SECTION**

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## CITY OF SUGAR LAND

February 5, 2013

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

Dear Mayor & 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, 2012.

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 unqualified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2012. The independent auditors’ report is located at the front of the financial section of this report.

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

### **PROFILE OF THE GOVERNMENT**

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

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

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

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

## **LOCAL ECONOMY**

In 2012, the City continued to see economic growth. Single family residential development continued at a brisk pace, with 391 permits issued during the year. Commercial development continued but was made up of smaller value projects based on infill development due to economy and limited land availability. Net property values grew 2.33% to \$9.5 billion as of January 1, 2011; an increase of \$216 million over 2010 values. New development accounted for \$165 million of the increase, while existing property values increased by \$51 million. The City adjusted the tax rate to \$0.30245 for 2011, which was the effective tax rate, essentially generating the same revenues as the prior year except for new value to the tax roll. The residential homestead exemption remained at 7%.

New single-family housing starts for fiscal year 2012 totaled 391, a 9.5% decrease from the prior year, however the average permit value of \$299,180 was an increase of 8.1% from the prior year. Development continues in the Telfair and Lake Pointe developments with 373 of the 391 single family permits located in Telfair. A total of 2,843 single family homes have been permitted in Telfair since development began in 2006.

New commercial construction valuation totaled \$24.7 million in value for 17 permits issued; of these permits, 14 were taxable properties with \$14.15 million in construction value, down \$21.2 million from the prior year. Non-taxable commercial construction, which included activity in the City's extraterritorial jurisdiction and City owned projects, totaled \$10.5 million and is down \$59.9 million from the prior year. The non-taxable decrease is largely due to the permitting of Constellation Field and the Surface Water Treatment Plant in the prior year.

The City saw an increase of approximately 8.5% in sales tax over the prior year, as the economy continued to grow. Sales Tax revenues were budgeted at a 3% increase from the previous year, and surpassed those estimates. The City ended the year even better than anticipated; with sales tax revenues totaling \$43.2 million compared to \$39.8 million in the prior year.

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

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

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

As identified in the FMPS, a five year forecasts has been prepared for each of the major operating funds. In the General Fund, the forecast demonstrate maintenance of structural balance with a return to normal growth patterns, including the ability to provide merit increases to employees. The Debt Service Fund is able to maintain balances over the policy requirement of 10% of annual debt service. In addition, the Debt Service Fund shows capacity for additional debt issuance to support the rehabilitation of existing infrastructure. Both funds lack the capacity to support funding all identified capital projects; even if the Debt Service Fund could support the debt payments, the General Fund does not have the capacity to take on the additional operation & maintenance impacts. In the utility fund, rate adjustments will be needed to maintain self-sufficiency as new improvements are constructed to meet the mandated conversion to surface water. Increases on the water & wastewater rates are planned to be deferred until the surface water and pumpage rates are fully implemented in FY14, to minimize the impact on ratepayers.

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

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Implement the mandated conversion to surface water in 2013
- Limit operating budget funded from sales tax to 50%
- Meet current and future debt service needs
- Fund the recommended Five-Year CIP and resulting operating expenditures

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

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as public safety; planning; community development & code enforcement; public improvements; repair & maintenance of infrastructure; animal control; recreational and community activities; and general administrative & support services. The General Fund continues to fund all current services throughout the forecast. The forecast includes additions to operating expenditures as identified in the Five Year CIP for FY12-FY16 and a return to modest merit increase for employees. Recurring operating expenditures increase by 5.6% from FY12 to FY16 due to additions to the budget for the operating impact of capital projects and growth in personnel

## **LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES (continued)**

costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast due to its focus on structural balance.

The Debt Service Fund is anticipated to be able to support approximately \$50 million in new debt for projects in the five year CIP, due to decreases in debt service requirements and an assumed growth in tax revenues.

The City's Five-Year CIP totals \$128.99 million for FY13-FY17 and consists of 135 projects, including 26 carryover projects. Funding sources were identified as capacity was determined in the various financial plans and the timing of projects was adjusted to meet affordability. All projects included in the approved CIP have identified funding sources. However, an additional \$55.2 million in projects that were requested are not funded in the five year CIP. Some projects exceed the available debt capacity, while some have an operating impact that cannot be supported within available resources. The list of unfunded projects is a starting point for a General Obligation Bond referendum, which is anticipated in November 2013.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

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

The City and Opening Day Partners celebrated completion of Constellation Field at the end of April 2012 with sell-out crowds for many of the 70 home games played through the season. The stadium, home of the Sugar Land Skeeters, has drawn significant attention in the Houston area. Its family friendly atmosphere has been a hit with residents and visitors alike, averaging attendance of 6,751 per game throughout the first season, with total attendance exceeding 460,000. The City's \$30-million contribution to the stadium was funded through 4B sales tax revenues that may only be used for economic development purposes.

Throughout the year, staff looked for opportunities to streamline and capitalize on savings opportunities. Anticipating a 20% increase in healthcare costs in 2012, the City decided to transition to a self-funded medical plan instead of traditional private insurance coverage. Employees have the same network of doctors available; however the elimination of the insurance company to pay claims saves the City money, which then helps maintain stability in premiums. We have also stepped up our wellness efforts to promote healthy lifestyles, including preventative care, activities for employees, and a wellness challenge.

Sugar Land Town Square is a 32-acre, award-winning, mixed-use, public-private development. The area contains over 1.4 million square feet of office, retail and residential space including a 300 room hotel and conference center. The development reached its tenth year in 2012 and had exceeded expectations in all aspects of its performance.

Lake Pointe Town Center, the 186-acre mixed-use development at State Highway 6 and U.S. 59, rounded out its 180,000-plus square feet of retail space with tenants such as Whole Foods, Post Oak Grill, Coal Vines, Churrascos and GiGi's Cupcakes. The largest Hyatt Place Hotel built to date also opened its doors in Lake Pointe in November 2010. This upscale, select service hotel features 214 rooms and more than 4,000 square feet of flexible, high-tech meeting and function space.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued)

Imperial Redevelopment progressed in FY2012 with approval of the first zoning for the planned development by the city council. Sugar Land's public/private partnership with Johnson Development, the Texas General Land Office, Cherokee Investments and the Imperial Sugar Company remains strong. With the completion of Constellation Field, development continues in the rest of the redevelopment area with roadways and infrastructure in place and ready to support further development activities. The City's continued goal is to guide the redevelopment of the Imperial Sugar refinery site to accomplish historic preservation, continued aesthetic/ architectural quality and economic development objectives to create a successful and vibrant community project. The City reached some important milestones this year including approval of zoning changes in Telfair and Imperial that will likely result in some key development activity on the horizon in the Telfair, Imperial and Riverstone developments.

Some key economic development projects are coming to fruition at this time that will impact our City over the next year. Costco has selected Sugar Land for the site of their next store, planning for a 2013 opening. Fluor Enterprises, Inc. has entered into a memorandum of understanding with the City for a future multi-facility corporate campus that will be located on a 50 acre site in the Telfair commercial district along US59 and University Blvd. Projected capital investment is \$165 million for the project with retention of at least 2,000 jobs in the City upon relocation. Other new businesses relocating to Sugar Land include the corporate headquarters for Team Industrial Services and a business division of United Healthcare called Optum RX bringing over 400 jobs for the combined projects. In addition, expansions of existing businesses have been initiated by Noble Drilling Services, World Trading and Schlumberger.

Other accomplishments for FY 2012 included:

- Opening of Fire Station #7, the City's first LEED designed & certified facility, funded through a partnership with New Territory and located in the Telfair development.
- Sugar Land was named the 21st safest city in America. The national ranking is included in CQ Press' City Crime Rankings 2011-2012.
- The Arbor Day Foundation recognized Sugar Land as a Tree City USA community.
- Professional Pilot's 39th annual Preferences Regarding Aviation Services and Equipment (PRASE) survey ranked GlobalSelect second on their "Best FBO in the United States" list.
- GlobalSelect also received recognition as the "Most Improved FBO," an award recognizing the largest increase in ranking position compared with the previous year.
- Aviation International News again rated Global Select at Sugar Land Regional Airport as one of the top Fixed Based Operators (FBO) in the Western Hemisphere.
- The Houston-Galveston Area Council (H-GAC) recognized the city of Sugar Land with its "Best All-Around Clean Air Leadership" award for the City's positive impact on air quality within the Houston region.
- The International City/County Management Association (ICMA) recently presented Sugar Land with the 2011 Community Sustainability Award for the City's multi-cultural outreach and education efforts.
- The Sugar Land Development Corporation (SLDC) and the Sugar Land 4B Corporation (SL4B) were each awarded a Certificate for Achievement of Economic Excellence at the Texas Economic Development Council's spring 2012 conference.
- The Anti-Defamation League recognized Sugar Land for the fifth straight year as a Community of Respect for its ongoing commitment to foster an inclusive and respectful community.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued)**

- The Parks and Recreation Department received an Arts and Humanities Award from the Texas Recreation and Parks Society (TRAPS) for the City's Bernar Venet Sculpture Garden at Oyster Creek Park.

## **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, 2011.

This was the twenty-eighth 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, 2011- September 30, 2012. This was the sixteenth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

## **ACKNOWLEDGEMENTS**

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

Respectfully submitted,



Allen Bogard, City Manager



**CITY OF SUGAR LAND, TEXAS**  
**PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2012**

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
James A. Thompson	Mayor	2014
Himesh Gandhi	Council Member at Large - Position One	2014
Joe R. Zimmerman	Council Member at Large - Position Two	2014
Donald L. Smithers	Council Member District One, Mayor Pro Tem	2013
Bridget Yeung	Council Member District Two	2013
Amy Mitchell	Council Member District Three	2013
Harish Jajoo	Council Member District Four	2013

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

**CITY OF SUGAR LAND**

*EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2012*

**CITY OF SUGAR LAND  
ORGANIZATIONAL CHART**



# 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, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emen*

Executive Director

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**FINANCIAL SECTION**

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the “City”) as of and for the year ended September 30, 2012, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of City’s management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Sugar Land, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas  
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 68 through 71 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules and other supplementary information, and budgetary comparison schedules are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the introductory and statistical sections, listed in the foregoing table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Whitley Penn LLP*

Houston, Texas  
February 5, 2013



**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, 2012.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$560.4 million (*net assets*). Of this amount, \$37.5 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$57.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$60.7 million, a decrease of \$12.6 million over the prior year. Approximately 40% of this total amount, \$24.3 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$24.3 million, or 40% of total general fund expenditures.
- The City's total long-term liabilities increased by \$2.9 million due primarily to 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 17 through 19 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 77 through 80. The three funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 20 through 23 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 and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 24 through 26 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 29 through 65 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 68 through 71 of this report.

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$560.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 89%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2012. 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 ASSETS**

*September 30, 2012 and 2011*

*Amounts in (000's)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 83,394	\$ 98,050	\$ 123,272	\$ 135,339	\$ 206,666	\$ 233,389
Capital assets	374,768	330,897	348,235	296,097	723,003	626,994
<b>Total Assets</b>	<u>458,162</u>	<u>428,947</u>	<u>471,507</u>	<u>431,436</u>	<u>929,669</u>	<u>860,383</u>
Other liabilities	14,809	19,384	24,322	11,345	39,131	30,729
Long-term liabilities	141,501	154,292	188,670	172,764	330,171	327,056
<b>Total Liabilities</b>	<u>156,310</u>	<u>173,676</u>	<u>212,992</u>	<u>184,109</u>	<u>369,302</u>	<u>357,785</u>
<b>Net Assets</b>						
Invested in capital assets,						
net of related debt	255,293	213,684	240,741	224,092	496,034	437,776
Restricted	18,863	14,706	7,926	7,475	26,789	22,181
Unrestricted	27,698	26,881	9,848	15,760	37,546	42,641
<b>Total Net Assets</b>	<u>\$ 301,854</u>	<u>\$ 255,271</u>	<u>\$ 258,515</u>	<u>\$ 247,327</u>	<u>\$ 560,369</u>	<u>\$ 502,598</u>

An additional portion of the City's net assets (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$37.5 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 assets, 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.

The most significant change in net assets occurred with an increase to net assets invested in capital assets, net of related debt of \$58.3 million due primarily to an increase in capital contributions.

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

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

**COMPARATIVE SCHEDULE OF CHANGES IN NET ASSETS**

*For the Years Ended September 30, 2012 and 2011*

*Amounts in (000's)*

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 11,373	\$ 11,382	\$ 61,288	\$ 55,245	\$ 72,661	\$ 66,627
Operating grants and contributions	1,567	1,020	84	355	1,651	1,375
Capital grants and contributions	43,197	42,497	6,297	8,193	49,494	50,690
<b>General revenues:</b>						
Property taxes	28,282	27,540			28,282	27,540
Sales and use taxes	40,549	37,107			40,549	37,107
Franchise taxes	5,162	4,732			5,162	4,732
Other	1,305	1,117	429	264	1,734	1,381
<b>Total Revenues</b>	<b>131,435</b>	<b>125,395</b>	<b>68,098</b>	<b>64,057</b>	<b>199,535</b>	<b>189,452</b>
<b>Expenses</b>						
General government	11,464	11,969			11,464	11,969
Administrative services	9,802	12,721			9,802	12,721
Public safety - Police	18,354	18,095			18,354	18,095
Public safety - Fire	10,899	10,200			10,899	10,200
Public works	22,312	17,028			22,312	17,028
Parks and recreation	8,504	7,264			8,504	7,264
Community development	4,856	4,039			4,856	4,039
Interest on long-term debt	5,909	6,556			5,909	6,556
Utility			28,574	26,487	28,574	26,487
Solid Waste Management			5,088	5,306	5,088	5,306
Regional Airport			16,003	14,874	16,003	14,874
<b>Total Expenses</b>	<b>92,100</b>	<b>87,872</b>	<b>49,665</b>	<b>46,667</b>	<b>141,765</b>	<b>134,539</b>
Increase (decrease) in net assets before special item and transfers	39,335	37,522	18,434	17,389	57,770	54,911
Special Item - annexation Transfers	7,246	5,719	(7,246)	(5,719)		
Increase (decrease) in net assets	46,582	43,241	11,188	11,670	57,770	54,911
<b>Net assets - beginning</b>	<b>255,272</b>	<b>212,031</b>	<b>247,327</b>	<b>235,657</b>	<b>502,599</b>	<b>447,688</b>
<b>Net assets - ending</b>	<b>\$ 301,854</b>	<b>\$ 255,272</b>	<b>\$ 258,515</b>	<b>\$ 247,327</b>	<b>\$ 560,369</b>	<b>\$ 502,599</b>

The government's net assets increased by approximately \$57.8 million, which was a result of an increase in net assets of both governmental and business-type activities. The increase in net assets of governmental activities was a result of an increase in all sources of revenues including capital contributions, sales tax, property tax, franchise tax, and other revenues and a decrease in some program expenses. The increase in net assets of business-type activities was primarily a result of increases in charges for services and capital contributions for both the utility fund and the regional airport.

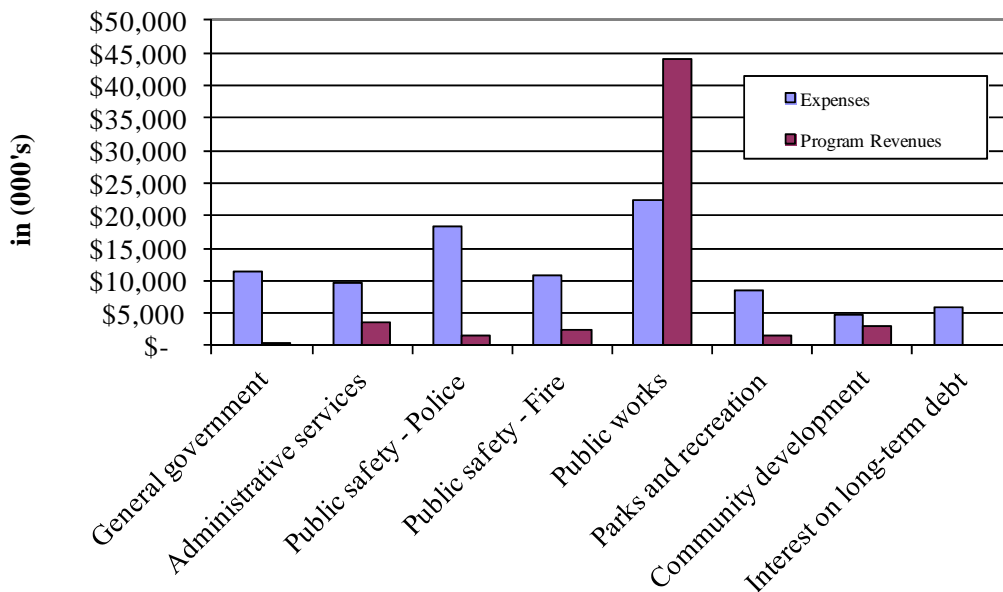
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

Governmental activities increased the City's net assets by \$46.6 million. Key elements of this increase are as follows:

- An increase in sales & use tax revenues by \$3.4 million.
- An increase in property tax revenues by \$0.7 million.
- An increase in franchise tax revenues by \$0.4 million.
- An increase in operating grants and contributions by \$0.5 million.
- Capital grants and contributions of \$43.1 million consisting primarily of the minor league baseball stadium, University Blvd. upgrade, and developer contributions in the Telfair and Imperial subdivisions.
- A decrease in expenses of \$1.5 million.

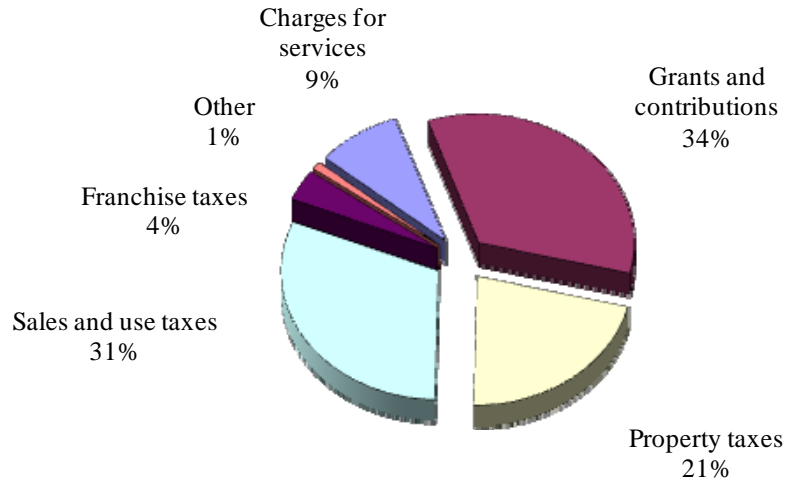
**Expenses and Program Revenues - Governmental Activities**



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

**Governmental Activities (continued)**

**Revenues by Source - Governmental Activities**



**Business-type Activities**

Business-type activities increased the City's net assets by \$11.2 million. Key elements of this increase are as follows:

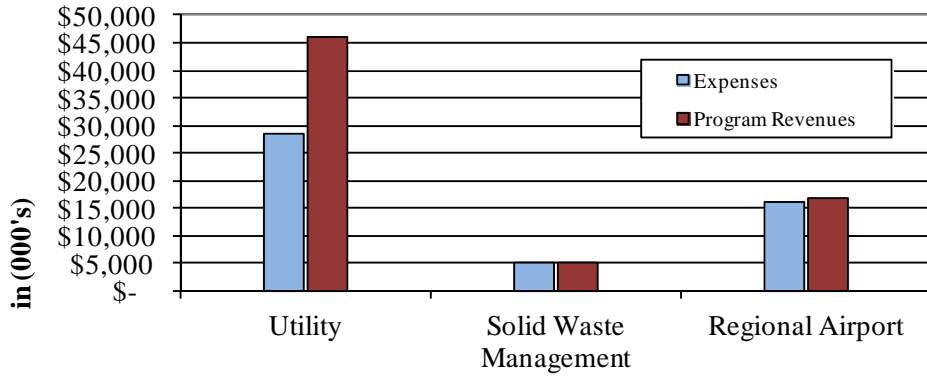
- Capital contribution of \$5.2 million from developers of subdivision assets.
- Capital grants of \$1.0 million for the Regional Airport.
- Charges for utility services resulted in an increase in revenues of approximately \$6.0 million as a result of an increase in surface water rates.
- Charges for service for the Regional Airport resulted in an increase in revenues of \$1.3 million as a result of increases in fuel sales, hanger leases & miscellaneous revenues.

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

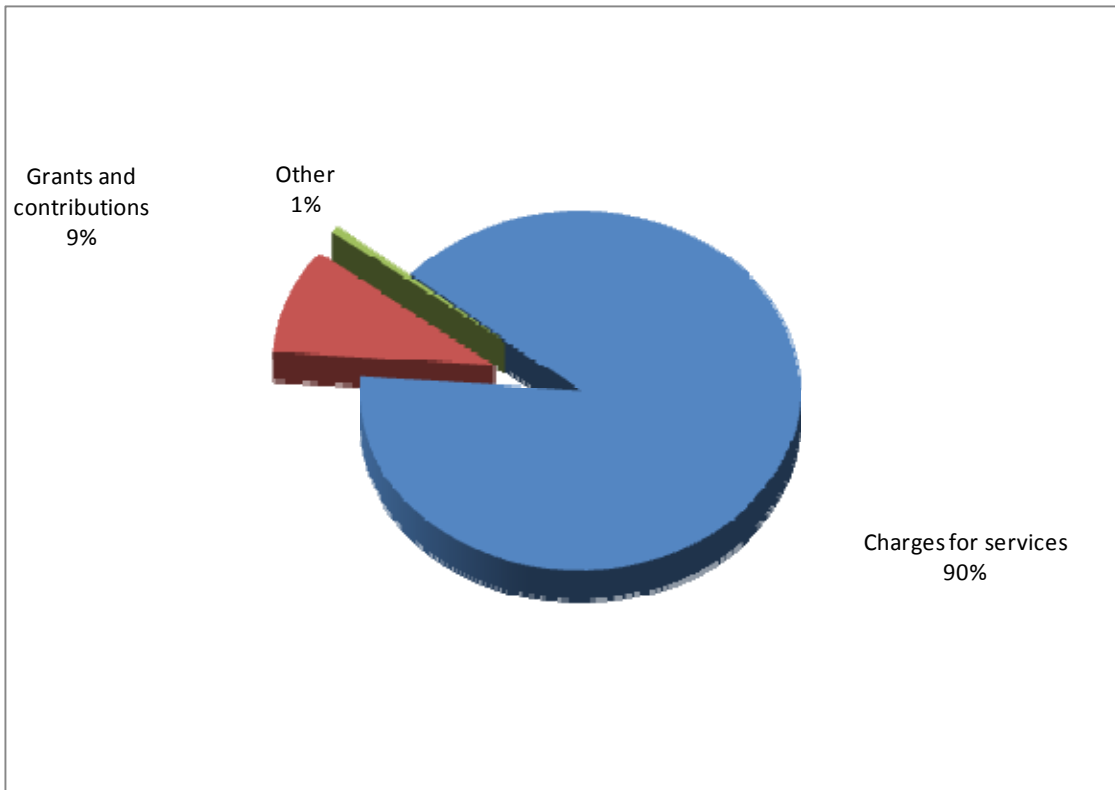
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities (continued)**

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



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





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

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

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$60.7 million, a decrease of \$12.6 million from the prior year. Approximately 40% of the combined ending fund balances, \$24.3 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with a decrease of \$15.4 million. This decrease is primarily due to capital outlay expenditures of \$38.6 million in the current year. The decrease in fund balance was offset by the intergovernmental revenues of \$27.4 million and transfers from other funds of \$4.5 million. Other significant activity in governmental funds relates to the increase of fund balance of approximately \$3.4 million in the Sugar Land Development Corporation Fund. This increase was primarily due to an increase in sales tax revenues of \$0.5 million, a decrease of \$0.9 million in administrative service expenditures, and a decrease of \$7.6 million in transfers to the Capital Project Fund.

Fund balance in the General Fund decreased from prior year, by \$1.1 million, resulting in an ending fund balance of \$25.1 million at year end. The unassigned fund balance of \$24.3 million represents 40% of annual fund expenditures.

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

The Utility Fund has unrestricted net assets at fiscal year-end of \$7.7 million. The Solid Waste Fund has approximately \$51 thousand in unrestricted net assets, and the Airport Fund's unrestricted net assets amounted to just over \$3.7 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**

During the year there were increases between the original and final amended budget appropriations of \$1.6 million. The increase in appropriations was primarily due to carryover of appropriations from the prior year.

Budget estimates for revenues between the original and final amended budget increased by \$1.6 million. This increase was primarily due to an increase in sales tax collections.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the City's governmental activities and business-type activities had invested \$374.8 million and \$348.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$43.9 million or 13.3% percent over the end of last fiscal year for the governmental activities' capital assets and a change of \$52.1 million or 17.6% percent for the business-type activities' capital assets.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land and intangibles	\$ 81,411	\$ 79,766	\$ 13,165	\$ 12,675	\$ 94,576	\$ 92,441
Construction in progress	48,078	50,436	84,805	51,320	132,883	101,756
Infrastructure	131,680	121,693	231,910	216,533	363,590	338,226
Buildings and improvements	99,075	68,860	13,677	12,239	112,751	81,099
Equipment and furniture	14,525	10,142	4,679	3,330	19,204	13,472
<b>Total Capital Assets</b>	<b>\$ 374,768</b>	<b>\$ 330,897</b>	<b>\$ 348,236</b>	<b>\$ 296,097</b>	<b>\$ 723,005</b>	<b>\$ 626,994</b>

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

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$330.2 million. Of this amount, \$79.6 million was general obligation debt (including \$5.5 million of annexed/dissolved utility district bonds), and \$89.9 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and capital lease obligations account for \$153.3 million and \$1.7 million respectively.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
General obligation bonds	\$ 79,620	\$ 83,855	\$	\$	\$ 79,620	\$ 83,855
Revenue bonds	9,485	10,010	80,400	62,225	89,885	72,235
Certificates of obligation	45,377	54,314	107,968	110,246	153,345	164,560
Premiums or discounts	1,760	1,333	147	184	1,907	1,517
Capital leases payable	1,665	2,031			1,665	2,031
Other obligations	3,594	2,930	155	109	3,749	3,039
	<b>\$ 141,500</b>	<b>\$ 154,473</b>	<b>\$ 188,670</b>	<b>\$ 172,764</b>	<b>\$ 330,171</b>	<b>\$ 327,237</b>

The net increase in debt for the year was \$2.9 million or 1% percent. This was primarily due to the issuance of new debt of \$21.9 million for waterworks and sewer system revenue bonds. These increases were offset by debt principal retirement totaling \$19.7 million.

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

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

**Long-Term Debt (continued)**

The most recent ratings on debt issues are as follows:

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

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

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

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

The unemployment rate in the City of Sugar Land as of September 2012 was 4.5%, down from the 6.5% seen in the prior year. The U.S. unemployment rate in September 2012 was 7.8% while the Texas rate was 6.8% and the Houston-Sugar Land-Baytown MSA saw a 6.3% unemployment rate.

The City began to experience growth in sales tax revenues once again, ending the year approximately 8.5% higher than the prior year. The twelve month moving average of sales tax growth was over 5% for the entire fiscal year, with a 12 month moving average growth of 10% at September 2012.

Although we anticipate continued progress into fiscal year 2013, the budget was prepared based on moderate revenue estimates for both sales and property taxes, approximately 3% growth over fiscal year 2012 levels. The fiscal year 2013 budget was prepared to allow the City to maintain existing service levels, maintain structural balance, and continue to implement our Capital Improvements Program and Strategic Planning efforts.

As with any financial forecast, strategies are in place to deal with any divergence from the planned course; these are outlined in the City Council adopted Financial Management Policy Statements (FMPS). The staffing reductions that were made in fiscal year 2011 were accomplished with no layoffs, and carried through fiscal year 2012 where the budget did not add any new positions City-wide. City services continue to be delivered at high quality levels, as expected. Any additions to the budget have undergone thorough scrutiny to determine if alternatives are available and what the impact would be to services if the request cannot be funded.

The total budget for fiscal year 2013 is \$181.6 million and represents a 0.26 % decrease from the fiscal year 2012 budget. Operating Funds show an increase of 5.02% or \$7.4 million, driven primarily by the Utility and Airport Enterprise Funds and Component Units. The Capital Projects budget is a 22% decrease or \$7.85 million less than fiscal year 2012.

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

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

Overall positions in the budget are increasing by 13.5 full-time equivalent positions, with only 2 in the general fund, 3 in utilities (water/surface water) and 8.5 for the airport. The City has not added positions in several years. These additions will give the City 655 authorized full-time equivalent positions, a ratio of 7.75 employees per 1,000 residents.

The 2012 tax rate for the City, at \$0.30895 per hundred dollars valuation, remains one of the lowest rates in the state. The tax rate for 2012 is an increase of 0.0065 from the 2011 rate. The increase in the tax rate is necessary to support the increased cost of operating the City and existing debt service requirements. There is no change recommended to the homestead exemption in fiscal year 2013. The information available on the tax roll by the deadline of June 30th indicated that it was in the City's best interest to leave the exemption amount at its current level of 7 percent. The adopted tax rate will result in an increase of 2.7% to the average residential tax bill. This increase in the tax bill is consistent with our historical increases. On average, the adopted a tax rate has been 3% higher than the effective tax rate over the last decade.

The budget includes revenue increases that result from incorporating recommendations from the comprehensive user fee study that has been ongoing this year. Adjustments are recommended in several areas to more closely reflect the City's cost of providing services. Increased revenues are incorporated for fire protection fees, which increase each September based on the annual CPI increase.

As we implement the mandated reduction in groundwater usage, there are increases that have been planned for years that need to occur in order to make the surface water conversion sustainable for all participants in the City's groundwater reduction plan (GRP). Participants pay a fee per 1,000 gallons of water pumped from groundwater sources. The current pumpage fee of \$1.32 will increase to \$1.50 in January 2013 and will be applied to all participants in the GRP. The planned fee increase is one step closer to reaching the ultimate cost when the surface water treatment plant begins operation in 2013.

To minimize the impact to City utility customers, there are no increases for the water or wastewater portion of the utility bill. City customers are billed based on metered usage at a rate of \$1.42 per 1,000 gallons; this rate will increase to \$1.61 per 1,000 gallons in January 2013; for a resident who uses an average of 11,000 gallons monthly, the overall utility bill will increase from the current \$66.19 to \$68.30 per month, a \$2.12 or 3.2% increase.

Due to the success of the citywide conversion to automated residential solid waste pickup in December 2011, Republic Services, has agreed to waive the scheduled increase in rates for 2013, so the City's residents will see no change in the \$16.00 per month solid waste collection fee for another year.

Fee adjustments were approved by Ordinance No. 1874 on October 2, 2012, and became effective January 1, 2013.

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF NET ASSETS**

September 30, 2012

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and equivalents	\$ 42,873,691	\$ 23,207,127	\$ 66,080,818	\$ 1,278,914
Cash with fiscal agent	1,592,683		1,592,683	
Investments	17,007,747	4,254,462	21,262,209	500,605
Receivables, net of allowance for uncollectibles	18,248,248	6,762,905	25,011,153	936,119
Interest receivable	16,630	38,384	55,014	713
Internal balances	1,549,636	(1,549,636)		
Due from other governments	815,091	66,867	881,958	
Inventories	160,636	405,006	565,642	
Prepaid items	149,799	48,400	198,199	1,639
Deferred charges	979,976	735,658	1,715,634	271,517
Restricted assets		89,302,527	89,302,527	4,727,457
Capital assets not being depreciated:				
Land	80,692,847	13,165,371	93,858,218	
Intangibles	717,883		717,883	
Construction in progress	48,077,950	84,805,113	132,883,063	
Capital assets net of depreciation:				
Infrastructure	131,679,823	231,910,138	363,589,961	
Buildings and improvements	99,074,748	13,676,634	112,751,382	
Equipment and furniture	14,525,380	4,678,770	19,204,150	
<b>Total Capital Assets</b>	<u>374,768,631</u>	<u>348,236,026</u>	<u>723,004,657</u>	
<b>Total Assets</b>	<u>458,162,768</u>	<u>471,507,726</u>	<u>929,670,494</u>	<u>7,716,964</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	13,719,096	19,028,974	32,748,070	73,713
Unearned revenue	305,427		305,427	
Customer deposits	81,547	4,318,269	4,399,816	
Accrued interest	702,714	974,729	1,677,443	219,421
<b>Long-term liabilities:</b>				
Due within one year	13,563,555	6,998,091	20,561,646	1,781,195
Due in more than one year	127,936,514	181,672,342	309,608,856	40,062,505
<b>Total Liabilities</b>	<u>156,308,853</u>	<u>212,992,405</u>	<u>369,301,258</u>	<u>42,136,834</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	255,292,792	240,740,748	496,033,540	
<b>Restricted for:</b>				
Debt service	6,165,625	7,926,333	14,091,958	4,503,940
Development activities	10,918,203		10,918,203	132,031
Public safety	1,779,756		1,779,756	
Unrestricted	27,697,539	9,848,240	37,545,779	(39,055,841)
<b>Total Net Assets</b>	<u>\$ 301,853,915</u>	<u>\$ 258,515,321</u>	<u>\$ 560,369,236</u>	<u>\$ (34,419,870)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2012*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 11,463,677	\$ 4,772	\$ 108,288	\$
Administrative services	9,802,035	3,663,149		
Public safety - Police	18,354,251	1,355,305	129,415	
Public safety - Fire	10,898,603	2,102,494	258,383	
Public works	22,311,568	1,399,569	410,757	42,168,562
Parks and recreation	8,504,303	472,019	39,020	1,028,207
Community development	4,855,764	2,376,127	620,685	
Interest on long-term debt	5,908,721			
<b>Total governmental activities</b>	<u>92,098,922</u>	<u>11,373,435</u>	<u>1,566,548</u>	<u>43,196,769</u>
Business-type activities:				
Utility	28,574,352	40,543,433	37,593	5,296,899
Solid Waste Management	5,087,731	5,068,656		
Regional Airport	16,002,860	15,675,468	46,678	1,000,554
<b>Total business-type activities</b>	<u>49,664,943</u>	<u>61,287,557</u>	<u>84,271</u>	<u>6,297,453</u>
<b>Total primary government</b>	<u>\$ 141,763,865</u>	<u>\$ 72,660,992</u>	<u>\$ 1,650,819</u>	<u>\$ 49,494,222</u>
<b>Component Units</b>				
Sugar Land 4B Corporation	\$ 21,872,520		\$ 144,008	
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1	828,694		7,539	
<b>Total component units</b>	<u>\$ 22,701,214</u>		<u>\$ 151,547</u>	
<b>General revenues:</b>				
Property taxes				
Sales and use taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
<b>Transfers</b>				
<b>Total general revenues and transfers</b>				
Change in net assets				
<b>Net assets - beginning</b>				
<b>Net assets - ending</b>				

*See Notes to Financial Statements.*



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

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (11,350,617)	\$	\$ (11,350,617)	
(6,138,886)		(6,138,886)	
(16,869,531)		(16,869,531)	
(8,537,726)		(8,537,726)	
21,667,320		21,667,320	
(6,965,057)		(6,965,057)	
(1,858,952)		(1,858,952)	
(5,908,721)		(5,908,721)	
<u>(35,962,170)</u>		<u>(35,962,170)</u>	
	17,303,573	17,303,573	
	(19,075)	(19,075)	
	719,840	719,840	
	<u>18,004,338</u>	<u>18,004,338</u>	
<u>\$ (35,962,170)</u>	<u>\$ 18,004,338</u>	<u>\$ (17,957,832)</u>	
			\$ (21,728,512)
			<u>(821,155)</u>
			<u>(22,549,667)</u>
28,282,258		28,282,258	839,123
40,549,441		40,549,441	5,462,745
5,161,877		5,161,877	
250,959	429,350	680,309	34,680
1,054,383		1,054,383	36,926
7,245,571	(7,245,571)		
<u>82,544,489</u>	<u>(6,816,221)</u>	<u>75,728,268</u>	<u>6,373,474</u>
46,582,319	11,188,117	57,770,436	(16,176,193)
<u>255,271,596</u>	<u>247,327,204</u>	<u>502,598,800</u>	<u>(18,243,677)</u>
<u>\$ 301,853,915</u>	<u>\$ 258,515,321</u>	<u>\$ 560,369,236</u>	<u>\$ (34,419,870)</u>

**CITY OF SUGAR LAND, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2012

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 10,945,808	\$ 2,285,075	\$ 10,878,628	\$ 13,527,043	\$ 37,636,554
Cash with fiscal agent			45,438	1,205,245	1,250,683
Investments	12,003,199	250,000	4,253,943	500,605	17,007,747
Receivables, net of allowance for uncollectibles	7,160,213	173,404	8,023,508	2,944,639	18,301,764
Interest receivable	10,116	397	5,404	713	16,630
Due from other governments	749,569		15,917	49,605	815,091
Inventories	160,636				160,636
Prepaid items	43,861			2,740	46,601
<b>Total Assets</b>	<b>\$ 31,073,402</b>	<b>\$ 2,708,876</b>	<b>\$ 23,222,838</b>	<b>\$ 18,230,590</b>	<b>\$ 75,235,706</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,817,988	\$ 2,500	\$ 7,157,214	\$ 659,121	\$ 10,636,823
Accrued expenditures	2,143,388		6,059	6,093	2,155,540
Other payables	81,547				81,547
Deferred revenue	913,550	173,404	615,840		1,702,794
<b>Total Liabilities</b>	<b>5,956,473</b>	<b>175,904</b>	<b>7,779,113</b>	<b>665,214</b>	<b>14,576,704</b>
<b>Fund balances:</b>					
Nonspendable:					
Inventories	160,635				160,635
Prepaid items	43,861			2,740	46,601
Restricted:					
Debt service		2,532,972		4,864,677	7,397,649
Capital projects			15,443,725		15,443,725
Development activities				10,918,203	10,918,203
Public safety				1,779,756	1,779,756
Assigned for other purposes	652,316				652,316
Unassigned	24,260,117				24,260,117
<b>Total Fund Balances</b>	<b>25,116,929</b>	<b>2,532,972</b>	<b>15,443,725</b>	<b>17,565,376</b>	<b>60,659,002</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 31,073,402</b>	<b>\$ 2,708,876</b>	<b>\$ 23,222,838</b>	<b>\$ 18,230,590</b>	<b>\$ 75,235,706</b>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

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

**STATEMENT OF NET ASSETS**

*September 30, 2012*

Total fund balance, governmental funds \$ 60,659,002

Amounts reported for governmental activities in the Statement of Net Assets 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 Assets. The cost of the assets is \$612,677,262 and the accumulated depreciation is \$240,660,902. 372,016,360

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Deferred bond issuance costs	\$ 979,976	
Deferred revenue	<u>1,397,368</u>	
		2,377,344

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

Bonds payable, at maturity	(134,481,996)	
Accrued interest on the bonds	(702,714)	
Deferred loss on refunding	1,322,114	
Premium/discount of bonds payable	(1,759,679)	
Capital lease obligation	(1,664,554)	
Compensated absences	(2,234,500)	
Sales tax payable	<u>(1,689,893)</u>	
		(141,211,222)

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 Assets. 8,012,431

Net Assets of Governmental Activities in the Statement of Net Assets \$ 301,853,915

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

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

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2012*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$ 15,624,991	\$ 12,617,094	\$	\$	\$ 28,242,085
Sales and use taxes	32,776,437			7,335,384	40,111,821
Franchise taxes	5,161,877				5,161,877
Licenses and permits	2,332,393				2,332,393
Fines and forfeitures	2,103,752			1,295,532	3,399,284
Charges for services	3,182,908				3,182,908
Investment earnings	130,944	11,545	67,708	32,659	242,856
Intergovernmental	937,318		27,387,274	1,617,401	29,941,993
Other	73,369	475,902	581,193	62,892	1,193,356
<b>Total Revenues</b>	<u>62,323,989</u>	<u>13,104,541</u>	<u>28,036,175</u>	<u>10,343,868</u>	<u>113,808,573</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	8,961,795			1,388,725	10,350,520
Administrative services	5,417,702	1,057,982		190,076	6,665,760
Public Safety - Police	16,923,489			692,151	17,615,640
Public Safety - Fire	10,236,815				10,236,815
Public Works	8,558,572		6,722,379		15,280,951
Parks and recreation	4,769,757		2,475,978		7,245,735
Community development	4,781,203				4,781,203
<b>Debt Service:</b>					
Principal	366,300	12,751,995		525,000	13,643,295
Interest and other charges	52,261	5,281,266		436,049	5,769,576
<b>Capital Outlay</b>			<u>38,581,115</u>	<u>240,500</u>	<u>38,821,615</u>
<b>Total Expenditures</b>	<u>60,067,894</u>	<u>19,091,243</u>	<u>47,779,472</u>	<u>3,472,501</u>	<u>130,411,110</u>
Excess (deficiency) of revenues over expenditures	<u>2,256,095</u>	<u>(5,986,702)</u>	<u>(19,743,297)</u>	<u>6,871,367</u>	<u>(16,602,537)</u>
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued		9,440,000			9,440,000
Premium on debt issued		806,260			806,260
Payment to escrow agent		(10,328,482)			(10,328,482)
Sale of capital assets	90,953				90,953
Transfers in	3,851,961	4,740,570	4,457,042	468,650	13,518,223
Transfers (out)	(7,299,176)	(43,494)	(202,000)	(1,985,518)	(9,530,188)
<b>Total other Financing Sources and Uses</b>	<u>(3,356,262)</u>	<u>4,614,854</u>	<u>4,255,042</u>	<u>(1,516,868)</u>	<u>3,996,766</u>
Net change in fund balances	(1,100,167)	(1,371,848)	(15,488,255)	5,354,499	(12,605,771)
<b>Fund balances - beginning</b>	<u>26,217,096</u>	<u>3,904,820</u>	<u>30,931,980</u>	<u>12,210,877</u>	<u>73,264,773</u>
<b>Fund balances - ending</b>	<u>\$ 25,116,929</u>	<u>\$ 2,532,972</u>	<u>\$ 15,443,725</u>	<u>\$ 17,565,376</u>	<u>\$ 60,659,002</u>

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**BALANCES OF**

**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2012*

Net change in fund balances - total governmental funds: \$ (12,605,771)

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 (\$12,190,960) is exceeded by capital outlays (\$39,642,420) in the current period. 27,451,460

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. 17,002,455

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 assets differs from the change in fund balance by the cost of the asset sold. (14,491)

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. 507,824

Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. 13,154,938

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 (396,229)

Changes in accrued compensated absences (135,681)

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. 1,617,814

Change in net assets of governmental activities \$ 46,582,319

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

September 30, 2012

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 19,131,826	\$ 4,075,301	\$	\$ 23,207,127	\$ 5,237,137
Investments	4,254,462			4,254,462	342,000
Accounts receivable, net of allowance for doubtful accounts	5,911,149	288,928	562,828	6,762,905	14,682
Receivables from other governments	20,189	46,678		66,867	
Interest receivable	38,384			38,384	
Inventories	128,237	276,769		405,006	
Prepaid items	41,444	6,956		48,400	35,000
Deferred charges	693,994	41,664		735,658	
Restricted cash and investments	88,848,867	453,660		89,302,527	
<b>Total current assets</b>	<b>119,068,552</b>	<b>5,189,956</b>	<b>562,828</b>	<b>124,821,336</b>	<b>5,628,819</b>
<b>Non-current assets:</b>					
<b>Capital Assets:</b>					
Land and improvements	3,023,887	10,141,484		13,165,371	
Construction in progress	84,056,423	748,690		84,805,113	
Infrastructure	317,998,653	39,483,846		357,482,499	
Buildings	853,337	16,887,636		17,740,973	
Equipment and Furniture	3,970,052	3,802,347		7,772,399	8,239,671
Less Accumulated depreciation	(116,118,196)	(16,612,133)		(132,730,329)	(5,487,403)
<b>Total non-current assets</b>	<b>293,784,156</b>	<b>54,451,870</b>		<b>348,236,026</b>	<b>2,752,268</b>
<b>Total assets</b>	<b>412,852,708</b>	<b>59,641,826</b>	<b>562,828</b>	<b>473,057,362</b>	<b>8,381,087</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	17,710,057	809,676	509,241	19,028,974	1,673,098
Accrued interest payable	914,475	60,254		974,729	
Customer deposits	4,238,199	80,070		4,318,269	691
Compensated absences	10,000			10,000	
Capital lease obligation					
Claims and judgments					
Bonds and certificates of obligation payable	701,490	562,601		1,264,091	
<b>Total current liabilities</b>	<b>23,574,221</b>	<b>1,512,601</b>	<b>509,241</b>	<b>25,596,063</b>	<b>1,673,789</b>
<b>Non-current liabilities:</b>					
Compensated absences	160,365	91,516	2,551	254,432	
Bonds and certificates of obligation payable	176,801,506	10,340,404		187,141,910	
<b>Total non-current liabilities</b>	<b>176,961,871</b>	<b>10,431,920</b>	<b>2,551</b>	<b>187,396,342</b>	
<b>Total liabilities</b>	<b>200,536,092</b>	<b>11,944,521</b>	<b>511,792</b>	<b>212,992,405</b>	<b>1,673,789</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	197,191,883	43,548,865		240,740,748	2,752,268
Restricted for debt service	7,472,673	453,660		7,926,333	
Unrestricted	7,652,060	3,694,780	51,036	11,397,876	3,955,030
<b>Total net assets</b>	<b>\$ 212,316,616</b>	<b>\$ 47,697,305</b>	<b>\$ 51,036</b>	<b>\$ 260,064,957</b>	<b>\$ 6,707,298</b>

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

(1,549,636)

Total net assets per Government-Wide financial statements

\$ 258,515,321

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2012

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Revenues</b>					
Charges for services	\$ 40,543,427	\$ 15,675,315	\$ 5,068,656	\$ 61,287,398	\$ 6,299,295
<b>Total Operating Revenues</b>	<u>40,543,427</u>	<u>15,675,315</u>	<u>5,068,656</u>	<u>61,287,398</u>	<u>6,299,295</u>
<b>Operating Expenses</b>					
Personnel services	3,335,253	1,939,129	130,097	5,404,479	54,962
Supplies and materials	888,721	10,322,522	6,494	11,217,737	602,037
Contractual services	7,711,728	664,207	4,909,710	13,285,645	168,359
Repairs and maintenance	599,154	137,117	1,117	737,388	3,866
Other expenses	790,217	379,266	40,313	1,209,796	6,239,312
Depreciation	7,925,614	1,865,158		9,790,772	1,151,900
<b>Total Operating Expenses</b>	<u>21,250,687</u>	<u>15,307,399</u>	<u>5,087,731</u>	<u>41,645,817</u>	<u>8,220,436</u>
Operating income (loss)	<u>19,292,740</u>	<u>367,916</u>	<u>(19,075)</u>	<u>19,641,581</u>	<u>(1,921,141)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest and investment revenue	417,809	11,517	24	429,350	8,103
Intergovernmental		46,678		46,678	
Operating grants and contributions	37,593	1,000,554		1,038,147	
Gain (loss) on disposal of capital assets	3,251	(3,520)		(269)	61,657
Interest expense	(7,075,741)	(486,795)		(7,562,536)	
<b>Total Non-operating Revenue (expenses)</b>	<u>(6,617,088)</u>	<u>568,434</u>	<u>24</u>	<u>(6,048,630)</u>	<u>69,760</u>
Income (loss) before contributions and transfers	12,675,652	936,350	(19,051)	13,592,951	(1,851,381)
Capital contributions	5,296,899			5,296,899	
Transfers in		146,653	65,227	211,880	3,257,536
Transfers out	(6,745,251)	(695,130)	(17,070)	(7,457,451)	
Change in net assets	<u>11,227,300</u>	<u>387,873</u>	<u>29,106</u>	<u>11,644,279</u>	<u>1,406,155</u>
<b>Total net assets - beginning</b>	<u>201,089,316</u>	<u>47,309,432</u>	<u>21,930</u>	<u>248,420,678</u>	<u>5,301,143</u>
<b>Total net assets - ending</b>	<u>\$ 212,316,616</u>	<u>\$ 47,697,305</u>	<u>\$ 51,036</u>	<u>\$ 260,064,957</u>	<u>\$ 6,707,298</u>
Change in net assets, per above				\$ 11,644,279	
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.				(456,162)	
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements				<u>\$ 11,188,117</u>	

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds				Governmental
	Utility Fund	Airport Fund	Solid Waste Fund	Total	Activities Internal Service Funds
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers and users	\$ 40,218,329	\$ 15,612,553	\$ 5,070,611	\$ 60,901,493	\$ 6,294,986
Disbursed for personnel services	(3,334,051)	(1,935,576)	(129,399)	(5,399,026)	(54,962)
Disbursed for goods and services	1,034,958	(11,281,881)	(4,989,392)	(15,236,315)	(6,616,317)
<b>Net cash provided (used) by operating activities</b>	<u>37,919,236</u>	<u>2,395,096</u>	<u>(48,180)</u>	<u>40,266,152</u>	<u>(376,293)</u>
<b>Cash Flows from Non-Capital Financial Activities:</b>					
Transfers from other funds		146,653	65,227	211,880	3,257,536
Transfers to other funds	(6,745,251)	(695,130)	(17,070)	(7,457,451)	
Operating grants and contributions	37,593	1,050,554		1,088,147	
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(6,707,658)</u>	<u>502,077</u>	<u>48,157</u>	<u>(6,157,424)</u>	<u>3,257,536</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from the sale of equipment	7,010	3,653		10,663	90,791
Proceeds from the sale of bonds	21,925,000			21,925,000	
Interest payments on debt	(7,023,172)	(490,037)		(7,513,209)	
Principal payments on debt	(3,750,000)	(2,278,005)		(6,028,005)	
Acquisition and construction of capital assets	(56,652,858)	(89,503)		(56,742,361)	(1,112,918)
<b>Net cash used by capital and related financing activities</b>	<u>(45,494,020)</u>	<u>(2,853,892)</u>		<u>(48,347,912)</u>	<u>(1,022,127)</u>
<b>Cash Flows from Investing Activities</b>					
Purchase of investments	(5,439,955)			(5,439,955)	
Sale of investments		999,280		999,280	
Interest received	417,809	11,517	23	429,349	8,105
<b>Net cash provided (used) by investing activities</b>	<u>(5,022,146)</u>	<u>1,010,797</u>	<u>23</u>	<u>(4,011,326)</u>	<u>8,105</u>
<b>Net increase (decrease) in cash and equivalents</b>	<u>(19,304,588)</u>	<u>1,054,078</u>		<u>(18,250,510)</u>	<u>1,867,221</u>
Cash and equivalents, beginning of year	86,485,326	3,474,883		89,960,209	3,711,916
<b>Cash and equivalents, at end of year</b>	<u>\$ 67,180,738</u>	<u>\$ 4,528,961</u>	<u>\$</u>	<u>\$ 71,709,699</u>	<u>\$ 5,237,137</u>
Unrestricted cash and equivalents	\$ 19,131,826	\$ 4,075,301	\$	\$ 23,207,127	\$ 5,237,137
Restricted cash and equivalents	48,048,912	453,660		48,502,572	
	<u>\$ 67,180,738</u>	<u>\$ 4,528,961</u>	<u>\$</u>	<u>\$ 71,709,699</u>	<u>\$ 5,237,137</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 19,292,740	\$ 367,916	\$ (19,075)	\$ 19,641,581	\$ (1,921,141)
<b>Adjustments to reconcile operating income to cash provided by operating activities:</b>					
Depreciation	7,925,614	1,865,158		9,790,772	1,151,900
(Increase) decrease in accounts receivable	(1,920,867)	(71,955)	1,955	(1,990,867)	(4,309)
(Increase) decrease in inventory	(4,955)	(81,668)		(86,623)	
(Increase) decrease in prepaid expenses and deferred assets	(26,272)	4,696		(21,576)	
Increase (decrease) in accounts payable	11,056,005	298,203	(31,758)	11,322,450	397,257
Increase (decrease) in salaries payable	1,202	3,553	698	5,453	
Increase (decrease) in customer deposits	1,595,769	9,193		1,604,962	
<b>Net cash provided by operating activities</b>	<u>\$ 37,919,236</u>	<u>\$ 2,395,096</u>	<u>\$ (48,180)</u>	<u>\$ 40,266,152</u>	<u>\$ (376,293)</u>
<b>Non-cash Transactions:</b>					
Capital assets contributed to City	\$ 5,296,899	\$	\$	\$ 5,296,899	

See Notes to Financial Statements.



**CITY OF SUGAR LAND, TEXAS**

*DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES*

*COMBINING STATEMENT OF NET ASSETS*

*September 30, 2012*

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Assets</b>					
Cash and equivalents	\$ 1,160,502	\$ 79,217	\$ 37,069	\$ 2,126	\$ 1,278,914
Investments	500,605				500,605
Receivables-less allowance for uncollectibles	927,312	9,520			936,832
Prepaid items	1,639				1,639
Restricted cash and investments	4,723,358		4,099		4,727,457
Deferred items	271,517				271,517
<b>Total Assets</b>	<u>7,584,933</u>	<u>88,737</u>	<u>41,168</u>	<u>2,126</u>	<u>7,716,964</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	73,713				73,713
Accrued interest	219,421				219,421
<b>Non-current liabilities:</b>					
Due within one year	1,781,195				1,781,195
Due in more than one year	40,062,505				40,062,505
<b>Total Liabilities</b>	<u>42,136,834</u>				<u>42,136,834</u>
<b>Net Assets</b>					
Restricted-debt service	4,503,940				4,503,940
Restricted-development activities		88,737	41,168	2,126	132,031
Unrestricted	(39,055,841)				(39,055,841)
<b>Total Net Assets</b>	<u>\$ (34,551,901)</u>	<u>\$ 88,737</u>	<u>\$ 41,168</u>	<u>\$ 2,126</u>	<u>\$ (34,419,870)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2012*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			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	\$ 21,872,520	\$ 144,008	\$ (21,728,512)	\$	\$	\$	\$ (21,728,512)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	828,694	7,539		(821,155)			(821,155)
Sugar Land Reinvestment Zone No. 3							
Sugar Land Reinvestment Zone No. 4							
	<u>\$ 22,701,214</u>	<u>\$ 151,547</u>	<u>(21,728,512)</u>	<u>(821,155)</u>			<u>(22,549,667)</u>
<b>General revenues</b>							
Taxes:							
Property taxes				828,757	9,304	1,062	839,123
Sales and use tax			5,462,745				5,462,745
Miscellaneous			36,926				36,926
Unrestricted investment earnings			33,283	1,315	82		34,680
<b>Total general revenues</b>			<u>5,532,954</u>	<u>830,072</u>	<u>9,386</u>	<u>1,062</u>	<u>6,373,474</u>
Change in net assets			(16,195,558)	8,917	9,386	1,062	(16,176,193)
<b>Net assets, beginning</b>			<u>(18,356,343)</u>	<u>79,820</u>	<u>31,782</u>	<u>1,064</u>	<u>(18,243,677)</u>
<b>Net assets, ending</b>			<u>\$ (34,551,901)</u>	<u>\$ 88,737</u>	<u>\$ 41,168</u>	<u>\$ 2,126</u>	<u>\$ (34,419,870)</u>

See Notes to Financial Statements.

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

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

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

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

**A. Financial Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

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

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

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

**Blended Component Unit:**

**Sugar Land Development Corporation**

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

**Discretely Presented Component Units:**

**Sugar Land 4B Corporation**

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

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

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

**Sugar Land Reinvestment Zone No. 3**

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

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

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

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

**Sugar Land Reinvestment Zone No. 4**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel and depreciation. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds.

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

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

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

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” City Council approved its *Fund Balance Policy for GASB 54 Implementation*, which incorporates GASB Statement No. 54, on September 20, 2011. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

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

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

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

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

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

**D. Encumbrances**

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



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

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

**D. Encumbrances (continued)**

As of September 30, 2012, outstanding purchase orders totaled \$652 thousand. These were the result of normal operations. As such, the City has assigned this amount in the General Fund.

**E. Cash and Cash Equivalents**

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

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

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

**F. Investments**

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

**G. Receivables**

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

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

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

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

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

**I. Inventories and Prepaid Items**

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

**J. Restricted Assets**

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

**K. Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

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

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

**K. Capital Assets (continued)**

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

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

**L. Compensated Absences**

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

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service.

The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

**M. 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.

**N. Deficit Equity**

The Sugar Land 4B Corporation had deficit net assets of approximately \$34.6 million as of September 30, 2012. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government as required by law.

**O. Reclassifications**

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

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

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

**P. Budgets**

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

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

**Authorization for Deposits and Investments**

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

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

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker's acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is two years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

**Deposit and Investment Amounts**

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

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

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

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

	<b>Total Fair Value</b>	
	<b>Primary Government</b>	<b>Component Units</b>
Cash Deposits	\$ 100,613,032	\$ 4,072,522
Certificates of Deposit	11,503,638	
Temporary Investments:		
Government securities:		
FHLB	23,545,204	500,605
FHLMC	7,006,528	
FFCB	20,006,794	
Public Funds Investment Pools:		
TexPool	15,563,040	1,933,850
	<u>\$ 178,238,236</u>	<u>\$ 6,506,977</u>

At September 30, 2012, the City reported cash deposits in the amount of \$104,685,554 and the bank balance was \$105,926,928. \$1,250,683 of these totals represented cash deposits with a fiscal agent. The City's collateral requirement, in accordance with its investment policy is 102%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the City's agent in the City's name, which totaled \$123,382,090 as of September 30, 2012.

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

	<b>Primary Government</b>	<b>Component Units</b>
	Interest income	\$ 592,887
Unrealized gain (loss) on temporary investments	87,426	1,985
Investment earnings	<u>\$ 680,313</u>	<u>\$ 34,680</u>

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

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

**Investment Risks:**

**Interest Rate Risk**

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

	<u>Fair Value</u>		<b>Weighted Average Maturity (days)</b>
	<b>Primary Government</b>	<b>Component Units</b>	
Certificate of Deposits	\$ 11,503,638		427
Temporary Investments:			
Government securities:			
U.S. Agency Securities	50,558,526	500,605	522
Public Funds Investment Pools:			
TexPool	15,563,040	1,933,850	41
	<u>\$ 77,625,204</u>	<u>\$ 2,434,455</u>	
<b>Portfolio weighted average maturity (days)</b>	<u>411</u>	<u>140</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 730 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 365 days or 12 months.

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

**Local Government Investment Pools**

As of September 30, 2012, the City's investments included TexPool Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

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

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

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

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

**Concentration of Credit Risk**

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Certificates of Deposit	\$ 11,503,638	14.4%
Temporary Investments:		
Government securities:		
FHLB	24,045,809	30.0%
FHLMC	7,006,528	8.8%
FFCB	20,006,794	25.0%
Total government securities	<u>51,059,131</u>	<u>63.8%</u>
Public Funds Investment Pools:		
TexPool	17,496,890	21.8%
	<u>\$ 80,059,659</u>	<u>100.0%</u>

**Credit Risk**

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

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

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

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

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

**Restricted Assets**

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

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

<u>Restricted Purpose</u>	<u>Cash</u>	<u>Investments</u>
Restricted for Capital Projects	\$ 42,110,683	\$ 38,800,040
Restricted for Debt Service	5,926,418	1,999,915
Restricted for Customer Deposits	465,471	
<b>Total</b>	<u>\$ 48,502,572</u>	<u>\$ 40,799,955</u>

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

**Note 3 - Receivables**

Receivables at September 30, 2012, consist of the following:

**Primary Government:**

**Governmental Funds:**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Non - Major Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Property taxes, including penalties and interest	\$ 479,149	\$ 173,404	\$	\$	\$	\$ 652,553
Sales and other taxes	5,895,419					5,895,419
Fines and forfeitures	1,098,027					1,098,027
Interest	10,116	397	5,404	713		16,630
Other	484,830		8,023,508	2,944,639	14,682	11,467,659
Allowance for uncollectibles	(797,212)					(797,212)
	<u>\$7,170,329</u>	<u>\$ 173,801</u>	<u>\$8,028,912</u>	<u>\$ 2,945,352</u>	<u>\$ 14,682</u>	<u>\$18,333,076</u>



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

**Note 3 – Receivables (continued)**

**Proprietary Funds:**

	<u>Utilities Fund</u>	<u>Airport Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Receivables				
Customer accounts	\$ 5,938,497	\$ 291,126	\$ 563,608	\$ 6,793,231
Interest	38,384			38,384
Other	20,189	46,678	269	67,136
Allowance for uncollectibles	(27,348)	(2,198)	(1,049)	(30,595)
	<u>\$ 5,969,722</u>	<u>\$ 335,606</u>	<u>\$ 562,828</u>	<u>\$ 6,868,156</u>

**Component Units:**

	<u>Sugar Land 4B Corporation</u>	<u>Sugar Land TIRZ #1</u>	<u>Total</u>
Sales and other taxes	\$ 926,599	\$ 9,520	\$ 936,119
Interest	713		713
<b>Total</b>	<u>\$ 927,312</u>	<u>\$ 9,520</u>	<u>\$ 936,832</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 416,516	\$
Delinquent property taxes receivable - debt service fund	173,404	
Adjudicated claims	307,447	
Surety - public improvements - capital projects fund		115,840
Developer advances	500,000	180,041
Other		9,546
<b>Total Deferred Revenue for Governmental Funds</b>	<u>\$ 1,397,367</u>	<u>\$ 305,427</u>

**Property Taxes**

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

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

**Note 4 – Capital Assets**

A summary of changes in the primary government’s capital assets for the year ended September 30, 2012, follows:

<b>Primary Government</b>	<b>Balance September 30, 2011</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2012</b>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 79,048,242	\$ 1,644,605	\$	\$ 80,692,847
Intangibles	717,883			717,883
Construction in progress	50,436,177	38,919,315	(41,277,542)	48,077,950
<b>Total capital assets not being depreciated</b>	<b>130,202,302</b>	<b>40,563,920</b>	<b>(41,277,542)</b>	<b>129,488,680</b>
<b>Other capital assets:</b>				
Infrastructure	317,998,479	16,808,396		334,806,875
Buildings and improvements	89,002,095	33,775,788		122,777,883
Equipment and furniture	27,114,636	7,387,255	(658,393)	33,843,498
<b>Total other capital assets</b>	<b>434,115,210</b>	<b>57,971,439</b>	<b>(658,393)</b>	<b>491,428,256</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(196,305,869)	(6,821,183)		(203,127,052)
Buildings and improvements	(20,141,773)	(3,561,362)		(23,703,135)
Equipment and furniture	(16,972,548)	(2,960,503)	614,933	(19,318,118)
<b>Total accumulated depreciation</b>	<b>(233,420,190)</b>	<b>(13,343,048)</b>	<b>614,933</b>	<b>(246,148,305)</b>
Other capital assets, net	200,695,020	44,628,391	(43,460)	245,279,951
<b>Totals</b>	<b>\$ 330,897,322</b>	<b>\$ 85,192,311</b>	<b>\$ (41,321,002)</b>	<b>\$ 374,768,631</b>
	<b>Balance September 30, 2011</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2012</b>
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 12,675,143	\$ 490,228	\$	\$ 13,165,371
Construction in progress	51,319,882	55,265,370	(21,780,139)	84,805,113
<b>Total capital assets not being depreciated</b>	<b>63,995,025</b>	<b>55,755,598</b>	<b>(21,780,139)</b>	<b>97,970,484</b>
<b>Other capital assets:</b>				
Infrastructure	333,286,267	24,196,232		357,482,499
Buildings and improvements	15,735,062	2,008,409		17,743,471
Equipment and furniture	6,085,900	1,760,268	(76,267)	7,769,901
<b>Total other capital assets</b>	<b>355,107,229</b>	<b>27,964,909</b>	<b>(76,267)</b>	<b>382,995,871</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(116,753,369)	(8,818,992)		(125,572,361)
Buildings and improvements	(3,495,969)	(570,868)		(4,066,837)
Equipment and furniture	(2,755,554)	(400,912)	65,335	(3,091,131)
<b>Total accumulated depreciation</b>	<b>(123,004,892)</b>	<b>(9,790,772)</b>	<b>65,335</b>	<b>(132,730,329)</b>
Other capital assets, net	232,102,337	18,174,137	(10,932)	250,265,542
<b>Totals</b>	<b>\$ 296,097,362</b>	<b>\$ 73,929,735</b>	<b>\$ (21,791,071)</b>	<b>\$ 348,236,026</b>

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

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

Depreciation was charged to programs as follows:

General government	\$	646,302
Administrative services		1,935,776
Public works		7,062,410
Parks and recreation		1,226,471
Community development		73,306
Public safety-Police		576,436
Public safety-Fire		670,450
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		<u>1,151,897</u>
<b>Total Governmental Activities</b>	<b>\$</b>	<b><u>13,343,048</u></b>
Water and wastewater	\$	7,920,816
Airport		1,865,159
Surface Water		<u>4,797</u>
<b>Total Business-Type Activities</b>	<b>\$</b>	<b><u>9,790,772</u></b>

The City has active construction projects as of September 30, 2012. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

<u>Project Description</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Drainage improvement	\$ 2,689,827	\$ 304,042
Park improvement	1,070,589	792,513
Municipal improvements	5,709,378	582,851
Street improvement	35,893,952	6,543,710
Traffic improvement	<u>2,714,204</u>	<u>189,188</u>
Total Governmental	48,077,950	8,412,304
Business-type Activities:		
Municipal improvements	9,000	
Street improvement	763,743	
Water and wastewater improvements	83,283,680	46,094,216
Airport improvement	<u>748,690</u>	<u>8,117</u>
Total Business-type	84,805,113	46,102,333
<b>Totals</b>	<b><u>\$ 132,883,063</u></b>	<b><u>\$ 54,514,637</u></b>

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

**Note 5 – Long-Term Debt**

**A. Governmental Activity Debt**

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

The City issued \$9,440,000 of General Obligation Refunding Bonds, Series 2012 dated December 15, 2011. Proceeds from the sale of the bonds were used to refund a portion of the outstanding ad valorem tax-supported obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$6,595. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding reduced total debt service principal payments over the next 9 years by \$420,000 and resulted in an economic gain/present value of \$747,963. The issuance cost of \$147,707 and premium of \$806,260 are being amortized over the life of the bonds using the straight-line method.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2012. 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.

	Balance September 30, 2011	Increases	(Decreases)	Balance September 30, 2012	Amounts Due Within One Year
<b>Bonds payable:</b>					
General obligation bonds	\$ 78,005,000	\$ 9,440,000	\$ (13,350,000)	\$ 74,095,000	\$ 8,165,000
Annexed utility district bonds	5,850,000		(325,000)	5,525,000	335,000
Certificates of obligation	54,313,990		(8,936,995)	45,376,995	3,047,399
Sales tax revenue bonds	10,010,000		(525,000)	9,485,000	550,000
Less deferred amounts:					
For issuance premiums/discounts	1,333,100	751,717	(325,138)	1,759,679	352,594
Gain or loss on refunding bonds	(1,367,268)	(173,583)	218,737	(1,322,114)	198,091
	<u>148,144,822</u>	<u>10,018,134</u>	<u>(23,243,396)</u>	<u>134,919,560</u>	<u>12,648,084</u>
<b>Other liabilities:</b>					
Obligations under capital leases	2,030,854		(366,300)	1,664,554	376,770
Other Post Employment Benefit Obligation (OPEB)	751,142	240,420		991,562	
Obligation to State	1,447,557	698,037	(455,701)	1,689,893	463,701
Compensated absences	2,098,820	2,880,250	(2,744,570)	2,234,500	75,000
<b>Total Governmental Activities</b>	<u>\$ 154,473,195</u>	<u>\$ 13,836,841</u>	<u>\$ (26,809,967)</u>	<u>\$ 141,500,069</u>	<u>\$ 13,563,555</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.

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

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

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

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

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2012, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>General Obligation Bonds</b>				
Series 2003-A general obligation refunding	\$ 8,400,000	2017	2.0-4.0	\$ 2,500,000
Series 2004 general obligation bonds	5,435,000	2024	2.5-4.0	3,240,000
Series 2004 general obligation & refunding	5,360,000	2015	3.0-4.0	170,000
Series 2005 general obligation & refunding	8,060,000	2025	3.0-4.75	2,915,000
Series 2006 general obligation & refunding	34,685,000	2026	3.75-5.0	25,770,000
Series 2008 general obligation bonds	6,925,000	2028	4.0-5.0	6,045,000
Series 2009 general obligation & refunding	4,520,000	2016	3.0-3.25	1,605,000
Series 2010 general obligation & refunding	22,290,000	2026	2.0-5.0	20,110,000
Series 2010 general obligation bonds	2,435,000	2030	3.0-4.125	2,300,000
Series 2012 general obligation & refunding	9,440,000	2021	2.0-4.0	9,440,000
<b>Total General Obligation Bonds</b>				<u>\$ 74,095,000</u>
<b>Certificates of Obligation</b>				
Series 2003 Tax and revenue certificates of obligation	\$ 15,600,000	2018	3.4-4.4	\$ 1,105,000
Series 2005B Tax and revenue certificates of obligation	2,115,000	2025	4.38-5.25	1,540,000
Series 2006 Tax and revenue certificates of obligation	990,000	2026	4.5-5.0	785,000
Series 2008 Tax and revenue certificates of obligation	4,460,000	2028	3.75-5.0	3,895,000
Series 2009 Tax and revenue certificates of obligation	17,370,000	2029	2.0-4.5	15,941,995
Series 2010 Tax and revenue certificates of obligation	23,405,000	2030	2.5-4.0	22,110,000
<b>Total Certificates of Obligation</b>				<u>\$ 45,376,995</u>
<b>Sales Tax Revenue Bonds</b>				
Series 2005 Sales Tax Revenue Bonds	\$ 12,365,000	2025	4.0-6.25	\$ 9,485,000
<b>Total Sales Tax Revenue Bonds</b>				<u>\$ 9,485,000</u>
<b>Annexed Utility District Bonds</b>				
<i>First Colony Municipal Utility District No. 1 (FC MUD 1)</i>				
Series 2005 Unlimited Tax Refunding	\$ 6,355,000	2025	3.0-4.50	\$ 5,525,000
<b>Total Annexed Utility District Bonds</b>				<u>\$ 5,525,000</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, certificates of obligation, and annexed utility district bonds outstanding at September 30, 2012, are as follows:

Year Ending Sept. 30	Governmental Activities					
	General Obligation Bonds		Certificates of Obligation		Annexed Utility District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 8,165,000	\$ 2,916,629	\$ 3,047,399	\$ 1,663,523	\$ 335,000	\$ 233,493
2014	8,550,000	2,588,029	2,182,601	1,586,935	355,000	220,093
2015	7,290,000	2,286,358	2,242,601	1,518,061	370,000	205,893
2016	6,420,000	2,022,626	2,297,601	1,437,927	385,000	191,093
2017	6,430,000	1,759,454	2,367,601	1,358,149	405,000	175,693
2018	6,195,000	1,498,659	2,422,601	1,273,152	430,000	159,088
2019	4,210,000	1,285,797	2,585,328	1,177,686	450,000	141,243
2020	4,360,000	1,102,734	2,372,525	1,084,973	465,000	122,343
2021	4,340,000	907,438	2,457,525	995,847	485,000	102,580
2022	4,085,000	716,635	2,537,525	900,541	510,000	81,725
2023	3,775,000	535,827	2,622,525	799,824	535,000	59,540
2024	3,520,000	373,193	2,707,525	695,144	560,000	36,000
2025	3,075,000	232,275	2,792,652	585,432	240,000	10,800
2026	1,935,000	123,363	2,737,652	473,406		
2027	670,000	64,538	2,752,778	359,828		
2028	705,000	31,813	2,847,778	241,225		
2029	180,000	11,438	2,587,778	126,500		
2030	190,000	3,919	1,815,000	36,300		
	<u>\$ 74,095,000</u>	<u>\$ 18,460,723</u>	<u>\$ 45,376,995</u>	<u>\$ 16,314,453</u>	<u>\$ 5,525,000</u>	<u>\$ 1,739,580</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, 2012, are as follows:

Year Ending Sept. 30	Sugar Land Development Corporation Blended Component Unit Sales Tax Revenue Bonds	
	Principal	Interest
	2013	\$ 550,000
2014	575,000	382,655
2015	595,000	359,106
2016	625,000	334,089
2017	650,000	307,308
2018	685,000	278,596
2019	715,000	247,968
2020	750,000	215,363
2021	785,000	180,825
2022	825,000	144,394
2023	865,000	105,946
2024	910,000	65,338
2025	955,000	22,204
	<u>\$ 9,485,000</u>	<u>\$ 3,049,289</u>

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

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

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

**Capital Lease Obligations**

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

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

<u>Fiscal Year</u>	<u>Obligations</u>
2013	\$ 418,561
2014	365,055
2015	365,050
2016	365,050
2017	264,945
<b>Total</b>	<u>1,778,661</u>
Less interest portion	(114,102)
<b>Obligations under Capital Leases</b>	<u><u>\$ 1,664,559</u></u>

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$2.8 million and accumulated depreciation of approximately \$854 thousand.

**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 2008 fiscal year, the State identified approximately \$587,000 in overpayments from prior years, which the State allowed to be repaid over a four-year period, which ended September 30, 2012.

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

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

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

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

**B. Business Activity Debt**

The City issued \$21,295,000 of Waterworks and Sewer System Revenue Bonds, Series 2012 dated March 1, 2012. Proceeds from the sale of the bonds will be used for extensions and improvements to the City's waterworks and sanitary system and to pay certain 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, 2012.

	Balance September 30, 2011	Increases	(Decreases)	Balance September 30, 2012	Amounts Due Within One Year
<b>Bonds payable:</b>					
Water and wastewater revenue bonds	\$ 62,225,000	\$ 21,925,000	\$ (3,750,000)	\$ 80,400,000	\$ 4,560,000
Certificates of obligation	110,246,010		(2,278,005)	107,968,005	2,362,601
Less deferred amounts:					
For issuance premiums/discounts	184,234		(36,830)	147,404	31,636
Gain or loss on refunding bonds	(150,107)		40,699	(109,408)	33,854
	<u>172,505,137</u>	<u>21,925,000</u>	<u>(6,024,136)</u>	<u>188,406,001</u>	<u>6,988,091</u>
<b>Other liabilities:</b>					
Compensated absences	258,980	324,631	(319,179)	264,432	10,000
<b>Total Business-type Activities</b>	<u>\$ 172,764,117</u>	<u>\$ 22,249,631</u>	<u>\$ (6,343,315)</u>	<u>\$ 188,670,433</u>	<u>\$ 6,998,091</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2012 follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Utility System Fund</b>				
Series 2002 Waterworks and Sewer System Revenue Bonds	\$ 3,215,000	2022	3.60-3.95	\$ 1,825,000
Series 2002A Waterworks and Sewer System Revenue Bonds	1,440,000	2022	4.0-5.5	875,000
Series 2005 Waterworks and Sewer System Revenue Bonds	12,625,000	2030	3.5-4.5	7,540,000
Series 2006 Waterworks and Sewer System Revenue Bonds	5,410,000	2026	4.125-5.50	4,260,000
Series 2008 Waterworks and Sewer System Revenue Bonds	14,780,000	2028	3.5-5.0	12,870,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	5,170,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	25,935,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	97,065,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	21,925,000
<b>Total Utility System Fund</b>				<u>177,465,000</u>
<b>Airport Fund</b>				
Series 2003A Combination Tax and Revenue Certificates of Obligation	\$ 1,465,000	2023	3.625-5.50	970,000
Series 2005A Tax and Revenue Certificates of Obligation	7,410,000	2025	4.0-5.5	5,690,000
Series 2007 Combination Tax and Revenue Certificates of Obligation	4,400,000	2028	4.0-4.625	3,830,000
Series 2010 Combination Tax and Revenue Certificates of Obligation	450,000	2030	2.0-4.5	413,005
<b>Total Airport Fund</b>				<u>10,903,005</u>
<b>Total Enterprise Long-Term Debt</b>				<u>\$ 188,368,005</u>



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

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

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

The annual requirements to amortize business type activity revenue bonds and certificates of obligation outstanding at September 30, 2012, are as follows:

Year Ending Sept. 30	Business-Type Activities			
	Revenue Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2013	\$ 4,560,000	\$ 2,964,523	\$ 2,362,601	\$ 4,632,575
2014	4,630,000	2,830,395	2,447,399	4,568,857
2015	4,725,000	2,692,385	2,522,399	4,505,143
2016	4,495,000	2,550,046	2,607,399	4,430,905
2017	4,610,000	2,389,229	2,697,399	4,343,683
2018	4,740,000	2,230,676	2,792,399	4,253,537
2019	4,245,000	2,055,071	2,914,672	4,159,475
2020	4,400,000	1,899,393	3,027,475	4,061,200
2021	4,275,000	1,735,043	3,207,475	3,954,306
2022	4,450,000	1,577,673	3,342,475	3,829,214
2023	4,300,000	1,408,180	3,507,475	3,689,127
2024	4,475,000	1,240,255	3,672,475	3,542,303
2025	4,670,000	1,065,365	3,822,348	3,387,220
2026	4,865,000	874,551	3,262,348	3,241,886
2027	4,655,000	670,126	3,407,222	3,092,900
2028	4,865,000	473,833	3,557,222	2,933,901
2029	3,890,000	267,188	3,362,222	2,784,975
2030	1,885,000	115,013	3,495,000	2,624,038
2031	1,665,000	54,113	3,655,000	2,454,425
2032			3,835,000	2,285,900
2033			4,025,000	2,098,988
2034			4,225,000	1,892,738
2035			4,440,000	1,676,113
2036			4,660,000	1,454,438
2037			4,895,000	1,227,506
2038			5,145,000	982,625
2039			5,410,000	718,750
2040			5,690,000	441,250
2041			5,980,000	149,500
	<u>\$ 80,400,000</u>	<u>\$ 29,093,058</u>	<u>\$ 107,968,005</u>	<u>\$ 83,417,475</u>

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

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

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

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2012:

	<u>Balance September 30, 2011</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2012</u>	<u>Amounts Due Within One Year</u>
<b>Bonds payable:</b>					
Sales tax revenue bonds	\$ 42,605,000	\$	\$ (1,635,000)	\$ 40,970,000	\$ 1,660,000
Less deferred amounts:					
For issuance premiums/discounts	(39,857)		6,207	(33,650)	6,207
Gain or loss on refunding bonds	(353,105)		54,987	(298,118)	54,987
<b>Other liabilities:</b>					
Note Payable	980,100			980,100	
Obligation to State	189,804	99,720	(64,156)	225,368	60,001
	<u>\$ 43,381,942</u>	<u>\$ 99,720</u>	<u>\$ (1,637,962)</u>	<u>\$ 41,843,700</u>	<u>\$ 1,781,195</u>

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2012, follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 2,880,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	8,340,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	29,750,000
<b>Total Component Unit Long-Term Debt</b>				<u>\$ 40,970,000</u>

**Note Payable**

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

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

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

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

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2012, are as follows:

<b>Year Ending Sept. 30</b>	<b>Sugar Land 4B Corporation Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 1,660,000	\$ 1,691,606
2014	1,705,000	1,639,706
2015	1,780,000	1,583,844
2016	1,840,000	1,522,638
2017	1,885,000	1,457,419
2018	1,960,000	1,388,781
2019	2,025,000	1,316,344
2020	2,115,000	1,239,175
2021	2,195,000	1,156,850
2022	1,900,000	1,076,631
2023	1,330,000	1,011,694
2024	1,390,000	953,169
2025	1,460,000	888,863
2026	1,225,000	828,269
2027	1,290,000	771,681
2028	1,355,000	712,169
2029	1,425,000	648,728
2030	1,500,000	580,150
2031	1,580,000	506,013
2032	1,670,000	425,750
2033	1,765,000	339,875
2034	1,865,000	249,125
2035	1,970,000	153,250
2036	2,080,000	52,000
	<u>\$ 40,970,000</u>	<u>\$ 22,193,728</u>

**D. Legal Compliance**

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

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

**Note 6 - Fund Equity/Net Assets**

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

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net asset balance at year-end of approximately \$34.6 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

**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, 2012 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Airport	\$ 596,863	Overhead from cost allocation plan
General Fund	CIP (Non-Bonds)	202,000	Overhead from cost allocation plan
General Fund	Surface Water	139,275	Overhead from cost allocation plan
General Fund	Utilities	2,250,796	Overhead from cost allocation plan
General Fund	Solid Waste	10,600	Overhead from cost allocation plan
General Fund	Red Light Camera	264,818	50% of net revenues - Traffic Enforcement fund
		<u>3,464,352</u>	
Employee Benefit Fund	Airport Fund	63,300	Establish reserve for Self funding health insurance
Employee Benefit Fund	Tourism Fund	1,900	Establish reserve for Self funding health insurance
Employee Benefit Fund	General Fund	1,074,600	Establish reserve for Self funding health insurance
Employee Benefit Fund	Surface Water	3,800	Establish reserve for Self funding health insurance
Employee Benefit Fund	Utility Fund	102,600	Establish reserve for Self funding health insurance
Employee Benefit Fund	Solid Waste	3,800	Establish reserve for Self funding health insurance
		<u>1,250,000</u>	
Fleet Replacement Fund	Airport	23,220	Planned replacement of fleet
Fleet Replacement Fund	General Fund	633,490	Planned replacement of fleet
Fleet Replacement Fund	Utilities	124,570	Planned replacement of fleet
Fleet Replacement Fund	Solid Waste	2,370	Planned replacement of fleet
		<u>783,650</u>	
HI-Tech Fund	Airport Fund	11,747	Planned replacement of equipment
HI-Tech Fund	General Fund	1,180,187	Planned replacement of equipment
HI-Tech Fund	Utility Fund	31,652	Planned replacement of equipment
HI-Tech Fund	Solid Waste	300	Planned replacement of equipment
		<u>1,223,886</u>	
Debt Service Fund	Tourism Fund	648,012	Payment on Conference center Debt
Debt Service Fund	Utility Fund	4,092,558	80% of water/ww MUD debt svc
		<u>4,740,570</u>	
Airport Fund	SLDC	50,000	For international marketing
Airport Fund	General Fund	53,159	Based on property tax collected
Airport Fund	Debt Service	43,494	Based on property tax collected
		<u>146,653</u>	
Solid Waste Fund	General Fund	65,227	Support KSLB @ 0.76 per capita
Capital Project Fund	SLDC	633,179	Capital Projects Reimbursement
Capital Project Fund	General Fund	3,823,863	Capital Projects Reimbursement
		<u>4,457,042</u>	
Debt Reduction Fund	General Fund	318,650	Sales Tax from River Park & GW
Debt Reduction Fund	General Fund	150,000	River Park Sales Tax per SPA
		<u>468,650</u>	
SLDC	General Fund	387,608	Administrative services
		<u>\$ 16,987,639</u>	

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

**Note 8 - Deferred Compensation Plan**

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

**Note 9 – Employee Retirement System**

*Texas Municipal Retirement System*

**Plan Description and Provisions**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 847 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions adopted by the City are within the options available in the governing state statutes of TMRS. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

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

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

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

**Plan Description and Provisions (continued)**

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years Required for Vesting	5 years	5 years
Updated Service Credit	100%	100%
Annuity Increase	70%	70%
Restricted Prior Service Credit	Yes	Yes
Supplemental Death Benefits – Employees and Retirees	Yes	Yes

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

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

**Contributions**

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

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

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

Fiscal Year Ending	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Pension Cost (APC)	\$ 5,577,309	\$ 5,800,525	\$ 5,631,757
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period	\$ -	\$ -	\$ -

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

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

**Contributions (continued)**

The City's total payroll in fiscal year 2012 was \$36.5 million and the City's contributions were based on a payroll of \$36 million. Contributions made by employees totaled \$2.5 million, and the City made contributions of \$5.6 million during the fiscal year ended September 30, 2012.

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

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

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

The city's contributions to the TMRS SDBF for the fiscal years ended 2012, 2011 and 2010 were \$48,112, \$50,071 and \$61,549 , respectively, which equaled the required contributions each year.

<u>Fiscal Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.01%	0.01%	100%
2011	0.01%	0.01%	100%
2012	0.01%	0.01%	100%

**Funding Policy**

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. TMRS changed to the Projected Unit Credit actuarial cost method with actuarial valuations beginning on December 31, 2007.

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

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

**Funding Policy (continued)**

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

**Funded Status and Funding Progress**

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010, TMRS Comprehensive Annual Financial Report (CAFR).

The funded status of the Plan as of December 31, 2011, under the two separate actuarial valuations, is presented as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2011	\$ 110,320,360	\$ 132,876,429	\$ 22,556,069	83.0%	\$ 35,535,263	63.5%

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

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



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

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

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

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010, actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.9 Years; Closed Period	27.1 Years; Closed Period	26.2 Years; Closed Period
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

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

GASB Statement 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer’s financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Sugar Land was October 1, 2009. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of December 31, 2010, and discloses the following:

**Plan Description and Funding Policy**

The City of Sugar Land Retiree Health Care Plan is a single-employer defined benefit plan. Employees who retire from the City of Sugar Land and receive an annuity from TMRS upon leaving the City’s employment, and eligible dependents and survivors, are eligible to continue to participate in the City’s health insurance programs at the “blended” employee group rate which is determined annually by the City of Sugar Land and approved by the City Council. Prior to retiring employees may elect to continue to participate in the City’s medical and dental benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2010, a total of ten (10) retirees had elected to receive retiree health care coverage through the City of Sugarland Retiree Health Care Plan.

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

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

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

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

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

**Annual OPEB Cost and Net OPEB Obligation**

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

The City’s annual OPEB cost for the year ending September 30, 2012, is as follows:

<b>Determination of Net OPEB Obligation (NOO)</b>	
Annual required contribution	\$ 240,420
Interest on net OPEB obligation	33,801
Adjustment to ARC	(31,317)
Annual OPEB cost	<u>242,904</u>
Less contributions made	<u>(246,987)</u>
Increase in net OPEB obligation	(4,083)
Net OPEB obligation – beginning of year	<u>751,142</u>
Net OPEB obligation – end of year	<u><u>\$ 747,059</u></u>

The City’s contribution for fiscal year 2012 includes the implicit subsidies which were not recognized in the fiscal years ending 2009 through 2011.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed*</u>	<u>Net OPEB Obligation</u>
2012	\$ 242,904	101.7%	\$ 747,059
2011	233,417	0.0%	751,142
2010	262,688	0.0%	517,725

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

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

**Funded Status and Funding Progress**

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

Actuarial Valuation Date as of December 31,	<u>2010</u>
Actuarial accrued liability (AAL)	\$2,056,551
Actuarial value of plan assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$2,056,551
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$35,535,263
UAAL as a percentage of covered payroll	5.79%

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

**Actuarial Methods and Assumptions**

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

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

Measurement Date	12/31/2010
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	Open 30-year
Amortization Method	Level Percent of Payroll
Discount Rate	4.50%
CPI	3.00%
Healthcare Cost Trend Rate	10% initial rate, 4.5% ultimate rate, 11 yr grade in period
Payroll Growth Rate	3.00%

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

**Note 10 – Contracts with Special Districts**

**Agreements with Utility Districts**

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

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

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

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. Eldridge Road MUD was dissolved as of March 1, 2011, but rebates were paid to the district prior to dissolution. The rebates for the year ended September 30, 2012, were \$2.797 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) within the Greatwood, River Park and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$694,000 thousand from the participating MUDs for the year ending September 30, 2012, in connection with this agreement.

**Note 11 – Lease Agreements**

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

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

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

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

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

**Note 12 – Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2012. 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, 2012.

**Arbitrage Rebate**

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

**Economic Development Grant Commitments**

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

<b>Fiscal Year</b>	<b>Grant Commitments</b>
2013	\$ 2,685,000
2014	410,000
2015	410,000
2016	890,000
2017	550,000
2018	460,000
2019	820,000
<b>Totals</b>	<b>\$ 6,225,000</b>

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

**Note 13 - Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2012, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Employee Benefits Fund**

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

Settled claims did not exceed insurance coverages in fiscal year 2012. Estimates of claims payable and of claims incurred, but not reported at September 30, 2012, 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, 2012. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

**Note 14 – Subsequent Events**

**Issuance of General Obligation Refunding Bonds, Series 2012A & Waterworks & Sewer System Revenue Refunding Bonds, Series 2012A**

On September 18, 2012, the City Council approved the issuance of up to \$11.3 million in general obligation refunding bonds with a minimum net present value savings of 7.5% of the refunded principal. Council also approved the issuance of up to \$10 million in Waterworks and Sewer System Revenue Refunding Bonds with a minimum net present value savings of 6.37% of the refunded principal. The refunding occurred on November 7, 2012, with the issuance of \$9,905,000 in General Obligation Refunding Bonds, Series 2012A and \$9,025,000 in Waterworks and Sewer System Revenue Refunding Bonds Series 2012A.

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

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

The bonds refunded the following series of outstanding debt at par:

**\$9,905,000 General Obligation Refunding Bonds, Series 2012A**

<u>Series</u>	<u>Par Amount</u>
Combination Tax & Revenue Certificates of Obligation, Series 2003A	\$ 900,000
General Obligation Bonds, Series 2004	2,700,000
General Obligation and Refunding Bonds, Series 2005 (1)	395,000
Combination Tax & Revenue Certificates of Obligation, Series 2005A	5,060,000
Combination Tax & Revenue Certificates of Obligation, Series 2005B	1,450,000
	<u>\$ 10,505,000</u>

(1) Only a portion of the Series 2005 General Obligation and Refunding Bonds were refunded.

**\$9,025,000 Waterworks & Sewer System Revenue Refunding Bonds, Series 2012A**

<u>Series</u>	<u>Par Amount</u>
Waterworks & Sewer System Revenue Bonds, Series 2002	\$ 1,825,000
Waterworks & Sewer System Revenue Bonds, Series 2002A	875,000
Waterworks & Sewer System Revenue Bonds, Series 2005	6,380,000
	<u>\$ 9,080,000</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SUGAR LAND, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

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

*For the Year Ended September 30, 2012*

	<i>General Fund</i>			<b>Variance with Final Budget Positive / (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 15,630,313	\$ 15,535,928	\$ 15,624,991	\$ 89,063
Sales and use taxes	30,438,855	32,022,250	32,776,437	754,187
Franchise taxes	4,905,300	4,858,836	5,161,877	303,041
Licenses and permits	2,427,525	2,134,425	2,332,393	197,968
Fines and forfeitures	2,041,300	2,117,100	2,103,752	(13,348)
Intergovernmental	623,984	1,019,558	937,318	(82,240)
Charges for services	3,051,072	3,016,087	3,182,908	166,821
Investment earnings	188,000	188,000	130,944	(57,056)
Other	19,000	46,563	73,369	26,806
<b>Total Revenues</b>	<b>59,325,349</b>	<b>60,938,747</b>	<b>62,323,989</b>	<b>1,385,242</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	9,614,562	9,535,234	8,961,795	573,439
Administrative services	5,627,767	5,670,981	5,417,702	253,279
Public Safety - Police	16,711,482	16,985,808	16,923,489	62,319
Public Safety - Fire	10,686,925	10,998,507	10,236,815	761,692
Public Works	8,732,473	8,657,171	8,558,572	98,599
Parks and recreation	5,273,528	5,333,282	4,769,757	563,525
Community development	4,679,415	4,842,597	4,781,203	61,394
Debt Service	492,877	418,562	418,561	1
<b>Total Expenditures</b>	<b>61,819,029</b>	<b>62,442,142</b>	<b>60,067,894</b>	<b>2,374,248</b>
Excess (deficiency) of revenues over expenditures	(2,493,680)	(1,503,395)	2,256,095	3,759,490
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases	701,155	701,155		(701,155)
Transfers in	3,982,850	3,934,744	3,851,961	(82,783)
Transfers (out)	(6,318,467)	(7,297,488)	(7,299,176)	(1,688)
Sale of capital assets	60,000	80,000	90,953	10,953
<b>Total Other Financing Sources (Uses)</b>	<b>(1,574,462)</b>	<b>(2,581,589)</b>	<b>(3,356,262)</b>	<b>(774,673)</b>
Net change in fund balances	(4,068,142)	(4,084,984)	(1,100,167)	2,984,817
<b>Fund balances - beginning</b>	<b>26,217,096</b>	<b>26,217,096</b>	<b>26,217,096</b>	
<b>Fund balances - ending</b>	<b>\$ 22,148,954</b>	<b>\$ 22,132,112</b>	<b>\$ 25,116,929</b>	<b>\$ 2,984,817</b>

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

**Budgetary Compliance**

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2012.

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

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2012*

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

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2011	\$ 110,320,360	\$ 132,876,429	83.0%	\$ 22,556,069	\$ 35,535,263	63.5%
2010	97,156,861	122,327,452	79.4%	25,170,591	36,245,839	69.4%
2009	71,221,777	98,649,078	72.2%	27,427,301	32,942,985	83.3%

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2012*

**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2011	\$0	\$ 2,056,551	0%	\$ 2,056,551	\$ 35,535,263	5.79%
2010	\$0	2,056,551	0%	2,056,551	36,245,839	5.67%
2009	\$0	1,972,533	0%	1,972,533	32,942,985	5.99%

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**OTHER SUPPLEMENTARY INFORMATION**

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

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

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

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

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

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

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

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2012**

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,872,079	\$ 45,869	\$
Cash with fiscal agent			
Investments			
Receivables (net of allowance for uncollectibles)	450,585		637
Interest receivable			
Due from other governments			49,605
Prepaid items			
<b>Total Assets</b>	<u><u>\$ 3,322,664</u></u>	<u><u>\$ 45,869</u></u>	<u><u>\$ 50,242</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 90,201	\$	\$ 50,242
Accrued expenditures	3,658	2,435	
<b>Total Liabilities</b>	<u><u>93,859</u></u>	<u><u>2,435</u></u>	<u><u>50,242</u></u>
 <b>Fund Balances:</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Development activities	3,228,805		
Public safety		43,434	
<b>Total Fund Balances</b>	<u><u>3,228,805</u></u>	<u><u>43,434</u></u>	
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,322,664</u></u>	<u><u>\$ 45,869</u></u>	<u><u>\$ 50,242</u></u>

<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>	<b>Debt Reduction Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Totals</b>
\$ 142,880	\$ 89,069	\$ 356,278	\$ 3,358,347	\$ 6,662,521	\$ 13,527,043
				1,205,245	1,205,245
				500,605	500,605
		1,499,575	102,969	890,873	2,944,639
				713	713
					49,605
				2,740	2,740
<u>\$ 142,880</u>	<u>\$ 89,069</u>	<u>\$ 1,855,853</u>	<u>\$ 3,461,316</u>	<u>\$ 9,262,697</u>	<u>\$ 18,230,590</u>
\$ 6,650	\$	\$ 344,830	\$	\$ 167,198	\$ 659,121
					6,093
<u>6,650</u>		<u>344,830</u>		<u>167,198</u>	<u>665,214</u>
				2,740	2,740
			3,461,316	1,403,361	4,864,677
				7,689,398	10,918,203
136,230	89,069	1,511,023			1,779,756
<u>136,230</u>	<u>89,069</u>	<u>1,511,023</u>	<u>3,461,316</u>	<u>9,095,499</u>	<u>17,565,376</u>
<u>\$ 142,880</u>	<u>\$ 89,069</u>	<u>\$ 1,855,853</u>	<u>\$ 3,461,316</u>	<u>\$ 9,262,697</u>	<u>\$ 18,230,590</u>

**CITY OF SUGAR LAND, TEXAS**

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

**NON-MAJOR GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2012*

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Revenues</b>			
Sales and use taxes	\$ 1,935,156	\$	\$
Fines and forfeitures		57,279	
Investment earnings	6,198	89	
Intergovernmental			610,718
Other			
<b>Total Revenues</b>	<u>1,941,354</u>	<u>57,368</u>	<u>610,718</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	510,642		610,718
Administrative services		54,933	
Public Safety - Police			
<b>Debt Service:</b>			
Principal			
Interest and other charges			
Capital Outlay	240,500		
<b>Total Expenditures</b>	<u>751,142</u>	<u>54,933</u>	<u>610,718</u>
Excess (deficiency) of revenues over expenditures	<u>1,190,212</u>	<u>2,435</u>	
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out	(649,912)		
Total other financing sources and uses	<u>(649,912)</u>		
Net change in fund balances	540,300	2,435	
<b>Fund balances - beginning</b>	<u>2,688,505</u>	<u>40,999</u>	
<b>Fund balances - ending</b>	<u><u>\$ 3,228,805</u></u>	<u><u>\$ 43,434</u></u>	<u><u>\$</u></u>

<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>	<b>Debt Reduction Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Totals</b>
\$	\$	\$	\$	\$ 5,400,228	\$ 7,335,384
76,353		1,161,900			1,295,532
268	159	1,048	6,992	17,905	32,659
	1,491		680,192	325,000	1,617,401
	62,892				62,892
<u>76,621</u>	<u>64,542</u>	<u>1,162,948</u>	<u>687,184</u>	<u>5,743,133</u>	<u>10,343,868</u>
				267,365	1,388,725
58,113				77,030	190,076
	6,568	685,583			692,151
				525,000	525,000
				436,049	436,049
					240,500
<u>58,113</u>	<u>6,568</u>	<u>685,583</u>		<u>1,305,444</u>	<u>3,472,501</u>
<u>18,508</u>	<u>57,974</u>	<u>477,365</u>	<u>687,184</u>	<u>4,437,689</u>	<u>6,871,367</u>
			468,650		468,650
		(264,818)		(1,070,788)	(1,985,518)
		(264,818)	468,650	(1,070,788)	(1,516,868)
18,508	57,974	212,547	1,155,834	3,366,901	5,354,499
117,722	31,095	1,298,476	2,305,482	5,728,598	12,210,877
<u>\$ 136,230</u>	<u>\$ 89,069</u>	<u>\$ 1,511,023</u>	<u>\$ 3,461,316</u>	<u>\$ 9,095,499</u>	<u>\$ 17,565,376</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual totals for the year ended September 30, 2011*

	<b>2012</b>		<b>Variance Positive / (Negative)</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 12,582,372	\$ 12,617,094	\$ 34,722	\$ 12,315,349
Intergovernmental				1,378,168
Investment earnings	10,945	11,545	600	27,260
Other	278,250	475,902	197,652	129,500
<b>Total Revenues</b>	<u>12,871,567</u>	<u>13,104,541</u>	<u>232,974</u>	<u>13,850,277</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	1,292,480	1,057,982	234,498	1,259,413
<b>Debt Service:</b>				
Principal	12,751,919	12,751,995	(76)	13,839,015
Interest and other charges	5,212,844	5,281,266	(68,422)	5,974,142
<b>Total Expenditures</b>	<u>19,257,243</u>	<u>19,091,243</u>	<u>166,000</u>	<u>21,072,570</u>
<b>Revenues over (under) expenditures</b>	<u>(6,385,676)</u>	<u>(5,986,702)</u>	<u>398,974</u>	<u>(7,222,293)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	9,440,000	9,440,000		
Premium on general obligation debt	806,260	806,260		
Payments to refunding escrow agent	(10,328,482)	(10,328,482)		
Transfers in	4,740,570	4,740,570		4,164,430
Transfers (out)	(43,720)	(43,494)	226	(51,720)
<b>Total other financing sources (uses)</b>	<u>4,614,628</u>	<u>4,614,854</u>	<u>226</u>	<u>4,112,710</u>
<b>Changes in fund balance</b>	(1,771,048)	(1,371,848)	399,200	(3,109,583)
<b>Fund balances, beginning of year</b>	<u>3,904,820</u>	<u>3,904,820</u>		<u>7,014,403</u>
<b>Fund balances, end of year</b>	<u>\$ 2,133,772</u>	<u>\$ 2,532,972</u>	<u>\$ 399,200</u>	<u>\$ 3,904,820</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual totals for the year ended September 30, 2011*

	<b>2012</b>		<b>Variance Positive / (Negative)</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Charges for services	\$	\$	\$	\$ 16,752
Intergovernmental	35,450,307	27,387,274	(8,063,033)	26,975,358
Investment earnings	36,300	67,708	31,408	148,024
Other	1,052,986	581,193	(471,793)	5,000,000
<b>Total Revenues</b>	<u>36,539,593</u>	<u>28,036,175</u>	<u>(8,503,418)</u>	<u>32,140,134</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	1,912,400	6,722,379	(4,809,979)	4,470,061
Parks and recreation	771,201	2,475,978	(1,704,777)	1,326,925
<b>Debt Service:</b>				
Bond issuance costs				
Capital outlay	68,988,499	38,581,115	30,407,384	44,183,056
<b>Total Expenditures</b>	<u>71,672,100</u>	<u>47,779,472</u>	<u>23,892,628</u>	<u>49,980,042</u>
<b>Revenues over (under) expenditures</b>	<u>(35,132,507)</u>	<u>(19,743,297)</u>	<u>15,389,210</u>	<u>(17,839,908)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,937,054	4,457,042	(1,480,012)	9,869,334
Transfers (out)	(202,000)	(202,000)		(252,000)
<b>Total other financing sources (uses)</b>	<u>5,735,054</u>	<u>4,255,042</u>	<u>(1,480,012)</u>	<u>9,617,334</u>
<b>Changes in fund balance</b>	(29,397,453)	(15,488,255)	13,909,198	(8,222,574)
<b>Fund balances, beginning of year</b>	<u>30,931,980</u>	<u>30,931,980</u>		<u>39,154,554</u>
<b>Fund balances, end of year</b>	<u>\$ 1,534,527</u>	<u>\$ 15,443,725</u>	<u>\$ 13,909,198</u>	<u>\$ 30,931,980</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - TOURISM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2012**  
**with comparative actual amounts for the year ended September 30, 2011**

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Hotel occupancy tax	\$ 1,797,816	\$ 1,935,156	\$ 137,340	\$ 1,584,878
Investment Income	6,307	6,198	(109)	5,504
<b>Total Revenues</b>	<u>1,804,123</u>	<u>1,941,354</u>	<u>137,231</u>	<u>1,590,382</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,031,798	510,641	521,157	566,474
Capital Outlay	250,000	240,501	9,499	42,119
<b>Total Expenditures</b>	<u>1,281,798</u>	<u>751,142</u>	<u>530,656</u>	<u>608,593</u>
<b>Revenues over (under) expenditures</b>	<u>522,325</u>	<u>1,190,212</u>	<u>667,887</u>	<u>981,789</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(649,912)	(649,912)		(641,528)
<b>Changes in fund balance</b>	(127,587)	540,300	667,887	340,261
<b>Fund balances, beginning of year</b>	<u>2,688,505</u>	<u>2,688,505</u>		<u>2,348,244</u>
<b>Fund balances, end of year</b>	<u>\$ 2,560,918</u>	<u>\$ 3,228,805</u>	<u>\$ 667,887</u>	<u>\$ 2,688,505</u>



**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT SECURITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 55,192	\$ 57,279	\$ 2,087	\$ 57,278
Investment earnings	87	89	2	86
<b>Total Revenues</b>	<u>55,279</u>	<u>57,368</u>	<u>2,089</u>	<u>57,364</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	56,183	54,933	1,250	54,334
<b>Total Expenditures</b>	<u>56,183</u>	<u>54,933</u>	<u>1,250</u>	<u>54,334</u>
<b>Changes in fund balance</b>	<u>(904)</u>	<u>2,435</u>	<u>3,339</u>	<u>3,030</u>
<b>Fund balances, beginning of year</b>	<u>40,999</u>	<u>40,999</u>		<u>37,969</u>
<b>Fund balances, end of year</b>	<u>\$ 40,095</u>	<u>\$ 43,434</u>	<u>\$ 3,339</u>	<u>\$ 40,999</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>	
<b>Revenues</b>				
Intergovernmental	\$ 644,048	\$ 610,718	\$ (33,330)	\$ 292,607
<b>Total Revenues</b>	<u>644,048</u>	<u>610,718</u>	<u>(33,330)</u>	<u>292,607</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	644,048	610,718	33,330	292,607
<b>Total Expenditures</b>	<u>644,048</u>	<u>610,718</u>	<u>33,330</u>	<u>292,607</u>
<b>Changes in fund balance</b>				
<b>Fund balances, beginning of year</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund balances, end of year</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>		<b>Variance Positive / (Negative)</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 73,436	\$ 76,353	\$ 2,917	\$ 76,386
Investment earnings	257	268	11	230
<b>Total Revenues</b>	<u>73,693</u>	<u>76,621</u>	<u>2,928</u>	<u>76,616</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	74,346	58,113	16,233	52,775
<b>Total Expenditures</b>	<u>74,346</u>	<u>58,113</u>	<u>16,233</u>	<u>52,775</u>
<b>Changes in fund balance</b>	(653)	18,508	19,161	23,841
<b>Fund balances, beginning of year</b>	<u>117,722</u>	<u>117,722</u>		<u>93,881</u>
<b>Fund balances, end of year</b>	<u>\$ 117,069</u>	<u>\$ 136,230</u>	<u>\$ 19,161</u>	<u>\$ 117,722</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Investment earnings	\$ 130	\$ 159	\$ 29	\$ 91
Intergovernmental	1,491	1,491		9,210
Other	47,251	62,892	15,641	5,165
<b>Total Revenues</b>	<b>48,872</b>	<b>64,542</b>	<b>15,670</b>	<b>14,466</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety - Police	22,915	6,568	16,347	17,324
<b>Total Expenditures</b>	<b>22,915</b>	<b>6,568</b>	<b>16,347</b>	<b>17,324</b>
<b>Changes in fund balance</b>	<b>25,957</b>	<b>57,974</b>	<b>32,017</b>	<b>(2,858)</b>
<b>Fund balances, beginning of year</b>	<b>31,095</b>	<b>31,095</b>		<b>33,953</b>
<b>Fund balances, end of year</b>	<b>\$ 57,052</b>	<b>\$ 89,069</b>	<b>\$ 32,017</b>	<b>\$ 31,095</b>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>		<b>Variance Positive / (Negative)</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 991,705	\$ 1,161,900	\$ 170,195	\$ 1,588,933
Investment earnings	943	1,048	105	1,254
<b>Total Revenues</b>	<u>992,648</u>	<u>1,162,948</u>	<u>170,300</u>	<u>1,590,187</u>
<b>Expenditures</b>				
Current:				
Public Safety - Police	699,454	685,583	13,871	813,474
<b>Total Expenditures</b>	<u>699,454</u>	<u>685,583</u>	<u>13,871</u>	<u>813,474</u>
<b>Revenues over (under) expenditures</b>	293,194	477,365	184,171	776,713
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(293,194)	(264,818)	28,376	(366,261)
<b>Total other financing sources (uses)</b>	<u>(293,194)</u>	<u>(264,818)</u>	<u>28,376</u>	<u>(366,261)</u>
<b>Changes in fund balance</b>		212,547	212,547	410,452
<b>Fund balances, beginning of year</b>	<u>1,298,476</u>	<u>1,298,476</u>		<u>888,024</u>
<b>Fund balances, end of year</b>	<u>\$ 1,298,476</u>	<u>\$ 1,511,023</u>	<u>\$ 212,547</u>	<u>\$ 1,298,476</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - DEBT REDUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Investment earnings	\$ 11,199	\$ 6,992	\$ (4,207)	\$ 8,233
Intergovernmental	614,604	680,192	65,588	423,498
<b>Total Revenues</b>	<u>625,803</u>	<u>687,184</u>	<u>61,381</u>	<u>431,731</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	466,108	468,650	2,542	450,138
<b>Total other financing sources (uses)</b>	<u>466,108</u>	<u>468,650</u>	<u>2,542</u>	<u>450,138</u>
<b>Changes in fund balance</b>	1,091,911	1,155,834	63,923	881,869
<b>Fund balances, beginning of year</b>	<u>2,305,482</u>	<u>2,305,482</u>		<u>1,423,613</u>
<b>Fund balances, end of year</b>	<u>\$ 3,397,393</u>	<u>\$ 3,461,316</u>	<u>\$ 63,923</u>	<u>\$ 2,305,482</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2012*  
*with comparative actual amounts for the year ended September 30, 2011*

	<b>2012</b>			<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Sales and use taxes	\$ 5,275,294	\$ 5,400,228	\$ 124,934	\$ 4,976,746
Investment earnings	17,310	17,905	595	25,847
Intergovernmental	325,000	325,000		458,000
Other	2,000		(2,000)	
<b>Total Revenues</b>	<u>5,619,604</u>	<u>5,743,133</u>	<u>123,529</u>	<u>5,460,593</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	3,719,990	267,365	3,452,625	364,674
Administrative services	74,390	77,030	(2,640)	1,397,147
<b>Debt Service:</b>				
Principal	525,000	525,000		505,000
Interest	433,849	436,049	(2,200)	468,236
<b>Total Expenditures</b>	<u>4,753,229</u>	<u>1,305,444</u>	<u>3,447,785</u>	<u>2,735,057</u>
<b>Revenues over (under) expenditures</b>	<u>866,375</u>	<u>4,437,689</u>	<u>3,571,314</u>	<u>2,725,536</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(2,605,207)	(1,070,788)	1,534,419	(8,240,611)
<b>Changes in fund balance</b>	(1,738,832)	3,366,901	5,105,733	(5,515,075)
<b>Fund balances, beginning of year</b>	<u>5,728,598</u>	<u>5,728,598</u>		<u>11,243,673</u>
<b>Fund balances, end of year</b>	<u>\$ 3,989,766</u>	<u>\$ 9,095,499</u>	<u>\$ 5,105,733</u>	<u>\$ 5,728,598</u>

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

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

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
*September 30, 2012*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,024,833	\$ 1,413,784	\$ 1,798,520	\$ 5,237,137
Cash with fiscal agent	342,000			342,000
Accounts receivables, net	14,682			14,682
Prepaid Expenses	35,000			35,000
<b>Total current assets</b>	<u>2,416,515</u>	<u>1,413,784</u>	<u>1,798,520</u>	<u>5,628,819</u>
<b>Non-current assets:</b>				
<b>Capital Assets:</b>				
Equipment and furniture		5,572,116	2,667,555	8,239,671
Less accumulated depreciation		<u>(3,731,175)</u>	<u>(1,756,228)</u>	<u>(5,487,403)</u>
<b>Total non-current assets</b>		<u>1,840,941</u>	<u>911,327</u>	<u>2,752,268</u>
<b>Total assets</b>	<u>2,416,515</u>	<u>3,254,725</u>	<u>2,709,847</u>	<u>8,381,087</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	1,392,487	1,075	279,536	1,673,098
Other accrued expenses	691			691
<b>Total liabilities</b>	<u>1,393,178</u>	<u>1,075</u>	<u>279,536</u>	<u>1,673,789</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt		1,840,941	911,327	2,752,268
Unrestricted	1,023,337	1,412,709	1,518,984	3,955,030
<b>Total net assets</b>	<u>\$ 1,023,337</u>	<u>\$ 3,253,650</u>	<u>\$ 2,430,311</u>	<u>\$ 6,707,298</u>

**CITY OF SUGAR LAND, TEXAS**

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

**INTERNAL SERVICE FUNDS**

*For the Year Ended September 30, 2012*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 6,299,295	\$	\$	\$ 6,299,295
<b>Total operating revenues</b>	<u>6,299,295</u>	<u></u>	<u></u>	<u>6,299,295</u>
<b>Operating Expenses</b>				
Personnel services		54,962		54,962
Supplies and materials		150,256	451,781	602,037
Contractual services	100,205	9,947	58,207	168,359
Repairs and maintenance			3,866	3,866
Insurance claims	6,239,312			6,239,312
Depreciation		764,301	387,599	1,151,900
<b>Total operating expenses</b>	<u>6,339,517</u>	<u>979,466</u>	<u>901,453</u>	<u>8,220,436</u>
Operating income (loss)	<u>(40,222)</u>	<u>(979,466)</u>	<u>(901,453)</u>	<u>(1,921,141)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment revenue	1,884	3,223	2,996	8,103
Gain (loss) on disposal of capital assets		59,470	2,187	61,657
<b>Total non-operating revenue (expenses)</b>	<u>1,884</u>	<u>62,693</u>	<u>5,183</u>	<u>69,760</u>
Income (loss) before transfers	(38,338)	(916,773)	(896,270)	(1,851,381)
Transfers in	1,250,000	783,650	1,223,886	3,257,536
Change in net assets	1,211,662	(133,123)	327,616	1,406,155
<b>Total net assets - beginning</b>	<u>(188,325)</u>	<u>3,386,773</u>	<u>2,102,695</u>	<u>5,301,143</u>
<b>Total net assets - ending</b>	<u>\$ 1,023,337</u>	<u>\$ 3,253,650</u>	<u>\$ 2,430,311</u>	<u>\$ 6,707,298</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2012

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ 6,294,986	\$	\$	\$ 6,294,986
Disbursed for personnel services		(54,962)		(54,962)
Disbursed for goods and services	(6,157,998)	(159,130)	(299,189)	(6,616,317)
<b>Net cash provided (used) by operating activities</b>	<u>136,988</u>	<u>(214,092)</u>	<u>(299,189)</u>	<u>(376,293)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	1,250,000	783,650	1,223,886	3,257,536
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>1,250,000</u>	<u>783,650</u>	<u>1,223,886</u>	<u>3,257,536</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the sale of equipment		88,604	2,187	90,791
Acquisition and construction of capital assets		(1,029,854)	(83,064)	(1,112,918)
<b>Net cash used by capital and related financing activities</b>		<u>(941,250)</u>	<u>(80,877)</u>	<u>(1,022,127)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received	1,884	3,224	2,997	8,105
<b>Net cash provided by (used by) investing activities</b>	<u>1,884</u>	<u>3,224</u>	<u>2,997</u>	<u>8,105</u>
<b>Net increase/(decrease) in cash and equivalents</b>	1,388,872	(368,468)	846,817	1,867,221
Cash and equivalents, beginning of year	977,961	1,782,252	951,703	3,711,916
<b>Cash and equivalents, at end of year</b>	<u>\$ 2,024,833</u>	<u>\$ 1,413,784</u>	<u>\$ 1,798,520</u>	<u>\$ 5,237,137</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (40,222)	\$ (979,466)	\$ (901,453)	\$ (1,921,141)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation		764,301	387,599	1,151,900
(Increase) decrease in accounts receivable	(4,309)			(4,309)
Increase (decrease) in accounts payable	181,519	1,073	214,665	397,257
<b>Net cash provided by operating activities</b>	<u>\$ 136,988</u>	<u>\$ (214,092)</u>	<u>\$ (299,189)</u>	<u>\$ (376,293)</u>

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

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**September 30, 2012**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total</b>
<b>Assets</b>					
Cash and equivalents	\$ 1,160,502	\$ 79,217	\$ 37,069	\$ 2,126	\$ 1,278,914
Investments	500,605				500,605
Receivables-less allowance for uncollectibles	927,312	9,520			936,832
Prepaid items	1,639				1,639
Restricted cash and investments	4,723,358		4,099		4,727,457
<b>Total Assets</b>	<b>7,313,416</b>	<b>88,737</b>	<b>41,168</b>	<b>2,126</b>	<b>7,445,447</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	73,716				73,716
<b>Total Liabilities</b>	<b>73,716</b>				<b>73,716</b>
<b>Fund Balance</b>					
Nonspendable - prepaid items	1,639				1,639
Restricted - debt service	4,723,358				4,723,358
Restricted - economic development	2,514,703	88,737	41,168	2,126	2,646,734
<b>Total Fund Balance</b>	<b>7,239,700</b>	<b>88,737</b>	<b>41,168</b>	<b>2,126</b>	<b>7,371,731</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,313,416</b>	<b>\$ 88,737</b>	<b>\$ 41,168</b>	<b>\$ 2,126</b>	<b>\$ 7,445,447</b>
<b>Reconciliation from Fund balance to Net Assets</b>					
Fund Balance	\$ 7,239,700	\$ 88,737	\$ 41,168	\$ 2,126	\$ 7,371,731
Plus long-term assets	271,517				271,517
Less long-term liabilities	(41,843,700)				(41,843,700)
Less interest payable	(219,418)				(219,418)
<b>Net Assets</b>	<b>\$ (34,551,901)</b>	<b>\$ 88,737</b>	<b>\$ 41,168</b>	<b>\$ 2,126</b>	<b>\$ (34,419,870)</b>

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2012*

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$	\$ 828,757	\$ 9,304	\$ 1,062	\$ 839,123
Sales and use taxes	5,400,228				5,400,228
Intergovernmental	144,008				144,008
Investment earnings	33,283	1,315	82		34,680
Other	36,926	7,539			44,465
<b>Total Revenues</b>	<u>5,614,445</u>	<u>837,611</u>	<u>9,386</u>	<u>1,062</u>	<u>6,462,504</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	19,940,390	828,694			20,769,084
<b>Debt Service:</b>					
Principal	1,635,000				1,635,000
Interest	1,746,256				1,746,256
<b>Total Expenditures</b>	<u>23,321,646</u>	<u>828,694</u>			<u>24,150,340</u>
<b>Revenues over (under) expenditures</b>	<u>(17,707,201)</u>	<u>8,917</u>	<u>9,386</u>	<u>1,062</u>	<u>(17,687,836)</u>
Changes in fund balance	(17,707,201)	8,917	9,386	1,062	(17,687,836)
<b>Fund balances, beginning of year</b>	<u>24,946,901</u>	<u>79,820</u>	<u>31,782</u>	<u>1,064</u>	<u>25,059,567</u>
<b>Fund balances, end of year</b>	<u>\$ 7,239,700</u>	<u>\$ 88,737</u>	<u>\$ 41,168</u>	<u>\$ 2,126</u>	<u>\$ 7,371,731</u>
<b>Reconciliation from changes in fund balance to changes in net assets</b>					
Change in Fund Balance	\$ (17,707,201)	\$ 8,917	\$ 9,386	\$ 1,062	\$ (17,687,836)
Add Principal payments	1,635,000				1,635,000
Add other changes in long-term assets and liabilities	(123,357)				(123,357)
<b>Changes in Net Assets</b>	<u>\$ (16,195,558)</u>	<u>\$ 8,917</u>	<u>\$ 9,386</u>	<u>\$ 1,062</u>	<u>\$ (16,176,193)</u>

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

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

	<b>Page</b>
<b>Financial Trends</b>	100
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
<b>Revenue Capacity</b>	110
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
<b>Debt Capacity</b>	119
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	124
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	126
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 ASSETS BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 40,369	\$ 79,902	\$ 88,966	\$ 92,005
Restricted	30,268	6,397	5,564	7,667
Unrestricted	16,771	26,348	27,568	38,331
<b>Total governmental activities net assets</b>	<b>\$ 87,408</b>	<b>\$ 112,647</b>	<b>\$ 122,098</b>	<b>\$ 138,003</b>
<b>Business-type</b>				
Invested in capital assets, net of related debt	\$ 111,753	\$ 123,911	\$ 124,387	\$ 143,028
Restricted	11,975	1,079	2,598	2,673
Unrestricted	3,312	3,872	7,421	7,166
<b>Total business-type net assets</b>	<b>\$ 127,040</b>	<b>\$ 128,862</b>	<b>\$ 134,406</b>	<b>\$ 152,867</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 152,122	\$ 203,813	\$ 213,353	\$ 235,033
Restricted	42,243	7,476	8,162	10,340
Unrestricted	20,083	30,220	34,989	45,497
<b>Total primary government net assets</b>	<b>\$ 214,448</b>	<b>\$ 241,509</b>	<b>\$ 256,504</b>	<b>\$ 290,870</b>

**Fiscal Year**

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 116,539	\$ 124,219	\$ 170,519	\$ 161,857	\$ 213,685	\$ 255,293
12,838	14,508	18,259	21,535	14,705	18,864
33,552	35,199	29,931	28,639	26,882	27,698
<u>\$ 162,929</u>	<u>\$ 173,926</u>	<u>\$ 218,709</u>	<u>\$ 212,031</u>	<u>\$ 255,272</u>	<u>\$ 301,854</u>
\$ 195,126	\$ 199,679	\$ 210,123	\$ 218,494	\$ 224,092	\$ 240,741
3,011	3,464	5,478	6,963	7,475	7,926
4,802	7,531	8,613	10,200	15,760	9,848
<u>\$ 202,939</u>	<u>\$ 210,674</u>	<u>\$ 224,214</u>	<u>\$ 235,657</u>	<u>\$ 247,327</u>	<u>\$ 258,515</u>
\$ 311,665	\$ 323,898	\$ 380,643	\$ 380,352	\$ 437,777	\$ 496,034
15,849	17,972	23,738	28,498	22,180	26,790
38,354	42,730	38,543	38,838	42,642	37,546
<u>\$ 365,868</u>	<u>\$ 384,600</u>	<u>\$ 442,924</u>	<u>\$ 447,688</u>	<u>\$ 502,599</u>	<u>\$ 560,369</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,565,235	\$ 4,556,424	\$ 5,515,474	\$ 9,495,752
Administrative services	4,938,322	6,117,246	5,574,377	6,350,781
Public safety - Police	9,764,347	9,777,071	10,706,162	12,352,022
Public safety - Fire	6,613,822	7,461,306	8,029,497	8,476,255
Public works	13,685,380	14,564,970	15,227,593	21,727,624
Parks and recreation	2,339,733	2,837,255	2,675,897	3,158,684
Community development	2,157,745	2,248,632	3,636,045	3,764,431
Interest on long-term debt	6,247,290	5,637,729	4,461,193	3,356,457
<b>Total governmental activities expenses</b>	<u>49,311,874</u>	<u>53,200,633</u>	<u>55,826,238</u>	<u>68,682,006</u>
<b>Business-Type Activities:</b>				
Utility	13,084,344	15,079,772	12,067,059	15,377,787
Solid waste management	2,401,184	2,667,768	2,707,293	3,054,482
Regional airport	4,530,302	5,599,018	6,809,363	9,334,903
<b>Total business-type activities expenses</b>	<u>20,015,830</u>	<u>23,346,558</u>	<u>21,583,715</u>	<u>27,767,172</u>
<b>Total primary government expenses</b>	<u>\$ 69,327,704</u>	<u>\$ 76,547,191</u>	<u>\$ 77,409,953</u>	<u>\$ 96,449,178</u>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for services:</b>				
Administrative services	\$ 1,539,826	\$ 1,686,975	\$ 1,100,157	\$ 1,885,020
Public safety - Fire	1,890,955	1,477,288	1,814,332	1,771,151
Community development	1,242,360	1,086,479	1,527,899	2,052,192
Other	139,947	1,700,679	1,340,834	1,163,433
Operating grants and contributions	709,289	347,253	1,966,820	1,593,649
Capital grants and contributions	6,621,344	9,855,155	2,695,329	3,160,386
<b>Total governmental activities program revenues</b>	<u>12,143,721</u>	<u>16,153,829</u>	<u>10,445,371</u>	<u>11,625,831</u>
<b>Business-Type Activities</b>				
<b>Charges for services:</b>				
Utility	15,278,512	15,813,812	17,152,477	19,179,355
Solid waste management	2,290,724	2,575,996	2,679,622	3,018,814
Regional airport	4,747,403	6,112,367	7,294,538	9,391,418
Operating grants and contributions	29,894	31,487	22,354	3,371,408
Capital grants and contributions	131,974	1,524,039	4,844,233	15,812,287
<b>Total business-type activities program revenues</b>	<u>22,478,507</u>	<u>26,057,701</u>	<u>31,993,224</u>	<u>50,773,282</u>
<b>Total primary government program revenues</b>	<u>\$ 34,622,228</u>	<u>\$ 42,211,530</u>	<u>\$ 42,438,595</u>	<u>\$ 62,399,113</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (37,168,153)	\$ (37,046,804)	\$ (45,380,867)	\$ (57,056,175)
Business-type activities	2,462,677	2,711,143	10,409,509	23,006,110
<b>Total primary government net expense</b>	<u>\$ (34,705,476)</u>	<u>\$ (34,335,661)</u>	<u>\$ (34,971,358)</u>	<u>\$ (34,050,065)</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 10,423,331	\$ 12,688,528	\$ 14,638,050	\$ 11,950,794	\$ 11,969,433	\$ 11,463,677
10,298,466	11,295,777	15,469,507	14,617,875	12,721,478	9,802,035
13,854,658	15,560,440	16,045,992	17,126,183	18,095,251	18,354,251
9,088,288	11,075,689	14,530,795	10,325,782	10,199,579	10,898,603
14,478,873	13,334,139	14,136,657	16,673,481	17,027,897	22,311,568
3,151,255	3,575,583	3,944,900	9,159,332	7,264,499	8,504,303
2,421,116	3,648,038	3,812,432	4,073,334	4,038,545	4,855,764
4,907,490	5,451,419	5,490,374	5,394,340	6,555,667	5,908,721
<u>68,623,477</u>	<u>76,629,613</u>	<u>88,068,707</u>	<u>89,321,121</u>	<u>87,872,349</u>	<u>92,098,922</u>
16,893,917	17,579,117	21,943,160	22,248,954	26,487,388	28,574,352
3,200,763	3,864,419	4,538,631	5,279,327	5,305,970	5,087,731
9,486,024	12,932,066	9,879,544	11,366,997	14,874,179	16,002,860
<u>29,580,704</u>	<u>34,375,602</u>	<u>36,361,335</u>	<u>38,895,278</u>	<u>46,667,537</u>	<u>49,664,943</u>
<u>\$ 98,204,181</u>	<u>\$111,005,215</u>	<u>\$ 124,430,042</u>	<u>\$ 128,216,399</u>	<u>\$134,539,886</u>	<u>\$141,763,865</u>
\$ 2,046,873	\$ 3,483,298	\$ 3,839,810	\$ 3,352,232	\$ 3,916,555	\$ 3,663,149
1,674,410	1,682,088	1,908,129	1,552,253	1,526,340	2,102,494
2,783,375	2,564,604	2,364,539	2,188,436	2,404,638	2,376,127
588,174	1,762,088	1,967,236	3,608,192	3,534,161	3,231,665
1,672,011	2,090,204	5,139,071	1,480,490	1,019,323	1,566,549
15,149,904	4,125,123	42,710,113	8,420,807	42,497,257	43,196,769
<u>23,914,747</u>	<u>15,707,405</u>	<u>57,928,898</u>	<u>20,602,410</u>	<u>54,898,274</u>	<u>56,136,753</u>
21,612,433	25,166,996	29,085,428	27,593,557	35,625,109	40,543,433
3,138,901	3,980,877	4,497,802	4,859,770	5,264,072	5,068,656
10,121,153	13,074,539	8,843,750	11,084,688	14,355,810	15,675,468
92,406	18,426	59,880	216,570	354,865	84,271
50,077,524	7,415,849	12,531,211	12,163,511	8,193,030	6,297,452
<u>85,042,417</u>	<u>49,656,687</u>	<u>55,018,071</u>	<u>55,918,096</u>	<u>63,792,886</u>	<u>67,669,280</u>
<u>\$108,957,164</u>	<u>\$ 65,364,092</u>	<u>\$ 112,946,969</u>	<u>\$ 76,520,506</u>	<u>\$118,691,160</u>	<u>\$123,806,033</u>
\$ (44,708,730)	\$ (60,922,208)	\$ (30,139,809)	\$ (30,139,809)	\$ (32,974,075)	\$ (35,962,169)
<u>55,461,713</u>	<u>15,281,085</u>	<u>18,656,736</u>	<u>18,656,736</u>	<u>17,125,349</u>	<u>18,004,337</u>
<u>\$ 10,752,983</u>	<u>\$ (45,641,123)</u>	<u>\$ (11,483,073)</u>	<u>\$ (11,483,073)</u>	<u>\$ (15,848,726)</u>	<u>\$ (17,957,832)</u>

**CITY OF SUGAR LAND, TEXAS**

*CHANGES IN NET ASSETS (continued)*

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 17,854,691	\$ 18,681,254	\$ 19,279,037	\$ 21,110,181
Sales and use taxes	21,086,231	22,651,738	25,047,623	32,217,608
Franchise taxes	3,971,709	3,927,334	4,174,190	4,300,140
Unrestricted grants and contributions				1,056,108
Investment earnings	663,536	526,503	1,053,641	2,529,438
Miscellaneous	97,020	74,042	5,722	26,412
Special Item				
Transfers	4,836,560	1,037,359	5,271,350	5,463,678
<b>Total governmental activities</b>	<u>48,509,747</u>	<u>46,898,230</u>	<u>54,831,563</u>	<u>66,703,565</u>
<b>Business-Type Activities:</b>				
Investment earnings	228,668	148,344	405,720	918,322
Transfers	(4,836,560)	(1,037,359)	(5,271,350)	(5,463,678)
<b>Total business-type activities</b>	<u>(4,607,892)</u>	<u>(889,015)</u>	<u>(4,865,630)</u>	<u>(4,545,356)</u>
<b>Total primary government</b>	<u>\$ 43,901,855</u>	<u>\$ 46,009,215</u>	<u>\$ 49,965,933</u>	<u>\$ 62,158,209</u>
<b>Changes in Net Assets:</b>				
Governmental activities	\$ 11,341,594	\$ 9,851,426	\$ 9,450,696	\$ 9,647,390
Business-type activities	(2,145,215)	1,822,128	5,543,879	18,460,754
<b>Total primary government</b>	<u>\$ 9,196,379</u>	<u>\$ 11,673,554</u>	<u>\$ 14,994,575</u>	<u>\$ 28,108,144</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 21,773,074	\$ 22,716,623	\$ 26,207,576	\$ 29,128,113	\$ 27,539,737	\$ 28,282,258
34,161,008	36,048,286	36,539,563	34,731,398	37,106,909	40,549,441
4,231,716	4,485,754	4,661,287	4,920,376	4,731,821	5,161,877
3,126,277	1,999,308	1,194,603	467,715	360,902	250,959
20,311	441,804	729,542	849,701	756,532	1,054,383
			(13,906,224)		
<u>6,322,645</u>	<u>6,112,688</u>	<u>5,590,028</u>	<u>5,849,543</u>	<u>5,718,716</u>	<u>7,245,571</u>
<u>69,635,031</u>	<u>71,804,463</u>	<u>74,922,599</u>	<u>62,040,622</u>	<u>76,214,617</u>	<u>82,544,489</u>
975,420	710,680	473,837	269,249	263,593	429,350
<u>(6,322,645)</u>	<u>(6,109,242)</u>	<u>(5,590,028)</u>	<u>(5,849,543)</u>	<u>(5,718,716)</u>	<u>(7,245,571)</u>
<u>(5,347,225)</u>	<u>(5,398,562)</u>	<u>(5,116,191)</u>	<u>(5,580,294)</u>	<u>(5,455,123)</u>	<u>(6,816,221)</u>
<u>\$ 64,287,806</u>	<u>\$ 66,405,901</u>	<u>\$ 69,806,408</u>	<u>\$ 56,460,328</u>	<u>\$ 70,759,494</u>	<u>\$ 75,728,268</u>
\$ 24,926,301	\$ 10,882,255	\$ 44,782,790	\$ (6,678,089)	\$ 43,240,542	\$ 46,582,320
50,114,488	9,882,523	13,540,545	11,442,524	11,670,226	11,188,116
<u>\$ 75,040,789</u>	<u>\$ 20,764,778</u>	<u>\$ 58,323,335</u>	<u>\$ 4,764,435</u>	<u>\$ 54,910,768</u>	<u>\$ 57,770,436</u>

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

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005*</b>	<b>2006</b>
<b>General fund</b>				
Nonspendable:				
Inventories	\$ 120,339	\$ 103,509	\$ 137,055	\$ 131,789
Prepaid items	49,004	40,220	25,643	22,381
Assigned for other purposes	1,056,239	1,028,035	1,185,961	570,325
Unassigned	9,271,426	10,135,414	19,287,577	22,970,366
<b>Total General fund</b>	<b>\$10,497,008</b>	<b>\$11,307,178</b>	<b>\$20,636,236</b>	<b>\$23,694,861</b>
<b>All other governmental funds</b>				
Nonspendable:				
Prepaid items	\$	\$ 27,580	\$ 26,820	\$ 600,104
Restricted:				
Debt service	7,325,562	6,653,939	5,408,932	7,742,929
Capital projects	22,341,384	10,940,601	10,953,828	17,023,058
Development activities	214,291	199,792	436,335	6,473,506
Public safety	172,010	250,810	349,647	371,250
Drainage improvement				
Unassigned	(13,241)			
<b>Total all other governmental funds</b>	<b>\$30,040,006</b>	<b>\$18,072,722</b>	<b>\$17,175,562</b>	<b>\$32,210,847</b>

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

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



<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 149,015	\$ 214,910	\$ 160,160	\$ 170,230	\$ 169,208	\$ 160,635
24,722	35,264	49,701	48,690	49,727	43,861
736,341	3,239,821	877,578	1,259,302	638,523	652,316
25,350,615	23,284,240	26,649,204	26,400,935	25,359,638	24,260,117
<u>\$ 26,260,693</u>	<u>\$ 26,774,235</u>	<u>\$ 27,736,643</u>	<u>\$ 27,879,157</u>	<u>\$ 26,217,096</u>	<u>\$ 25,116,929</u>
\$ 599,557	\$	\$ 2,740	\$ 2,740	\$ 9,740	\$ 2,740
6,760,482	6,831,645	7,473,977	9,822,105	7,602,464	7,397,649
10,107,767	16,612,280	8,409,874	39,154,554	30,931,980	15,443,725
5,963,238	8,759,190	11,255,576	12,205,088	7,015,201	10,918,203
330,232	377,885	676,382	1,053,827	1,488,292	1,779,756
245,497					
(83,290)					
<u>\$ 23,923,483</u>	<u>\$ 32,581,000</u>	<u>\$ 27,818,549</u>	<u>\$ 62,238,314</u>	<u>\$ 47,047,677</u>	<u>\$ 35,542,073</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues</b>				
<b>Taxes:</b>				
General property	\$ 17,854,269	\$ 18,728,864	\$ 19,242,598	\$ 21,063,738
Sales and use taxes	20,141,219	22,723,128	25,032,282	32,217,608
Franchise taxes	3,920,930	3,966,827	4,174,190	4,300,140
Licenses and permits	1,110,548	1,086,479	1,453,888	1,993,057
Fines and forfeitures	1,539,826	1,377,622	1,312,202	1,376,926
Charges for services	1,081,942	2,346,494	2,777,499	2,776,596
Investment earnings	600,082	498,644	991,168	2,419,131
Intergovernmental	4,515,700	10,788,662	4,528,755	3,133,325
Other	1,695,897	264,435	567,062	454,938
<b>Total Revenues</b>	<u>52,460,413</u>	<u>61,781,155</u>	<u>60,079,644</u>	<u>69,735,459</u>
<b>Expenditures</b>				
General government	3,785,019	4,467,824	5,499,979	8,930,578
Administrative services	4,335,232	5,424,946	5,155,481	5,282,580
Public safety	16,489,648	16,504,535	18,591,158	19,736,392
Public works	5,490,831	5,796,088	6,505,895	7,415,075
Parks and recreation	1,958,525	1,968,563	2,148,540	2,476,977
Community development	2,140,039	2,244,372	3,045,013	3,097,520
<b>Debt Service:</b>				
Principal	8,966,153	10,893,930	11,166,491	12,634,438
Interest and other charges	7,408,145	6,148,688	6,161,161	7,269,724
Capital outlay	13,017,150	24,999,470	8,255,603	20,391,276
<b>Total Expenditures</b>	<u>63,590,742</u>	<u>78,448,416</u>	<u>66,529,321</u>	<u>87,234,560</u>
Excess of revenues over (under) expenditures	(11,130,329)	(16,667,261)	(6,449,677)	(17,499,101)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued				
General obligation bonds issued	42,936,473	5,435,000	15,535,000	9,980,000
Revenue bonds issued				12,365,000
Refunding bonds issued				25,695,000
Premium (discount) on debt issued			149,578	980,763
Payments to refunded bond escrow agent	(26,889,670)		(11,482,431)	(26,292,055)
Proceeds of the sale of capital assets				
Capital leases	807,437			
Transfers in	8,523,016	8,456,237	7,811,190	12,371,780
Transfers (out)	(4,575,577)	(8,429,792)	(3,490,133)	(7,893,696)
<b>Total other financing sources (uses)</b>	<u>20,801,679</u>	<u>5,461,445</u>	<u>8,523,204</u>	<u>27,206,792</u>
Net change in fund balances	<u>\$ 9,671,350</u>	<u>\$ (11,205,816)</u>	<u>\$ 2,073,527</u>	<u>\$ 9,707,691</u>
Debt service as a percentage of noncapital expenditures	32.4%	31.9%	29.7%	29.8%

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 21,654,619	\$ 22,648,350	\$ 26,145,691	\$ 29,102,845	\$ 27,588,283	\$ 28,242,085
34,161,008	36,048,286	36,389,644	34,581,479	36,857,302	40,111,821
4,231,716	4,485,754	4,661,287	4,920,376	4,731,821	5,161,877
2,713,913	2,398,765	2,160,999	2,163,562	2,371,944	2,332,393
1,666,349	2,845,153	3,088,489	3,273,032	3,874,845	3,399,284
3,283,310	4,056,076	4,849,709	3,694,519	3,399,457	3,182,908
2,960,813	1,882,428	1,128,345	461,633	352,469	242,856
2,273,746	3,883,420	12,865,312	8,183,086	30,102,390	29,941,993
77,914	814,787	364,509	308,694	5,345,683	1,193,356
<u>73,023,388</u>	<u>79,063,019</u>	<u>91,653,985</u>	<u>86,689,226</u>	<u>114,624,194</u>	<u>113,808,573</u>
9,146,314	14,563,908	9,451,503	10,682,661	10,421,139	10,350,520
8,684,560	5,415,343	14,039,145	12,200,260	10,728,359	6,665,760
22,322,526	25,354,202	30,413,697	26,263,330	28,858,550	27,852,455
5,503,132	6,045,538	6,205,250	9,397,495	10,092,059	15,280,951
2,501,447	2,777,315	2,960,890	8,088,715	6,131,140	7,245,735
3,434,872	3,794,196	3,747,772	3,981,327	3,965,737	4,781,203
12,283,907	11,139,672	11,104,420	12,458,335	14,744,007	13,643,295
5,718,988	5,338,204	5,341,234	6,486,624	6,491,477	5,769,576
14,469,153	11,185,254	18,745,284	12,099,869	44,225,175	38,821,615
<u>84,064,899</u>	<u>85,613,632</u>	<u>102,009,195</u>	<u>101,658,616</u>	<u>135,657,643</u>	<u>130,411,110</u>
(11,041,511)	(6,550,613)	(10,355,210)	(14,969,390)	(21,033,449)	(16,602,537)
			40,775,000		
	11,385,000		2,435,000		
			26,810,000		9,440,000
			1,707,730		806,260
			(28,296,220)		(10,328,482)
		1,668,756	78,465	125,995	90,953
		623,300	1,709,042		
13,942,261	11,479,267	10,350,336	10,438,670	17,193,975	13,518,223
(8,622,276)	(7,142,591)	(6,087,227)	(6,126,018)	(13,139,219)	(9,530,188)
<u>5,319,985</u>	<u>15,721,676</u>	<u>6,555,165</u>	<u>49,531,669</u>	<u>4,180,751</u>	<u>3,996,766</u>
<u>\$ (5,721,526)</u>	<u>\$ 9,171,063</u>	<u>\$ (3,800,045)</u>	<u>\$ 34,562,279</u>	<u>\$ (16,852,698)</u>	<u>\$ (12,605,771)</u>
25.9%	22.1%	19.8%	21.2%	23.2%	21.2%

**CITY OF SUGAR LAND, TEXAS**

**TAXABLE SALES**

**LAST TEN CALENDAR YEARS**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Retail trade	\$ 601,573,858	\$ 616,289,926	\$ 657,467,599	\$ 705,149,129
Accommodation/Food Services	98,076,261	105,560,725	125,217,312	141,406,079
Wholesale trade	300,086,383	96,449,810	96,106,760	129,590,118
Construction	57,431,743	63,843,608	72,931,141	82,435,685
Information	81,370,349	85,072,570	87,687,807	79,106,766
Professional/Scientific/Technical Services	37,776,031	34,519,737	28,645,267	30,343,466
Arts/Entertainment/Recreation	23,261,347	24,389,367	26,134,716	30,944,499
Manufacturing	15,734,195	11,400,245	13,681,238	14,117,095
Other services	17,206,536	16,850,842	17,337,139	19,531,951
Admin/Support/Waste Mgmt/Remediation Services	30,264,771	30,571,686	17,515,112	21,806,271
Real Estate/Rental/Leasing	11,002,119	6,477,192	7,257,766	6,757,160
Utilities	147,560	183,838	313,337	336,228
Management of Companies/Enterprises	17,032,207	16,474,969	55,506,334	60,297,155
Transportation/Warehousing	1,430,468	1,189,290	1,180,345	817,070
Health Care/Social Assistance	104,003	369,558	834,120	776,749
Finance/Insurance	4,287,685	2,548,467	2,054,983	5,634,975
Educational services	384,871	402,074	467,134	587,445
Mining/Quarrying/Oil and Gas Extraction	166,524,897	191,950,135	220,761,732	254,887,878
Public administration	2,265,899	2,348,823	2,577,332	1,990,407
Other	3,061,814	533,213	126,528	8,483
	<u>\$1,469,022,997</u>	<u>\$1,307,426,075</u>	<u>\$1,433,803,702</u>	<u>\$1,586,524,609</u>

Source of information: Texas State Comptrollers Office.

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

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

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

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$ 809,548,650	\$ 1,041,357,085	\$ 845,579,899	\$ 817,695,030	\$ 820,003,254	\$ 867,302,406
160,203,538	183,194,577	192,532,921	192,249,613	201,788,407	218,469,558
100,998,889	126,340,529	145,219,665	180,406,668	178,596,851	187,178,881
148,647,428	125,525,252	76,785,094	36,651,229	25,341,501	19,921,962
69,933,126	63,304,095	58,277,031	38,724,172	42,562,635	55,552,360
32,611,442	43,007,134	44,337,155	47,152,301	50,418,078	56,995,908
35,683,686	40,367,297	40,622,857	39,254,647	39,319,401	43,056,335
18,053,650	30,304,881	33,737,478	29,117,441	18,727,994	20,331,325
22,030,038	23,548,996	25,214,386	26,341,315	25,115,775	25,601,706
23,392,488	19,226,638	18,437,657	18,392,831	19,456,520	23,202,943
13,336,535	13,107,901	20,196,130	24,123,822	28,589,598	27,704,444
213,895	7,257,357	15,208,544	14,793,208	31,999,808	58,554,971
18,611,026	5,418,090	5,144,574	117,446	60,298	616,716
1,010,732	1,331,028	1,049,859	1,007,624	958,673	1,154,717
990,456	1,255,260	1,645,260	2,604,444	3,180,679	3,974,677
1,850,429	1,207,585	1,673,015	2,060,437	1,690,868	4,640,404
783,940	918,972	899,505	953,485	884,432	991,469
409,616,155	226,213,432	501,668,924	314,960,195	235,249	29,244,015
744,017					
			17,250	37,492	26,574
<u>\$ 1,868,260,120</u>	<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,623,158</u>	<u>\$ 1,488,967,513</u>	<u>\$ 1,644,521,371</u>

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Less Tax Exempt Real Property</b>
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>	
2003	2002	\$ 3,688,263,419	\$ 1,457,499,570	\$ 27,496,242	\$ 875,411,826	\$ 235,511,160
2004	2003	3,906,238,377	1,537,139,500	31,423,395	844,205,627	262,341,230
2005	2004	4,052,206,317	1,624,421,340	36,731,735	872,591,115	275,878,570
2006	2005	4,323,808,102	1,788,953,340	40,183,652	852,712,174	329,143,990
2007	2006	5,004,383,727	1,993,984,330	50,625,468	909,034,631	342,153,402
2008	2007	5,293,822,227	2,309,295,100	54,542,255	1,038,400,912	504,240,160
2009	2008	5,964,689,707	2,940,782,650	63,824,522	1,148,686,784	717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976
2012	2011	6,809,072,671	4,251,649,252	44,595,732	21,840,700	712,702,870

Source: Treasury Department of the City.

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

<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 333,995,122	\$ 5,479,164,775	\$ 0.32886	\$ 5,479,164,775	100.00%
363,724,651	5,692,941,018	0.32840	5,692,941,018	100.00%
374,516,941	5,935,554,996	0.32568	5,935,554,996	100.00%
379,916,920	6,296,596,358	0.31711	6,296,596,358	100.00%
512,828,996	7,103,045,758	0.30655	7,103,045,758	100.00%
570,215,378	7,621,604,956	0.30000	7,621,604,956	100.00%
674,751,010	8,725,649,555	0.30000	8,725,649,555	100.00%
889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%
915,453,424	9,499,002,061	0.30245	9,499,002,061	100.00%

**CITY OF SUGAR LAND, TEXAS****PROPERTY TAX RATES (A)****DIRECT AND OVERLAPPING GOVERNMENTS (B)***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Tax Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Tax Rates</b>				
City of Sugar Land				
Operating tax rate	\$ 0.10407	\$ 0.11588	\$ 0.13130	\$ 0.14783
Debt service tax rate	0.22479	0.21252	0.19438	0.16928
Total tax rate	<u>\$ 0.32886</u>	<u>\$ 0.32840</u>	<u>\$ 0.32568</u>	<u>\$ 0.31711</u>
Fort Bend County	\$ 0.53870	\$ 0.52370	\$ 0.52370	\$ 0.51674
Fort Bend ISD	1.68250	1.67000	1.70750	1.67748
Fort Bend LID 2	0.23000	0.21000	0.20000	0.18400
Fort Bend County MUD No. 21	0.49000	0.49000	0.49000	0.47000
First Colony LID	0.20500	0.19500	0.20500	0.19000
Eldridge Road MUD	0.67000	0.60000	0.50000	0.43000
Fort Bend WCID No. 2	0.16290	0.16290	0.18000	0.18000
First Colony LID No. 2	0.39200	0.39200	0.38500	0.37500
Burney Road MUD	0.74000	0.74000	0.67000	0.35500

Source: CAD Website

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



<u>2007</u> <u>2006</u>	<u>2008</u> <u>2007</u>	<u>2009</u> <u>2008</u>	<u>2010</u> <u>2009</u>	<u>2011</u> <u>2010</u>	<u>2012</u> <u>2011</u>
\$ 0.15307	\$ 0.15000	\$ 0.15575	\$ 0.16000	\$ 0.16500	\$ 0.16635
0.15348	0.15000	0.14425	0.14000	0.13500	0.13610
<u>\$ 0.30655</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30245</u>
\$ 0.51674	\$ 0.51674	\$ 0.49976	\$ 0.49976	\$ 0.48556	\$ 0.49976
1.54000	1.25000	1.27000	1.30500	1.34000	1.34000
0.17700	0.16500	0.14500	0.13400	0.13400	0.13400
0.44000	0.39000	0.39000	0.27000	0.26000	0.26000
0.18500	0.19460	0.19460	0.19460	0.19460	0.19460
0.39000	0.32000	0.25000	0.22000	0.08000	
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.31500	0.31500	0.29500	0.28500	0.27500	0.27500
0.33000	0.30000	0.30000	0.24250	0.26750	0.26750

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
				<b>Amount</b>	<b>Percent of Levy</b>
2003	2002	\$ 0.32886	\$ 17,752,277	\$ 17,611,167	99.2%
2004	2003	0.32840	18,661,475	18,509,816	99.2%
2005	2004	0.32568	19,208,332	19,068,084	99.4%
2006	2005	0.31711	19,979,337	19,783,102	99.3%
2007	2006	0.30655	21,811,505	21,617,919	99.3%
2008	2007	0.30000	22,942,514	22,655,023	99.1%
2009	2008	0.30000	26,002,851	25,953,447	99.1%
2010	2009	0.30000	27,467,433	27,567,908	99.5%
2011	2010	0.30000	27,801,345	27,743,159	99.7%
2012	2011	0.30245	28,608,058	28,502,346	99.6%

<b>Collections (Refunds) in Subsequent Years</b>		<b>Total Collections to Date</b>	
<b>Amount</b>	<b>Amount</b>	<b>Percent of Levy</b>	
\$ 138,440	\$ 17,749,607	100.0%	
146,339	18,656,155	100.0%	
125,753	19,193,837	99.9%	
180,442	19,963,544	99.9%	
177,868	21,795,787	99.9%	
246,723	22,901,747	99.8%	
(7,285)	25,946,162	99.8%	
(139,902)	27,428,006	99.9%	
12,708	27,755,867	99.8%	
	28,502,346	99.6%	

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

<b>Taxpayer</b>	<b>Fiscal Year 2012</b>			<b>Fiscal Year 2002</b>		
	<b>Tax Year 2011</b>			<b>Tax Year 2001</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Assessed Valuation</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Assessed Valuation</b>
First Colony Mall LLC	\$ 94,024,230	1	1.0%	\$ 49,935,380	5	1.0%
Tramontina USA Inc	83,415,840	2	0.9%			
Lakepointe Assets, LLC	74,000,000	3	0.8%			
Medistar Sugar Land Medical Center, Ltd	70,524,870	4	0.8%			
Schlumberger Tech Corp - SPC	60,491,120	5	0.7%	79,671,220	2	1.5%
Weingarten Realty Investors & WRI/Post Oak Inc	55,977,250	6	0.6%			
Fairfield Industries	49,520,800	7	0.5%			
Amerisource Bergen Drug Corp.	49,090,050	8	0.5%			
Schlumberger Tech. Corp. - Well Services	41,984,980	9	0.5%			
Covington First Colony Acquisition LLC et al	38,405,570	10	0.4%			
Fluor Daniel, Inc.				95,374,790	1	1.8%
Sugar Land Telephone (Alltel)				66,856,660	3	1.3%
Kent Industries				57,851,330	4	1.1%
Acquiport Sugar Creek, Inc.				49,135,560	6	0.9%
Nalco/Exxon Energy Chemicals, L.P.				42,239,030	7	0.8%
Bergen Brunswick Drug Co.				41,688,660	8	0.8%
Imperial Sugar Co.				39,918,020	9	0.8%
TFK Retail, Ltd.				30,235,260	10	0.6%
	617,434,710		6.7%	552,905,910		10.6%
Other taxpayers	8,659,189,853		93.3%	4,639,019,435		89.4%
<b>Total Assessed Valuation</b>	<b>\$ 9,276,624,563</b>		<b>100.0%</b>	<b>\$ 5,191,925,345</b>		<b>100.0%</b>

Source - Tax assessor/collector's records

Note - Assessed valuation is net of exemptions

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value* of Property</b>	<b>Per Capita**</b>
2003	\$ 96,235,445	\$ 7,325,562	\$ 88,909,883	1.6%	\$ 1,344
2004	92,283,988	6,653,939	85,630,049	1.5%	1,239
2005	84,932,230	4,627,154	80,305,076	1.4%	1,135
2006	96,505,000	5,029,013	91,475,987	1.5%	1,228
2007	87,105,001	5,993,163	81,111,838	1.1%	1,064
2008	84,800,000	4,808,870	79,991,130	1.0%	1,026
2009	75,795,000	5,226,158	70,568,842	0.8%	887
2010	93,815,000	7,014,403	86,800,597	0.9%	1,027
2011	83,855,000	4,069,685	79,785,315	0.9%	944
2012	79,620,000	2,708,876	76,911,124	0.8%	910

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

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

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

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

**Governmental Activities**

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<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Annexed MUD Debt</u>	<u>Certificates of Obligation</u>	<u>Capital Leases</u>	<u>Sales Tax Revenue Bonds</u>
2003	\$ 83,755,445	\$ 12,480,000	\$ 25,700,000	\$ 1,822,892	\$
2004	80,538,988	11,745,000	24,700,000	1,699,183	
2005	76,717,230	8,215,000	25,770,000	1,139,451	
2006	93,000,000	3,505,000	25,595,000	777,242	13,415,000
2007	84,480,001	2,625,000	24,345,000	628,336	11,930,000
2008	82,895,000	1,905,000	27,505,000	474,264	11,475,000
2009	74,310,000	1,485,000	26,035,000	938,143	11,005,000
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000
2012	74,095,000	5,525,000	45,376,995	1,664,554	9,485,000

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

**Business-Type Activities**

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<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Percentage of Actual Taxable value of Property</b>	<b>Per Capita*</b>
\$ 19,415,000	\$ 600,000	\$ 1,615,000	\$ 145,388,337	7.1%	2.7%	2,199
18,165,000	400,000	1,525,000	138,773,171	5.5%	2.4%	2,007
29,535,000	200,000	8,835,000	150,411,681	5.8%	2.5%	2,126
32,860,000		8,685,000	177,837,242	6.4%	2.8%	2,388
30,600,000		8,375,000	162,983,337	5.8%	2.3%	2,138
43,100,000		12,455,000	179,809,264	6.1%	2.4%	2,306
40,420,000		11,990,000	166,183,143	5.6%	1.9%	2,088
65,940,000		11,946,995	241,560,846	7.2%	2.6%	2,858
62,225,000		110,246,010	322,680,854	12.1%	3.5%	3,818
80,400,000		107,968,005	324,514,554	9.0%	3.4%	3,840

\*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, 2012**

<b>Taxing Jurisdiction</b>	<b>Gross Debt</b>	<b>Overlapping</b>	
		<b>Estimated Percentage *</b>	<b>Amount</b>
Burney Road MUD	\$ 11,285,000	100.00%	\$ 11,285,000
First Colony LID No. 2	1,205,000	100.00%	1,205,000
First Colony MUD No. 10	15,785,000	100.00%	15,785,000
Fort Bend County **	477,225,000	23.63%	112,768,268
Fort Bend County LID No. 2	15,495,000	100.00%	15,495,000
Fort Bend County LID No. 10	11,270,000	94.15%	10,610,705
Fort Bend County LID No. 14	5,135,000	100.00%	5,135,000
Fort Bend County LID No. 17	54,000,000	100.00%	54,000,000
Fort Bend County MUD No. 21	9,290,000	100.00%	9,290,000
Fort Bend County MUD No. 116	31,020,000	0.11%	34,122
Fort Bend County MUD No. 136	2,375,000	100.00%	2,375,000
Fort Bend County MUD No. 137	29,550,000	100.00%	29,550,000
Fort Bend County MUD No. 138	25,420,000	100.00%	25,420,000
Fort Bend County WC&ID No. 2	57,145,000	0.66%	377,157
Fort Bend ISD	908,794,314	39.48%	358,791,995
<b>Total Overlapping Debt</b>			<b>\$ 652,122,247</b>
City of Sugar Land	136,146,549	100.00%	<u>136,146,549</u>
<b>Total Direct and Overlapping Debt</b>			<b><u><u>\$ 788,268,796</u></u></b>

Ratio of Direct and Overlapping Funded Debt  
to 2011 Taxable Assessed Valuation 8.30%

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

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

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

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



**CITY OF SUGAR LAND, TEXAS**  
**PLEDGED REVENUE COVERAGE**  
*Last Ten Fiscal Years*

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements (C)			Times Coverage
				Principal	Interest	Total	
<b>Utility System - Waterworks and Sewer System Revenue Bonds and Combination Tax and Revenue Certificates of Obligation</b>							
2003	\$ 15,496,354	\$ 8,121,718	\$ 7,374,636	\$ 1,250,000	\$ 837,972	\$ 2,087,972	3.53
2004	15,941,085	9,931,943	6,009,142	1,255,000	788,056	2,043,056	2.94
2005	17,449,478	6,639,195	10,810,283	2,085,000	1,370,560	3,455,560	3.13
2006	23,319,289	9,212,745	14,106,544	2,260,000	1,412,483	3,672,483	3.84
2007	22,492,174	9,672,726	12,819,448	2,280,000	1,319,533	3,599,533	3.56
2008	25,758,079	11,821,825	13,936,254	2,280,000	1,969,366	4,249,366	3.28
2009	29,493,918	12,534,620	16,959,298	2,535,000	1,777,648	4,312,648	3.93
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75
2012	40,961,236	13,325,073	27,636,163	6,360,000	7,138,761	13,498,761	2.05
<b>Airport - Combination Tax and Revenue Certificates of Obligation</b>							
2003	4,758,212	3,651,828	1,106,384	290,000	110,106	400,106	2.77
2004	6,132,075	4,730,288	1,401,787	300,000	86,349	386,349	3.63
2005	7,400,503	5,897,970	1,502,533	350,000	400,314	750,314	2.00
2006	9,523,197	8,319,812	1,203,385	310,000	383,839	693,839	1.73
2007	10,216,832	8,414,435	1,802,397	320,000	370,451	690,451	2.61
2008	13,264,297	11,587,030	1,677,267	465,000	532,008	997,008	1.68
2009	8,909,097	7,389,197	1,519,900	480,000	512,208	992,208	1.53
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91
2012	15,686,832	13,442,241	2,244,591	562,601	458,337	1,020,938	2.20
<b>Sugar Land Development Corporation - Sales Tax Revenue Bonds</b>							
2003	3,425,222	698,133	2,727,089	920,000	160,300	1,080,300	2.52
2004	3,757,325	462,848	3,294,477	900,000	121,625	1,021,625	3.22
2005	4,415,608	470,896	3,944,712	1,000,000	77,500	1,077,500	3.66
2006	5,521,594	2,450,638	3,070,956	1,485,000	609,499	2,094,499	1.47
2007	5,087,031	1,561,471	3,525,560	455,000	555,436	1,010,436	3.49
2008	5,492,177	1,904,422	3,587,755	470,000	526,530	996,530	3.60
2009	5,126,108	1,864,368	3,261,740	490,000	496,530	986,530	3.31
2010	4,765,732	2,654,472	2,111,260	505,000	465,436	970,436	2.18
2011	5,002,593	1,761,821	3,240,772	525,000	433,249	958,249	3.38
2012	5,418,133	344,395	5,073,738	550,000	405,499	955,499	5.31
<b>Sugar Land 4B Corporation - Sales Tax Revenue Bonds</b>							
2003	3,383,331	392,250	2,991,081	935,000	726,885	1,661,885	1.80
2004	3,728,784	287,230	3,441,554	980,000	671,829	1,651,829	2.08
2005	4,415,608	206,110	4,209,498	1,030,000	617,641	1,647,641	2.55
2006	4,933,007	258,236	4,674,771	1,470,000	693,373	2,163,373	2.16
2007	5,089,765	306,390	4,783,375	935,000	746,523	1,681,523	2.84
2008	5,557,492	825,646	4,731,846	975,000	696,910	1,671,910	2.83
2009	6,776,475	930,587	5,845,888	1,025,000	647,116	1,672,116	3.50
2010	4,735,081	546,578	4,188,503	1,195,000	429,231	1,624,231	2.58
2011	5,020,642	983,093	4,037,549	1,635,000	1,742,456	3,377,456	1.20
2012	5,430,099	1,623,703	3,806,396	1,660,000	1,691,606	3,351,606	1.14

- (A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.
- (B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.
- (C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income<sup>1</sup> (\$000's)</b>	<b>Per Capita Income<sup>1</sup></b>	<b>Median Age<sup>2</sup></b>	<b>Educational<sup>1</sup> Attainment*</b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate<sup>2</sup></b>
2003	66,129	\$ 2,044,246	\$ 30,913	37.4	53%	18,183	5.1%
2004	69,129	2,545,053	36,816	37.2	54%	18,493	4.1%
2005	70,758	2,607,432	36,850	39.0	54%	19,847	4.7%
2006	74,472	2,782,795	37,367	35.4	54%	19,487	3.5%
2007	76,228	2,807,477	36,830	37.4	54%	19,786	3.4%
2008	77,982	2,930,953	37,585	37.6	54%	19,741	3.7%
2009	79,573	2,986,693	37,534	36.4	53%	18,196	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	18,802	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	18,793	6.5%
2012	84,511	3,586,815	42,442	41.2	54%	18,153	4.5%

Data Sources:

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

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

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

**CITY OF SUGAR LAND, TEXAS**

**PRINCIPAL EMPLOYERS**

*Current Year and Nine Years Ago*

<b>Employer</b>	<b>2012</b>			<b>2003</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>
Fort Bend ISD	7,903	1	20%	7,214	1	19%
Fluor Corporation	2,100	2	5%	2,800	2	7%
Schlumberger	2,100	3	5%	1,800	3	5%
Methodist Hospital	1,400	4	3%	436	7	1%
Nalco Energy Services	580	5	1%	450	6	1%
St. Luke's Hospital	500	6	1%			
Baker Petrolite Corp.	450	7	1%	350	9	1%
Memorial Hermann	450	8	1%			
Tramontina USA, Inc.	380	9	1%			
Fairfield Nodal	375	10	1%			
National Oilwell Varco				950	4	3%
Suntron Corp.				900	5	2%
Aetna US Healthcare				430	8	1%
MCI Communications				350	10	1%
	<u>16,238</u>		<u>40%</u>	<u>15,680</u>		<u>41%</u>

(A) For 2011, estimated total employment was 40,394. For 2003, estimated total employment was 37,796.

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

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

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

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

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental Activities:</b>				
General government	36.7	38.2	45.2	51.2
Administrative services	35.5	36.0	38.0	37.5
Public safety - Police	144.5	149.5	158.5	173.5
Public safety - Fire	103.0	103.0	103.0	104.0
Public works	41.0	42.0	41.0	45.5
Parks and recreation	18.2	19.2	20.7	22.7
Community development	31.0	31.0	35.0	40.0
<b>Business-type activities:</b>				
Utility	39.5	39.5	42.5	47.0
Solid waste management	1.5	1.5	1.5	1.5
Regional Airport	20.0	20.0	24.0	27.5
<b>Total</b>	<b>470.9</b>	<b>479.9</b>	<b>509.4</b>	<b>550.4</b>

Source: Office of Budget &amp; Research.

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

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
54.7	65.7	64.7	77.7	80.2	80.2
59.5	63.0	62.5	58.5	30.2	30.2
176.5	183.5	193.5	190.5	191.8	191.8
105.0	110.0	112.0	108.0	107.0	107.0
37.9	34.9	38.9	41.9	52.5	52.5
26.3	27.3	29.3	34.4	34.4	34.4
38.0	52.5	53.0	54.1	52.0	55.0
51.0	55.0	51.5	56.5	55.5	55.5
1.0	2.0	2.0	2.0	2.0	2.0
29.5	29.5	33.5	33.5	33.5	33.5
<b>579.4</b>	<b>623.4</b>	<b>640.9</b>	<b>657.1</b>	<b>639.1</b>	<b>642.1</b>

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
City of Sugar Land				
Population	66,129	69,129	70,758	74,472
Square miles	25.9	25.9	29.4	29.4
Acres	16,557	16,557	18,816	18,816
Budgeted full time employees	472.9	483.4	511.2	550.4
Police				
Physical arrests	2,658	2,818	2,468	2,455
Traffic violations	15,875	10,731	10,297	12,190
Parking violations	290	203	250	73
Calls for service	83,705	73,820	54,216	98,868
Fire				
Number of calls answered	5,310	6,198	5,894	6,018
Sanitation				
Number of annual pickups:				
Residential	3,047,510	3,087,979	3,122,793	3,278,520
Multi-family	249	249	249	249
Parks and recreation				
Athletic field permits (\$)	\$ 4,245	\$ 5,305	\$ 10,929	\$ 9,285
Community Cntr. Admissions (\$)	\$ 4,138	\$ 3,892	\$ 5,249	\$ 3,375
Special events	12	12	11	12
Water				
New connections	368	264	341	452
Water main breaks	57	78	121	136
Average daily consumption (thousands of gallons)	11,020	10,375	11,807	13,358
Sewer				
Average daily sewage treatment (thousands of gallons)	8,545	8,687	8,423	8,112
Community Development				
Building Permits issued	4,917	4,884	5,224	6,679
Airport				
No. of fuel gallons sold	1,929,213	2,325,386	2,140,159	2,461,798
Fuel Sales	\$ 3,849,834	\$ 5,367,820	\$ 6,344,836	\$ 8,423,636
Aircraft served	12,798	13,466	12,272	13,696

Source: Various City Departments.

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

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011 (A)</b>	<b>2012</b>
76,228	77,982	79,732	84,511	84,511	84,511
32.2	32.2	32.2	33.5	33.5	33.5
20,597	20,618	20,618	21,451	21,451	21,516
578.4	623.4	640.9	657.1	642.0	642.0
2,702	2,577	3,044	3,212	3,914	3,792
17,006	15,243	22,056	21,370	27,053	24,157
139	158	285	203	615	652
73,304	66,666	66,711	69,298	162,669	151,967
6,264	6,296	6,253	6,106	6,293	6,419
3,390,000	3,463,200	3,552,495	3,771,709	(A)	(A)
249	249	249	249	249	249
\$ 9,236	\$ 10,035	\$ 10,198	\$ 7,121	\$ 7,629	\$ 3,631
\$ 3,763	\$ 4,000	\$ 1,450	\$ 950	\$ 19,095	\$ 67,678
12	7	19	19	15	18
677	663	527	1,656	448	432
65	117	209	51	357	59
11,223	13,642	16,768	12,993	18,006	15,704
8,475	8,144	7,812	7,805	7,712	8,270
8,385	7,906	8,115	7,982	8,629	7,583
2,641,000	2,560,240	2,053,874	2,418,443	2,714,881	2,847,905
\$8,939,866	\$11,915,051	\$ 7,437,870	\$9,530,961	\$12,766,985	\$13,876,503
13,446	13,608	12,663	12,309	13,160	18,843

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General government				
Municipal buildings	35	36	36	36
Conference center	1	1	1	1
Vehicles	91	98	102	102
Public safety				
Police Protection				
Stations	1	1	1	1
Patrol units	82	80	84	102
Fire Protection				
Stations within city limits	5	5	5	5
Stations operated through agreements with MUDs served in ETJ	1	1	1	1
Fire apparatus				
Highways and streets				
Streets (lane miles)	802	804	809	811
Linear miles of sidewalks	350	360	362	366
Storm sewers (miles)	224	224	231	231
Traffic signals	60	60	67	68
Parks and recreation				
Parks	18	18	19	19
Pools	1	1	1	1
Community centers	6	6	6	6
Parks acreage				
Developed	348	351	351	358
Undeveloped	529	547	578	579
Water				
Water wells	13	13	13	14
Water mains (miles)	323	329	332	335
Fire hydrants	2,724	2,747	2,747	2,952
Maximum daily production (millions of gallons)	29.04	21.61	23.30	24.47
Waste water				
Waste water treatment plants	1	1	1	2
Sanitary sewers (miles)	316	317	318	331
Maximum daily treatment capacity (thousands of gallons)	7.5	7.5	7.5	13.5

Source: Various City Departments.



Fiscal Year						
2007	2008	2009	2010	2011	2012	
36	36	36	36	38	40	
1	1	1	1	1	1	
102	102	102	114	122	122	
1	1	1	1	1	1	
81	81	81	81	80	80	
5	5	5	5	5	6	
1	1	1	1	1	1	
813	881	881	912	912	912	
367	405	405	432	432	450	
280	242	242	246	246	338	
70	74	74	80	78	79	
20	22	22	24	23	24	
1	1	1	1	1	1	
6	6	6	6	6	6	
508	507	507	562	562	760	
429	569	569	695	695	562	
15	15	15	17	17	17	
360	370	370	415	421	431	
3,257	3,363	3,363	3,610	3,817	3,993	
21.57	42.90	42.90	27.20	36.07	30.14	
2	2	2	2	2	2	
331	338	338	381	395	405	
16.9	13.5	13.5	13.5	14.0	19.5	

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