

C I T Y O F S U G A R L A N D



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SUGAR LAND

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**CITY OF SUGAR LAND, TEXAS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2016**

**Officials Issuing Report**

**Allen Bogard  
City Manager**

**Jennifer Brown  
Director of Finance**

**Alka B. Shah  
Chief Accountant**



## MAYOR AND CITY COUNCIL MEMBERS



*List in order: (L to R)*

**Harish Jajoo ..... Council Member, District Four**  
**Amy L. Mitchell..... Council Member, District Three**  
**Himesh Gandhi ..... Council Member, At Large Position One**  
**Joe R. Zimmerman ..... Mayor**  
**Bridget R. Yeung ..... Council Member, District Two**  
**Steve R. Porter..... Council Member, District One**  
**Mary K. Joyce..... Council Member, At Large Position Two**



**CITY OF SUGAR LAND, TEXAS**  
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## **INTRODUCTORY SECTION**

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## CITY OF SUGAR LAND

February 21, 2017

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

Dear Mayor and Council Members

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2016.

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

Whitley Penn, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

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

### **PROFILE OF THE GOVERNMENT**

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

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission meets on a regular basis.

Other boards and commissions that meet as needed include the PARCS Board (Parks, Art, Recreation, Culture & Streetscapes), Zoning Board of Adjustment, Building Standards Commission, and Animal Advisory Board.

Specialized committees such as the Charter Review Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City's success.

A full range of municipal services is provided by the City of Sugar Land including public safety (Police, Fire/EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), 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 fiscal year 2016, the City continued to see economic growth, although at a slower pace than prior years. Building activity continues, with significant activity in commercial development and continued residential growth. Net property values grew 8.5% to \$11.82 billion as of the 2015 Tax Year; an increase of \$926 million over 2014 values. New development accounted for \$127 million of the increase, while existing property values increased by \$801 million. The City Council maintained the tax rate of \$0.31595, generating approximately 5.1% more revenues from the prior year from increased values. The council opted to manage residential tax bill growth by adjusting the homestead exemption to 8%, an increase of 1% from the prior year.

Development continues within the City, although at a slower pace than prior years; commercial development permitted \$93 million in projects, down from the prior year's \$234 million, which included \$85 million in non-taxable value, including the Smart Financial Centre at Sugar Land. FY2016 activity included 29 projects, of which 27 are taxable. Significant commercial activity includes the expansion of Nalco Champion, which acquired property from Johnson Development and worked with the City to accelerate the construction of the University Boulevard Extension (officially named S. Stadium Dr.) from US 90A to Oyster Creek. In May, the City Council and

the Imperial Redevelopment District (IRD) approved an amendment to the Imperial Redevelopment Agreement that provides for the IRD to fund a portion of S. Stadium Dr. Residential development slowed as well, with 152 homes permitted; however the average value of the permitted construction increased 4% to approximately \$445,000. This is due to the location of the development, with most residential activity occurring in the Imperial Redevelopment District. The district reached a milestone in taxable value, allowing the issuance of two series of bonds to fund the second phase of construction of S. Stadium Dr. across Oyster Creek to Constellation Field. The City is not responsible for repayment of the bonds; as part of a tri-party agreement, Tax Increment Reinvestment Zone No. 3 has pledged 98% of future revenue streams to the IRD for repayment of Contract Revenue Bonds.

At the beginning of the fiscal year, Schlumberger announced plans to consolidate their US headquarters to Sugar Land, repositioning 500 jobs and investing over \$200 million in capital improvements at their 200 acre Sugar Land campus.

Sales Taxes are one of the City's most elastic revenue streams, and were budgeted at 3.1% increase over FY15 projected figures. The City realized an increase of 1.9% in sales tax growth over the prior year, as the economy continued to grow, although at a slower pace than seen in the prior two years. The City ended the year within anticipated revenues; with sales tax revenues totaling \$52.4 million.

## **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 forecast has been prepared for each of the major operating funds. In the General Fund, the forecast demonstrates continued structural balance, including the ability to provide merit increases to employees and implement projects from the 2013 GO bond election. The Festival Site and Brazos River Park Phase II will be complete in early 2017, along with the plaza adjacent to the Smart Financial Centre at Sugar Land, and additional resources are necessary to operate and maintain the facilities.

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 debt issuance to support the rehabilitation of existing infrastructure and continue implementation of the voter approved GO bond projects with lower than anticipated increases to complete the projects. FY15's retention of tax revenue in anticipation of the 2016 GO bond sale allowed the City to avoid the anticipated tax increase to cover the project cost and operations. The City's tax rate has only increased seven tenths of a cent rather than the two cents anticipated prior to the election.

Implementation of the third GO bond issue from the 2013 authorization is anticipated to result in a one-cent tax increase in FY19. The current forecast shows utility rates will need to be adjusted slightly within the forecast period in anticipation of future capital investment in the system. Water and wastewater rates have not been adjusted for several years to minimize the impact to ratepayers of the surface water conversion.

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

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Support the surface water treatment plant and debt repayment
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Implement the 2013 GO Bond Projects with minimal impact to the tax rate
- Fund the recommended Five-Year CIP and resulting operating expenditures
- Continued Economic Development and Tourism efforts through reserves for opportunities

In June, the City Council elected to increase the residential homestead exemption to 10% for tax year 2016. 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 to the exemption may be considered. The 2016 preliminary tax rolls showed approximately 5% increase to the average residential values. Implementing the homestead exemption increase for 2016 allowed residential tax bills to benefit from the exemption increase immediately, buying down the average tax bill increase by 2% or \$24.

The General Fund encompasses the majority of the City's services, including public safety; planning; community development & code enforcement; public improvements; repair & maintenance of infrastructure; animal control; recreational and community activities; and general administrative & support services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. 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 FY17-FY21 and modest annual merit increases for employees. Recurring operating expenditures increase by an average of 2.0% from FY17 to FY21 due to additions to the budget for the operating impact of capital projects and growth in personnel costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast. Between FY17 through FY21, the fund is expected to meet or exceed the fund balance requirement.

The Debt Service Fund maintains the policy requirement throughout the 5-year forecast. The fund balance continues to grow through the forecast and is able to support approximately \$79.34 million in new debt for projects in the five-year CIP.

The City's Five-Year CIP totals \$175.49 million for FY17-FY21. 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 CIP have identified funding sources.

## **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 is among 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 Smart Financial Centre at Sugar Land, a unique 6,400 seat performing arts facility, was completed in December 2016, with a grand opening performance and celebration in January 2017. The adjacent plaza has also been completed. Nearby, the Festival Site and Brazos River Park phase II have been completed from the 2013 GO bond election. Design for the remaining elements of the park and final hike & bike trail are budgeted in FY17.

In February 2016, the 754 acre Cullinan Park was annexed into the City of Sugar Land in accordance with a partnership with the Cullinan Park Conservancy and the City of Houston. The Cullinan Park Conservancy will fund \$10 million in capital improvements over the next ten years through fundraising efforts and donations to the City. While the City of Houston owns the property, the City of Sugar Land is now operating and maintaining the park, which includes enhanced security; trail cleanup; lawn maintenance; and new lighting systems, signage and entry gates. The agreement provides for 30 years right of entry by Sugar Land and is renewable for an additional 30 years. Future planned improvements include trails and boardwalks that allow greater access to existing lakes and wetlands areas, as well as locations for canoe and kayak launches into Oyster Creek. Site amenities such as picnic pavilions, benches and interpretive signage have also been identified. Planning and design will begin this year with construction to follow.

In May, the City Council approved the Third Amendment to the Imperial Redevelopment Agreement, which allows the IRD to begin issuing debt to fund public infrastructure while providing the City timely payment and reimbursement for the University Blvd North Extension (now named S. Stadium Drive), and expedited repayment of the City's investment for infrastructure and parking at Constellation Field, while safeguarding the financial tools and protections to ensure the acquisition and development of the Imperial Market project. A tri-party agreement was also approved between the City, TIRZ No. 3 and the IRD which allows TIRZ revenues to be pledged for repayment on Contract Revenue Bonds issued by the IRD.

In September, the City closed on the acquisition of 258 acres formerly known as the Central Prison Unit; through significant due diligence efforts by staff, the price was reduced from \$12.8M to \$5.9M. A portion (approx. 21 acres) of the property will be home to the City's public safety training center, while 95 acres will be utilized by Sugar Land Regional Airport. The remaining acreage (121) will be developed as a light industrial/business park through a future public private partnership.

The City's investment in infrastructure maintenance continued in FY16. Significant pavement rehabilitation projects were completed on Austin Parkway and Lakefield.

Drainage improvements continue to be a priority through investment in Covington Woods and Sugar Creek drainage systems. Significant progress was made in the design, bid and award of the Longview and Sugar Creek Golf Course Drainage project.

Plans for future growth were evaluated through schematic design of the Police/ Courts/ EOC (Emergency Operations Center) expansion, Public Safety Training Facility, and Animal Shelter Expansion projects. A new Public Works Administration building was completed as well, along with increased storage at the public works facility.

City Council's continued emphasis on maintaining infrastructure while also focusing on quality of life projects significantly enhances the attractiveness, livability, and economic well-being of the community. The end results of these projects are higher property values, increased sales tax collections, and a highly desirable community that attracts and retains new residents and visitors.

In November 2013, voters approved \$31.5 million in park projects. The FY16 budget included funding for a number of the Parks bond projects, including Brazos River Park phase II and the Festival Site. Both projects are wrapping up completion in the fall of 2016. The next phase of development, design of Brazos River Park Mid-Lake and the Ditch H Trail, is budgeted for design in FY17 with construction in FY18 and FY19.

Other accomplishments for FY 2016 include:

- Completed installation of 10 sculptures donated through the Sugar Land Legacy Foundation, including the "Selfie Statue" on the Town Square Plaza that garnered international attention
- Completed the award-winning Universally Accessible Playground at First Colony Park and improvements to Settlers Way Park
- Began broadcasting the Sugar Land Skeeters home games on the City's channel SLtv16
- A record-breaking 789 animals were adopted from the City's animal shelter.
- Achieved a solid waste diversion rate of 37.67%
- Successfully lobbied the Center for Medicare & Medicaid Services to get a moratorium on Emergency Medical Transportation provider numbers lifted for emergency transports, allowing the City to receive reimbursement from Medicare and Medicaid for patient transportation.
- A ribbon cutting was held on a reclaimed water facility located at the South Wastewater Treatment Plant; the project was built by Fort Bend MUD 128 and will be operated by the City.
- Building inspectors provided assistance to our neighboring City to assess the condition of flooded buildings once the water receded from the Brazos River flood in June.

## **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, 2015. This was the thirty second 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.

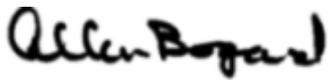
A Certificate of Achievement is valid for a period of one year only. It is the City's belief that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2015- September 30, 2016. This was the twentieth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

### **ACKNOWLEDGEMENTS**

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

Respectfully submitted,

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

Allen Bogard, City Manager

**CITY OF SUGAR LAND, TEXAS**  
**PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2016**

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Joe R. Zimmerman	Mayor	2018
Himesh Gandhi	Council Member at Large - Position One, Mayor Pro Tem	2018
Mary Joyce	Council Member at Large - Position Two	2018
Steve R. Porter	Council Member District One	2017
Bridget Yeung	Council Member District Two	2017
Amy Mitchell	Council Member District Three,	2017
Harish Jajoo	Council Member District Four	2017

<b>Key Staff</b>	<b>Position</b>
Allen Bogard	City Manager
Steve Griffith	First Assistant City Manager
James Callaway	Assistant City Manager
Mike Goodrum	Assistant City Manager
Jennifer May	Executive Director
Jennifer Brown	Director of Finance
Alka B. Shah	Chief Accountant
Glenda A. Gundermann	City Secretary
Meredith Riede	City Attorney
Juan Adame	Fire Chief
Doug Brinkley	Police Chief

# CITY OF SUGAR LAND

EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2016

## City of Sugar Land Organizational Chart



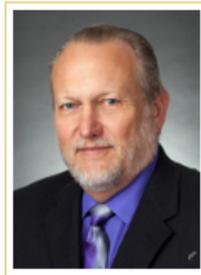
[City Manager Allen Bogard](#)

- Public Affairs
- Strategic Initiatives



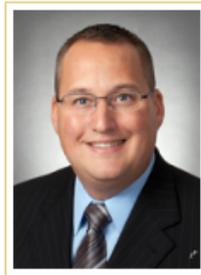
[Steve Griffith](#)  
1st Assistant City Manager  
Public Safety

- [City Secretary](#)
- [Fire](#)
- Legal
- [Municipal Court](#)
- [Police](#)
- [Public Safety Dispatch](#)
- [Sugar Land Regional Airport](#)



[Jim Callaway](#)  
Assistant City Manager  
Community Development

- [Engineering](#)
- [Permits & Inspections](#)
- [Planning](#)



[Mike Goodrum](#)  
Assistant City Manager  
Management Services

- [Environmental & Neighborhood Services](#)
- [Finance](#)
- [Human Resources](#)
- Information Technology
- [Parks and Recreation](#)
- [Public Works](#)



[Jennifer May](#)  
Executive Director of  
Business &  
Governmental Affairs

- [Communications](#)
- [Economic Development](#)
- Intergovernmental Relations



Government Finance Officers Association

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

Presented to

**City of Sugar Land  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison information on pages 78 through 79, pension system supplementary information on pages 80 through 81, and other post-employment benefit supplementary information on page 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

**Other Matters (continued)**

*Other Information (continued)*

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

*Whitley Penn LLP*

Houston, Texas  
February 21, 2017

**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, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$649.0 million (*net position*). Of this amount, \$85.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$86.8 million, a decrease of \$55.9 million over the prior year. Approximately 32% of this total amount, \$27.6 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring operating costs, which is \$19.6 million for fiscal year 2016.
- The City's total long-term liabilities increased by \$22.8 million due to the issuance of new debt and an increase in the City's net pension liability.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

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

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

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

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, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

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

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

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

- Sugar Land Development Corporation

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

**Fund Financial Statements**

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

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

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

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

**Fund Financial Statements (continued)**

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Capital Projects, and Sugar Land Development Corporation Funds, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 86 through 91. Four funds relating to debt reduction have been combined into one fund.

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

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

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

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

**Combining Component Unit Financial Statements**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 76.

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

**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 78 through 82 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$649.0 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 82% or \$530.4 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2016. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**  
*September 30, 2016 and 2015*

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 123,587	\$ 179,686	\$ 87,791	\$ 91,639	\$ 211,378	\$ 271,325
Capital assets	549,644	461,396	405,282	393,688	954,926	855,084
<b>Total Assets</b>	<b>673,231</b>	<b>641,082</b>	<b>493,073</b>	<b>485,327</b>	<b>1,166,304</b>	<b>1,126,409</b>
<b>Total Deferred Outflows of Resources</b>	<b>17,449</b>	<b>6,390</b>	<b>2,771</b>	<b>1,359</b>	<b>20,220</b>	<b>7,749</b>
Other liabilities	29,248	29,040	9,429	11,220	38,677	40,260
Long-term liabilities	292,323	273,349	204,177	200,385	496,501	473,734
<b>Total Liabilities</b>	<b>321,572</b>	<b>302,389</b>	<b>213,606</b>	<b>211,605</b>	<b>535,178</b>	<b>513,994</b>
<b>Total Deferred Inflows of Resources</b>	<b>2,074</b>	<b>596</b>	<b>272</b>	<b>78</b>	<b>2,346</b>	<b>674</b>
<b>Net Position</b>						
Net investment in capital assets	304,720	268,582	225,650	224,544	530,370	493,126
Restricted	24,902	51,879	8,549	27,736	33,451	79,615
Unrestricted	37,413	24,026	47,766	22,722	85,179	46,748
<b>Total Net Position</b>	<b>\$ 367,035</b>	<b>\$ 344,487</b>	<b>\$ 281,965</b>	<b>\$ 275,002</b>	<b>\$ 649,000</b>	<b>\$ 619,489</b>

An additional portion of the City's net position, 5.2% or \$33.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 13.1% or \$85.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**  
*For the Years Ended September 30, 2016 and 2015*

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 19,896	\$ 18,197	\$ 63,921	\$ 62,556	\$ 83,817	\$ 80,753
Operating grants and contributions	1,740	2,831	50	132	1,790	2,963
Capital grants and contributions	19,054	11,072	9,418	3,020	28,472	14,092
<b>General revenues:</b>						
Property taxes	37,228	34,206			37,228	34,206
Sales tax	45,967	45,321			45,967	45,321
Franchise and other taxes	8,231	8,399			8,231	8,399
Other	2,597	2,361	679	591	3,276	2,952
<b>Total Revenues</b>	<b>134,713</b>	<b>122,387</b>	<b>74,068</b>	<b>66,299</b>	<b>208,781</b>	<b>188,686</b>
<b>Expenses</b>						
General government	18,591	12,886			18,591	12,886
Administrative services	6,643	9,067			6,643	9,067
Public safety - Police	22,979	21,128			22,979	21,128
Public safety - Fire	14,196	13,164			14,196	13,164
Public safety - EMS	1,722	1,917			1,722	1,917
Public works	22,828	30,123			22,828	30,123
Parks and recreation	6,215	8,286			6,215	8,286
Community development	5,485	5,672			5,485	5,672
Environmental and neighborhood services	5,903				5,903	
Interest on long-term debt	9,779	10,244			9,779	10,244
Utility			29,391	27,924	29,391	27,924
Regional Airport			12,485	14,336	12,485	14,336
Surface Water			17,126	16,078	17,126	16,078
Solid Waste Management			5,927	5,626	5,927	5,626
<b>Total Expenses</b>	<b>114,341</b>	<b>112,487</b>	<b>64,929</b>	<b>63,964</b>	<b>179,270</b>	<b>176,451</b>
Increase (decrease) in net position before transfers	20,372	9,899	9,139	2,334	29,511	12,233
<b>Transfers</b>	<b>2,176</b>	<b>(1,301)</b>	<b>(2,176)</b>	<b>1,301</b>		
Increase (decrease) in net position	22,548	8,598	6,963	3,635	29,511	12,233
<b>Net position - beginning</b>	<b>344,487</b>	<b>348,533</b>	<b>275,002</b>	<b>273,019</b>	<b>619,489</b>	<b>621,552</b>
Prior period adjustment		(12,644)		(1,652)		(14,296)
<b>Net position - ending</b>	<b>\$ 367,035</b>	<b>\$ 344,487</b>	<b>\$ 281,965</b>	<b>\$ 275,002</b>	<b>\$ 649,000</b>	<b>\$ 619,489</b>

The City's net position increased by approximately \$29.5 million, which was the result of an increase in both governmental activities and business-type activities net position. The increase in the net position of governmental activities was the result of capital contributions of \$19.1 million and an increase in various sources of revenues, including property tax and operating grants and contributions. The increase in the net position of business-type activities was primarily attributed to capital grants and contributions for the City's airport.

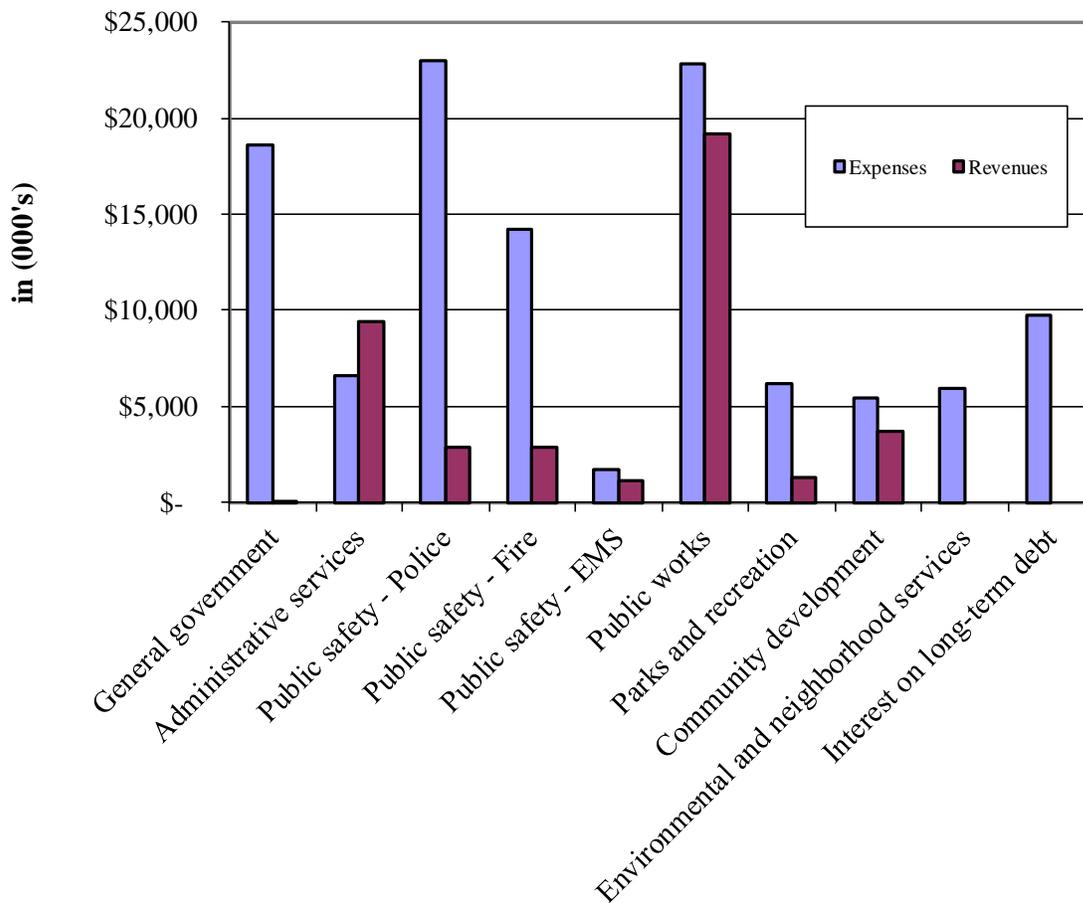
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

Governmental activities increased the City's net position by \$22.5 million. Key elements of this increase are as follows:

- An increase in property tax revenues by \$3.0 million is due to an increase in the property valuation.
- Capital grants and contributions of \$19.1 million, consisting of infrastructure of \$10.4 million from developers in the Imperial subdivision, of \$5.1 million from ACE SL, LLC for the Performing Arts Centre, \$1.3 million from Fort Bend County for University Blvd. North to Imperial Project, \$0.5 million from Houston Trust Company (Cullinan Foundation) for Cullinan Park, \$0.1 million from First Colony Mall and \$0.8 million from MUD 138.

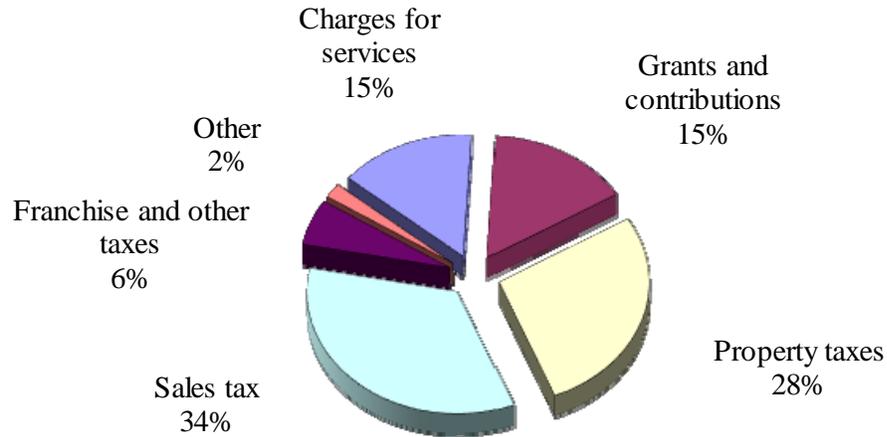
**Expenses and Revenues - Governmental Activities**



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

**Governmental Activities (continued)**

**Revenues by Source - Governmental Activities**



**Business-type Activities**

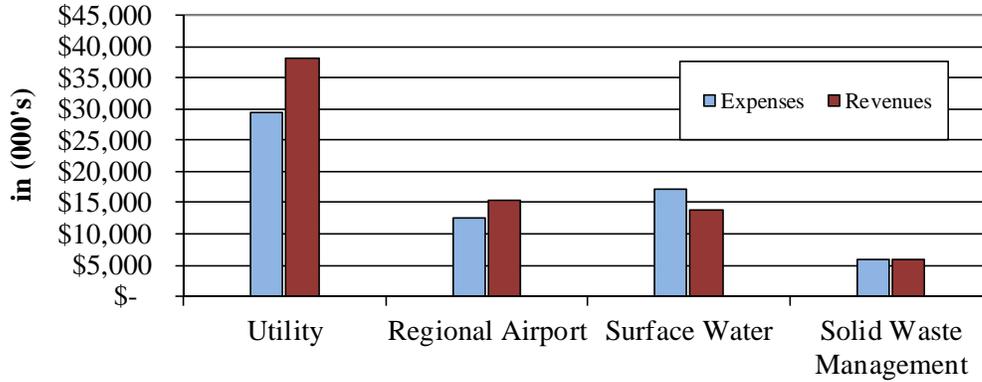
Business-type activities increased the City's net position by \$7.0 million. Key elements of this increase are as follows:

- An increase in capital grants and contributions of \$9.4 million of which \$3.5 million is from developers in the Imperial subdivision, the water plant of \$2.5 million in MUD 128 and \$3.4 million from TxDOT for parallel taxiway relocation.
- Charges for services increased \$2.3 million for utility activities.
- A decrease of \$1.9 million in the operating expense of Airport fund is primarily a result of lower fuel sales/purchases and a decrease in various areas including personnel costs, supplies, repairs and professional services.

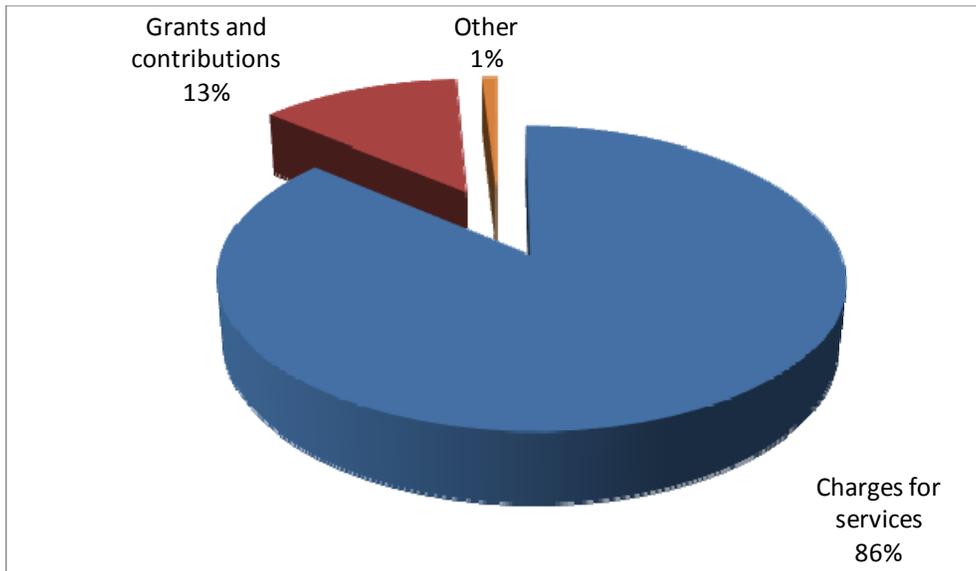
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities (continued)**

**Expenses and 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 \$86.8 million, a decrease of \$55.9 million from the prior year. Approximately 32% of the combined ending fund balances, \$27.6 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant changes in fund balance were in the Capital Projects Fund and Sugar Land Development Corporation Fund with decreases of \$28.5 and \$27.5 million, respectively. These decreases are primarily due to capital outlay related to construction of the performing arts centre and for various improvements to street, parks and facilities.

Fund balance in the General Fund increased from prior year, by \$0.3 million, resulting in an ending fund balance of \$28.5 million at year end. The unassigned fund balance of \$27.6 million represents 35% of total fund expenditures.

The Debt Service Fund has a total fund balance of \$5.7 million at year end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$1.1 million.

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

The Utility Fund has unrestricted net position at fiscal year-end of \$27.3 million. The Surface Water Fund has approximately \$15.6 million in unrestricted net position, and the Airport Fund's unrestricted net position amounted to approximately \$3.2 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Budget estimates for operating revenues between the original and final amended budget changed by \$5.5 million due to the reclassification of transfers in to charges for services.

During the year there were increases between the original and final amended budget appropriations of \$2.8 million due to appropriations of carry-over from the prior year.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2016.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the current fiscal year 2016, the City's governmental activities and business-type activities had invested \$549.6 million and \$405.3 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$88.2 million or 19.1% over the end of last fiscal year for governmental activities and a change of \$11.6 million or 2.9% for business-type activities.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land and intangibles	\$ 86,380	\$ 86,362	\$ 21,917	\$ 22,046	\$ 108,297	\$ 108,408
Construction in progress	150,132	66,332	42,821	22,885	192,953	89,217
Infrastructure	206,858	199,336	323,575	330,692	530,434	530,028
Buildings and improvements	89,453	92,870	12,719	13,401	102,172	106,271
Equipment and furniture	16,820	16,496	4,250	4,664	21,070	21,160
<b>Total Capital Assets</b>	<b>\$ 549,644</b>	<b>\$ 461,396</b>	<b>\$ 405,282</b>	<b>\$ 393,688</b>	<b>\$ 954,926</b>	<b>\$ 855,084</b>

The increase in construction in progress for governmental activities is due to construction activities in various areas including construction of the Performing Arts Centre, Citywide camera system, Sugar Creek drainage improvements, Festival Grounds, Lakefield Drive reconstruction and Brazos River Park Phase II.

The increase in construction in progress for business-type activities is due to the construction activities in various areas including construction of a new public works service center, Austin Parkway ground water plant, waste water collection rehabilitation, parallel taxiway relocation and roadway improvements at the airport.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$496.5 million. Of this amount, \$92.1 million was general obligation debt (including \$2.3 million of dissolved utility district bonds), and \$142.0 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and tax notes account for \$197.7 million and \$4.0 million, respectively. The City's net pension liability as of September 30, 2016 is \$31.0 million.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation bonds	84,390	\$ 72,460	\$ 7,660	\$ 5,080	\$ 92,050	\$ 77,540
Revenue bonds	50,655	52,400	91,355	92,980	142,010	145,380
Certificates of obligation	104,245	111,279	93,470	97,521	197,715	208,800
Tax note	3,965	3,121			3,965	3,121
Premiums or discounts	16,803	12,054	7,757	2,278	24,560	14,332
Capital leases payable	260	612			260	612
Net pension liability	27,415	17,000	3,598	2,221	31,013	19,221
Other obligations	4,590	4,423	338	305	4,928	4,728
	<b>\$ 292,323</b>	<b>\$ 273,349</b>	<b>\$ 204,178</b>	<b>\$ 200,385</b>	<b>\$ 496,501</b>	<b>\$ 473,734</b>

The net increase in debt for the year was \$22.8 million or 4.8%. This was primarily due to the issuance of new debt and an increase in the City's net pension liability.

**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. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

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

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

The unemployment rate for the City of Sugar Land as of September 2016 was 4.5%, while Fort Bend County had a 5.6% unemployment rate. The Houston-Sugar Land-Baytown MSA unemployment rate was 5.7%, the Texas unemployment rate was 4.8% and the U.S. unemployment rate was 5.0% as of September 2016. The City continued to experience growth in sales tax revenues, but recognized that certain patterns and facts were beginning to suggest a downward trend for fiscal year 2017. Fiscal year 2016 ended with collections higher than the growth that was projected, but at a lower rate than seen in prior years. For the FY17 budget, sales tax revenues are estimated to decrease by 2.34% over fiscal year 2016 projected revenues due to the departure of a wholesale medical supply company under a Section 380 Sales Tax Incentive Agreement.

Property tax revenues are based on the adopted 2016 tax rate of \$0.31595 per \$100 taxable value, which is the same as the prior year, and a net taxable value of \$12.62 billion to the City after values in TIRZ are deducted.

To ensure the City is prepared to deal with future growth and the financial impact of such growth, City Council and City staff has maintained a focus on internal processes that contribute to the success of the City. The continued efforts to strengthen the City financially through revisions to the Council adopted Financial Management Policy Statements (FMPS) have provided for less dependence on sales tax to fund operations and increasing fund balance policies for funds that are supported by elastic revenue stream. The FMPS have been identified by bond rating agencies as an important component of the City's AAA bond rating. City Council's continued leadership in the areas of sound development and strong financial policies position the City to be prepared for the challenges and benefits of future growth within the City.

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

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

The total budget for fiscal year 2017 is \$259.20 million and includes \$72.82 million in capital projects funding. Demands for services are driven by both residents and daytime population of the City as it becomes a regional employment base. According to ESRI, the City is home to about 64,606 employees in 2016 and thus placing demands for resources on the City for services such as public safety and traffic management. ESRI data shows a 1.7% annual growth in employees located in Sugar Land over the last two years, for a total increase of 16% from 2014 to 2016. The budget has been developed to serve this daytime population plus an estimated population of 87,730 as of January 1, 2017.

The large number of ongoing projects that the City has undertaken will require more resources in order to continue providing the high levels of service currently offered. A number of additions are included in the FY17 budget to address the additional workload created by the increase in capital projects and contracts that the City must manage. A total of 8.5 full-time equivalent positions (FTEs) are included in the budget. Of the 8.5 new FTEs, one new position is in direct response to increasing workloads in the growing number of fixed and mobile food establishments experienced in Environmental & Neighborhood Services Department. Four FTEs in the Parks and Recreation Department to maintain the current service levels with the implementation of capital improvement projects including the Brazos River Park, Festival Site, Settlers Way park enhancement, and Cullinan Park. One new position in the Airport Fund will assist with increased moving and maintenance needs with pending acquisition of acreage formerly known as the Central Prison Unit along with a part-time Janitor to meet increasing customer service needs. One FTE in the Economic Development Department that will be funded through a Special Revenue Fund from event operations of the Festival Site.

Two part-time positions for the City's first visitors' center which will be funded through the Tourism Fund which is supported by Hotel Occupancy Taxes. In addition to the new positions, there are a number of increases included in the FY17 approved budget for additional equipment and studies that are one-time expenditures.

The FY17 CIP includes funding for a number of high priority projects outlined by City Council. Streets and Drainage projects continue to be priorities in FY17. An investment of \$26.98 million for Streets projects are toward reconstruction and rehabilitation. Funding for Draining projects total \$15.77 million continues to emphasize drainage improvements. The FY17 budget includes funding to continue the work on the voter-approved Brazos River Park phase II and Ditch H Trail, and other Parks projects for park infrastructure rehabilitation, joint participation in CIP, and Cullinan Park improvements.

With the addition of the 8.5 new positions in the FY17 budget, the City will have a total of 722.5 full-time equivalent positions, an equivalent of 8.24 employees per 1,000 residents. The budget includes funding for an average 3% merit increase for employees based on performance evaluations and provides funding for an anticipated 6.2% increase in health insurance costs, which are managed through a self-funded health plan.

The approved 2016 tax rate is \$0.31595 per \$100 valuation. City Council's approval of a 10% residential homestead exemption in June, an increase of 2%, applies to the 2016 tax roll, and residents will see the benefit of this increase to reduce their 2016 tax bill. The adjustment to the homestead exemption was made on the recommendation of staff based on 2015 residential value growth, along with anticipated increases for 2016 values, consistent with the Council approved FMPS. Since the Council maintained the tax rate in 2015, a previously anticipated increase is not necessary in 2016 to implement the voter approved GO bond projects, for which the second series of bonds was sold in October 2016.

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

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

In the Enterprise Funds there are no changes to water, wastewater, or surface water rates. This is consistent with the five-year forecast that has been shared with City Council for the last several years. In fact, the City has not adjusted water or wastewater rates since 2011, minimizing impact to customers while the surface water rates were being implemented. Solid Waste includes a 4.5% increase to residential rates based on the contract with Republic Services, a 2.5% Consumer Price Index (CPI) increase plus an additional 2% based on increased glass recycling costs. The new rate will be effective in January 2017 and will increase from \$17.23 to \$18.00 per month.

The Council-approved FMPS contain guidance on evaluating user fees for an annual CPI adjustment and for recommending new fees. Most new fees are related to the operation of the Festival Site and other special events. In FY17, an increase of 1.3% is recommended to fees that accumulates CPI changes from 2015 and 2016. The full costs of fire service shows a small increase from the current fee, going from \$16.93 to \$17.09 per month. The new rate will be effective in January 2017.

On November 15, 2016, City Council amended the FY 2017 budget to begin preparations for the annexation and dissolution of nine MUDs in the Greatwood and New Territory subdivisions. The annexation ordinance was approved with a December 12, 2017 effective date.

**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 POSITION**  
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 27,106,598	\$ 8,255,251	\$ 35,361,849	\$ 2,014,692
Cash with fiscal agent	488,000		488,000	
Investments	79,796,227	34,735,775	114,532,002	7,246,325
Accounts receivable, net of allowance for doubtful accounts	14,735,352	4,285,240	19,020,592	1,087,453
Interest receivable	147,646	151,085	298,731	17,490
Internal balances	(7,913,531)	7,913,531		
Due from other governments	230,927	50,000	280,927	
Inventories	195,050	241,831	436,881	
Prepaid items	76,236	39,082	115,318	15,177
Restricted cash and cash equivalents	6,726,274	5,348,012	12,074,286	1,889,377
Restricted investments	1,998,395	26,771,314	28,769,709	1,251,148
<b>Total current assets</b>	<u>123,587,174</u>	<u>87,791,121</u>	<u>211,378,295</u>	<u>13,521,662</u>
<b>Non-current assets:</b>				
Capital assets not being depreciated:				
Land	83,840,186	19,974,051	103,814,237	
Construction in progress	150,132,379	42,820,556	192,952,935	
Intangibles	1,998,792	1,165,107	3,163,899	
Capital assets net of depreciation:				
Infrastructure	206,858,306	323,575,352	530,433,658	
Buildings and improvements	89,452,688	12,719,025	102,171,713	
Equipment and furniture	16,820,397	4,249,641	21,070,038	
Intangibles	541,313	777,945	1,319,258	
<b>Total non-current assets</b>	<u>549,644,061</u>	<u>405,281,677</u>	<u>954,925,738</u>	
<b>Total Assets</b>	<u>673,231,235</u>	<u>493,072,798</u>	<u>1,166,304,033</u>	<u>13,521,662</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	1,656,320	698,161	2,354,481	131,654
Deferred outflows relating to pension activities	15,793,119	2,072,603	17,865,722	
<b>Total Deferred Outflows of Resources</b>	<u>17,449,439</u>	<u>2,770,764</u>	<u>20,220,203</u>	<u>131,654</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	27,244,349	5,426,494	32,670,843	71,490
Accrued interest	1,513,118	994,461	2,507,579	190,516
Unearned revenue	362,653		362,653	
Customer deposits	128,178	3,008,416	3,136,594	
<b>Total current liabilities</b>	<u>29,248,298</u>	<u>9,429,371</u>	<u>38,677,669</u>	<u>262,006</u>
<b>Non-current liabilities:</b>				
Due within one year	15,867,566	8,757,399	24,624,965	1,886,639
Due in more than one year	276,455,700	195,419,942	471,875,642	32,104,811
<b>Total non-current liabilities</b>	<u>292,323,266</u>	<u>204,177,341</u>	<u>496,500,607</u>	<u>33,991,450</u>
<b>Total Liabilities</b>	<u>321,571,564</u>	<u>213,606,712</u>	<u>535,178,276</u>	<u>34,253,456</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	2,073,954	272,175	2,346,129	
<b>Total Deferred Inflows of Resources</b>	<u>2,073,954</u>	<u>272,175</u>	<u>2,346,129</u>	
<b>Net Position</b>				
Net investment in capital assets	304,719,825	225,649,841	530,369,666	
Restricted:				
Debt service	17,578,354	8,008,459	25,586,813	2,919,564
Economic development activities	5,656,856		5,656,856	1,156,659
Public safety	228,335		228,335	
Tourism & marketing	1,053,237		1,053,237	
Other purpose	385,083	540,387	925,470	
Unrestricted	37,413,466	47,765,988	85,179,454	(24,676,363)
<b>Total Net Position</b>	<u>\$ 367,035,156</u>	<u>\$ 281,964,675</u>	<u>\$ 648,999,831</u>	<u>\$ (20,600,140)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2016

<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	\$ 18,591,072	\$ 65,719	\$ 17,072	\$
Administrative services	6,643,488	8,522,761	920,000	
Public safety - Police	22,979,425	2,717,526	165,966	
Public safety - Fire	14,195,523	2,833,491	56,650	
Public safety - EMS	1,722,037	1,132,847		
Public works	22,827,677	760,331	363,814	18,078,041
Parks and recreation	6,215,405	620,620	48,427	639,458
Community development	5,484,522	3,242,529	168,125	336,229
Environmental and neighborhood services	5,902,886			
Interest on long-term debt	9,778,640			
<b>Total governmental activities</b>	<b>114,340,675</b>	<b>19,895,824</b>	<b>1,740,054</b>	<b>19,053,728</b>
Business-type activities:				
Utility	29,391,413	32,252,245		5,967,838
Regional Airport	12,485,217	11,830,391	50,000	3,449,765
Surface Water	17,125,862	13,888,252		
Solid Waste Management	5,926,813	5,950,568		
<b>Total business-type activities</b>	<b>64,929,305</b>	<b>63,921,456</b>	<b>50,000</b>	<b>9,417,603</b>
<b>Total primary government</b>	<b>\$ 179,269,980</b>	<b>\$ 83,817,280</b>	<b>\$ 1,790,054</b>	<b>\$ 28,471,331</b>
<b>Component Units</b>				
Sugar Land 4B Corporation	\$ 2,766,395	\$	\$ 154,297	\$
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	1,334,749			
Sugar Land Reinvestment Zone No. 3	201,264			
Sugar Land Reinvestment Zone No. 4	33,938			
<b>Total component units</b>	<b>\$ 4,336,346</b>	<b>\$</b>	<b>\$ 154,297</b>	<b>\$</b>

See Notes to Financial Statements.

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>				
<b>Functions/Programs</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Primary government</b>				
Governmental Activities:				
General government	\$ (18,508,281)	\$	\$ (18,508,281)	
Administrative services	2,799,273		2,799,273	
Public safety - Police	(20,095,933)		(20,095,933)	
Public safety - Fire	(11,305,382)		(11,305,382)	
Public safety - EMS	(589,190)		(589,190)	
Public works	(3,625,491)		(3,625,491)	
Parks and recreation	(4,906,900)		(4,906,900)	
Community development	(1,737,639)		(1,737,639)	
Environmental and neighborhood services	(5,902,886)		(5,902,886)	
Interest on long-term debt	(9,778,640)		(9,778,640)	
<b>Total governmental activities</b>	<b>(73,651,069)</b>		<b>(73,651,069)</b>	
Business-type activities:				
Utility		8,828,670	8,828,670	
Regional Airport		2,844,939	2,844,939	
Surface Water		(3,237,610)	(3,237,610)	
Solid Waste Management		23,755	23,755	
<b>Total business-type activities</b>		<b>8,459,754</b>	<b>8,459,754</b>	
<b>Total primary government</b>	<b>\$ (73,651,069)</b>	<b>\$ 8,459,754</b>	<b>\$ (65,191,315)</b>	
<b>Component Units</b>				
Sugar Land 4B Corporation				\$ (2,612,098)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1				(1,334,749)
Sugar Land Reinvestment Zone No. 3				(201,264)
Sugar Land Reinvestment Zone No. 4				(33,938)
<b>Total component units</b>				<b>(4,182,049)</b>
<b>General revenues:</b>				
Property taxes	37,227,640		37,227,640	1,963,888
Sales tax	45,967,293		45,967,293	6,566,772
Franchise and other taxes	8,231,034		8,231,034	
Investment earnings	1,089,499	599,435	1,688,934	90,630
Miscellaneous	1,507,896	79,707	1,587,603	80,147
<b>Transfers</b>	<b>2,176,006</b>	<b>(2,176,006)</b>		
<b>Total general revenues and transfers</b>	<b>96,199,368</b>	<b>(1,496,864)</b>	<b>94,702,504</b>	<b>8,701,437</b>
Change in net position	22,548,299	6,962,890	29,511,189	4,519,388
<b>Net position - beginning</b>	<b>344,486,857</b>	<b>275,001,785</b>	<b>619,488,642</b>	<b>(25,119,528)</b>
<b>Net position - ending</b>	<b>\$ 367,035,156</b>	<b>\$ 281,964,675</b>	<b>\$ 648,999,831</b>	<b>\$ (20,600,140)</b>

See Notes to the Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,925,709	\$ 1,490,081	\$ 18,140,345	\$ 122,003	\$ 2,795,854	\$ 24,473,992
Investments	24,262,535	4,248,559	36,043,249	4,505,876	7,489,158	76,549,377
Receivables, net of allowance for uncollectibles	9,022,865	209,542	224,303	1,063,957	4,205,043	14,725,710
Interest receivable	47,963	11,046	56,955	14,069	11,995	142,028
Due from other governments	203,567				27,360	230,927
Inventories	195,050					195,050
Prepaid items	27,701			17,028	1,325	46,054
Restricted cash and cash equivalents	4,485		2,226,893	4,494,896		6,726,274
Restricted investments				1,998,395		1,998,395
<b>Total Assets</b>	<b>\$ 35,689,875</b>	<b>\$ 5,959,228</b>	<b>\$ 56,691,745</b>	<b>\$ 12,216,224</b>	<b>\$ 14,530,735</b>	<b>\$ 125,087,807</b>
<b>Liabilities</b>						
Accounts payable	\$ 3,906,874	\$	\$ 18,056,856	\$ 2,015,653	\$ 690,984	\$ 24,670,367
Accrued expenditures	1,032,272				4,667	1,036,939
Customer deposits	128,178					128,178
Due to other funds			6,600,000			6,600,000
Unearned revenue	338,861		23,791			362,652
<b>Total Liabilities</b>	<b>5,406,185</b>		<b>24,680,647</b>	<b>2,015,653</b>	<b>695,651</b>	<b>32,798,136</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	1,741,343	209,542			3,561,536	5,512,421
<b>Total Deferred Inflows of Resources</b>	<b>1,741,343</b>	<b>209,542</b>			<b>3,561,536</b>	<b>5,512,421</b>
<b>Fund Balance</b>						
Nonspendable:						
Inventories	195,050					195,050
Prepaid items	27,701			17,028	1,325	46,054
Restricted:						
Debt service		5,749,686		4,141,604	8,990,651	18,881,941
Capital projects			13,737,631	385,083		14,122,714
Economic development activities				5,656,856		5,656,856
Public safety					228,335	228,335
Tourism & marketing					1,053,237	1,053,237
Committed	411,849		18,273,467			18,685,316
Assigned	332,452					332,452
Unassigned	27,575,295					27,575,295
<b>Total Fund Balance</b>	<b>28,542,347</b>	<b>5,749,686</b>	<b>32,011,098</b>	<b>10,200,571</b>	<b>10,273,548</b>	<b>86,777,250</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 35,689,875</b>	<b>\$ 5,959,228</b>	<b>\$ 56,691,745</b>	<b>\$ 12,216,224</b>	<b>\$ 14,530,735</b>	<b>\$ 125,087,807</b>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION**

September 30, 2016

Total fund balance, governmental funds \$ 86,777,250

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$845,194,372 and the accumulated depreciation is \$299,374,325. 545,820,047

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 5,512,421

Deferred charge on refunding amortized over the shorter of the life of the refunded or refunding debt, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 1,656,320

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	\$ (243,255,084)	
Accrued interest on the bonds	(1,513,129)	
Premium/discount of bonds payable	(16,802,933)	
Capital lease obligation	(260,170)	
Compensated absences	(2,803,774)	
Sales tax payable	(235,061)	
Net pension liability	<u>(27,414,860)</u>	
		(292,285,011)

Deferred outflows and deferred inflows relating to pension activities are amortized over the expected remaining service lives of all employees that are provided with pensions through the pension plan, therefore, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 13,719,165

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 5,834,964

Net Position of Governmental Activities in the Statement of Net Position \$ 367,035,156

*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, 2016*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Sugar Land Development Corporation Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
<b>Taxes:</b>						
Property taxes	\$ 20,186,224	\$ 17,124,712	\$	\$	\$	\$ 37,310,936
Sales tax	39,275,872			6,545,997		45,821,869
Franchise and other taxes	5,902,848				2,328,186	8,231,034
Licenses and permits	3,242,529					3,242,529
Fines and forfeitures	1,801,011				1,940,651	3,741,662
Charges for services	10,927,714		651,000		153,973	11,732,687
Investment earnings	486,495	43,877	326,901	133,516	60,169	1,050,958
Intergovernmental	233,980		1,628,985	850,000	1,582,708	4,295,673
Other	463,404		5,861,597	10	10,219	6,335,230
<b>Total Revenues</b>	<u>82,520,077</u>	<u>17,168,589</u>	<u>8,468,483</u>	<u>7,529,523</u>	<u>6,075,906</u>	<u>121,762,578</u>
<b>Expenditures</b>						
<b>Current:</b>						
General government	14,598,370			1,641,516	1,023,138	17,263,024
Administrative services	5,240,088	1,606,620	212,350	2,740	105,453	7,167,251
Public safety - Police	21,035,289				1,275,151	22,310,440
Public safety - Fire	12,992,037					12,992,037
Public safety - EMS	1,591,873					1,591,873
Public works	8,441,979		3,562,201			12,004,180
Parks and recreation	4,288,928		819,043			5,107,971
Community development	5,155,978					5,155,978
Environmental and neighborhood services	4,892,216					4,892,216
<b>Debt Service:</b>						
Principal		12,820,041		1,745,000		14,565,041
Interest and fiscal charges		6,800,006		2,482,746		9,282,752
Bond issuance costs		395,962	233,277			629,239
<b>Capital Outlay</b>			<u>67,385,265</u>	<u>21,348,738</u>	<u>339,804</u>	<u>89,073,807</u>
<b>Total Expenditures</b>	<u>78,236,758</u>	<u>21,622,629</u>	<u>72,212,136</u>	<u>27,220,740</u>	<u>2,743,546</u>	<u>202,035,809</u>
Excess (deficiency) of revenues over expenditures	<u>4,283,319</u>	<u>(4,454,040)</u>	<u>(63,743,653)</u>	<u>(19,691,217)</u>	<u>3,332,360</u>	<u>(80,273,231)</u>
<b>Other Financing Sources (Uses)</b>						
Certificates of obligation issued			19,190,000			19,190,000
Refunding bonds issued		32,120,000				32,120,000
Premium on debt issued		5,111,195	1,353,277			6,464,472
Capital leases			1,350,000			1,350,000
Payment to escrow agent		(36,935,787)				(36,935,787)
Sale of capital assets	36,987					36,987
Transfers in	528,434	5,322,516	13,783,206		455,571	20,089,727
Transfers (out)	(5,100,925)	(53,879)	(472,500)	(7,800,705)	(4,485,712)	(17,913,721)
<b>Total other Financing Sources and Uses</b>	<u>(4,535,504)</u>	<u>5,564,045</u>	<u>35,203,983</u>	<u>(7,800,705)</u>	<u>(4,030,141)</u>	<u>24,401,678</u>
Net change in fund balance	(252,185)	1,110,005	(28,539,670)	(27,491,922)	(697,781)	(55,871,553)
<b>Fund balance - beginning</b>	<u>28,794,532</u>	<u>4,639,681</u>	<u>60,550,768</u>	<u>37,692,493</u>	<u>10,971,329</u>	<u>142,648,803</u>
<b>Fund balance - ending</b>	<u>\$ 28,542,347</u>	<u>\$ 5,749,686</u>	<u>\$ 32,011,098</u>	<u>\$ 10,200,571</u>	<u>\$ 10,273,548</u>	<u>\$ 86,777,250</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, 2016*

Net change in fund balance - total governmental funds: \$ (55,871,553)

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 (\$15,306,414) is exceeded by capital outlays (\$89,615,620) in the 74,309,206

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 11,342,981

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 1,474,908

Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position 4,666,173

Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. 14,565,041

Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities. (52,660,000)

Payment to escrow agent for refunding is reported as an other financing use in the governmental funds. In the government-wide financial statements, payments to escrow agent are treated as a decrease in long-term 36,935,787

Premium received from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long- (6,464,472)

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	137,937
Changes in accrued compensated absences	(110,277)
Pension expense for the pension plan measurement year	(6,462,998)

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. 685,566

Change in net position of governmental activities \$ 22,548,299

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,330,218	\$ 1,722,406	\$ 3,926,673	\$ 275,954	\$ 8,255,251	\$ 2,632,606
Cash with fiscal agent						488,000
Investments	21,751,398	4,246,206	8,738,171		34,735,775	3,246,850
Accounts receivable, net of allowance for doubtful accounts	2,995,650	125,794	520,015	643,781	4,285,240	9,642
Due from other funds	5,600,000		3,000,000		8,600,000	
Receivables from other governments		50,000			50,000	
Interest receivable	108,758	12,306	30,021		151,085	5,618
Inventories	107,369	134,462			241,831	
Prepaid items	12,199	26,883			39,082	30,182
Restricted cash and cash equivalents	3,942,156	634,726	771,130		5,348,012	
Restricted investments	19,011,005	1,004,623	6,755,686		26,771,314	
<b>Total current assets</b>	<b>55,858,753</b>	<b>7,957,406</b>	<b>23,741,696</b>	<b>919,735</b>	<b>88,477,590</b>	<b>6,412,898</b>
<b>Non-current assets:</b>						
Capital assets not being depreciated:						
Land	2,321,552	16,848,126	804,373		19,974,051	
Construction in progress	30,064,076	10,270,744	2,485,736		42,820,556	
Intangibles	925,137		239,970		1,165,107	
Capital assets being depreciated:						
Infrastructure	349,625,806	46,113,408	105,632,855		501,372,069	
Buildings and improvements	1,136,356	17,952,736	393,788		19,482,880	
Equipment and furniture	4,255,009	4,870,868	256,086	25,811	9,407,774	11,595,562
Intangibles	127,704		891,308		1,019,012	30,354
Less accumulated depreciation	(148,824,149)	(25,398,690)	(15,733,061)	(3,872)	(189,959,772)	(7,801,902)
<b>Total non-current assets</b>	<b>239,631,491</b>	<b>70,657,192</b>	<b>94,971,055</b>	<b>21,939</b>	<b>405,281,677</b>	<b>3,824,014</b>
<b>Total Assets</b>	<b>295,490,244</b>	<b>78,614,598</b>	<b>118,712,751</b>	<b>941,674</b>	<b>493,759,267</b>	<b>10,236,912</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	360,920	337,241			698,161	
Deferred outflows relating to pension activities	1,098,206	660,853	277,455	36,089	2,072,603	
<b>Total Deferred Outflows of Resources</b>	<b>1,459,126</b>	<b>998,094</b>	<b>277,455</b>	<b>36,089</b>	<b>2,770,764</b>	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	2,767,475	1,691,679	448,694	518,646	5,426,494	3,088,417
Accrued interest	383,777	33,421	577,263		994,461	
Due to other funds		2,000,000			2,000,000	
Customer deposits	2,920,698	87,718			3,008,416	
<b>Total current liabilities</b>	<b>6,071,950</b>	<b>3,812,818</b>	<b>1,025,957</b>	<b>518,646</b>	<b>11,429,371</b>	<b>3,088,417</b>
<b>Non-current liabilities:</b>						
Due within one year	5,320,896	757,399	2,679,104		8,757,399	
Bonds and certificates of obligation payable	5,310,896	757,399	2,679,104		8,747,399	
Compensated absences	10,000				10,000	
Due in more than one year	84,225,553	11,416,902	99,712,262	65,225	195,419,942	
Compensated absences	166,718	112,989	45,752	2,579	328,038	
Capital lease obligation						
Claims and judgments						
Net pension liability	1,906,347	1,147,157	481,626	62,646	3,597,776	
Bonds and certificates of obligation payable	82,152,488	10,156,756	99,184,884		191,494,128	
<b>Total non-current liabilities</b>	<b>89,546,449</b>	<b>12,174,301</b>	<b>102,391,366</b>	<b>65,225</b>	<b>204,177,341</b>	
<b>Total Liabilities</b>	<b>95,618,399</b>	<b>15,987,119</b>	<b>103,417,323</b>	<b>583,871</b>	<b>215,606,712</b>	<b>3,088,417</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows relating to pension activities	144,216	86,783	36,436	4,740	272,175	
<b>Total Deferred Inflows of Resources</b>	<b>144,216</b>	<b>86,783</b>	<b>36,436</b>	<b>4,740</b>	<b>272,175</b>	
<b>Net Position</b>						
Net investment in capital assets	166,513,865	60,357,190	(1,243,153)	21,939	225,649,841	3,824,014
Restricted:						
Debt service	6,805,550		1,202,909		8,008,459	
Other purpose	540,387				540,387	
Unrestricted	27,326,953	3,181,600	15,576,691	367,213	46,452,457	3,324,481
<b>Total Net Position</b>	<b>\$201,186,755</b>	<b>\$ 63,538,790</b>	<b>\$ 15,536,447</b>	<b>\$ 389,152</b>	<b>280,651,144</b>	<b>\$ 7,148,495</b>

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

1,313,531

Total Net Position per Government-Wide financial statements

\$281,964,675

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Revenues</b>						
Charges for services	\$ 32,252,245	\$ 11,830,391	\$ 13,888,252	\$ 5,950,568	\$ 63,921,456	\$ 11,361,597
Miscellaneous	33,595		18,728	2,190	54,513	
<b>Total Operating Revenues</b>	<u>32,285,840</u>	<u>11,830,391</u>	<u>13,906,980</u>	<u>5,952,758</u>	<u>63,975,969</u>	<u>11,361,597</u>
<b>Operating Expenses</b>						
Personnel services	4,122,134	2,409,079	1,041,998	119,794	7,693,005	23,012
Supplies and materials	131,720	5,143,426	85,131	5,165	5,365,442	522,412
Contractual services	6,767,497	1,541,362	2,675,634	5,770,930	16,755,423	112,048
Repairs and maintenance	4,226,835	392,715	1,753,928	2,391	6,375,869	19,329
Other expenses	681,182	357,672	201,029	26,213	1,266,096	9,066,417
Depreciation	9,220,272	2,326,768	6,209,031	2,581	17,758,652	876,502
<b>Total Operating Expenses</b>	<u>25,149,640</u>	<u>12,171,022</u>	<u>11,966,751</u>	<u>5,927,074</u>	<u>55,214,487</u>	<u>10,619,720</u>
<b>Operating income (loss)</b>	<u>7,136,200</u>	<u>(340,631)</u>	<u>1,940,229</u>	<u>25,684</u>	<u>8,761,482</u>	<u>741,877</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest and investment revenue	413,576	41,151	144,368	340	599,435	38,542
Miscellaneous revenue	17,091	13,393	2,062		32,546	201
Intergovernmental					50,000	
Gain (loss) on disposal of capital assets	1,040	(8,392)			(7,352)	70,456
Interest expense	(4,325,276)	(395,719)	(5,159,333)		(9,880,328)	
<b>Total Non-operating Revenue (Expenses)</b>	<u>(3,893,569)</u>	<u>(299,567)</u>	<u>(5,012,903)</u>	<u>340</u>	<u>(9,205,699)</u>	<u>109,199</u>
<b>Income (loss) before contributions and transfers</b>	<u>3,242,631</u>	<u>(640,198)</u>	<u>(3,072,674)</u>	<u>26,024</u>	<u>(444,217)</u>	<u>851,076</u>
Capital contributions	5,967,838	3,449,765			9,417,603	
Transfers in		155,733			155,733	
Transfers out	(2,331,739)				(2,331,739)	
<b>Change in net position</b>	<u>6,878,730</u>	<u>2,965,300</u>	<u>(3,072,674)</u>	<u>26,024</u>	<u>6,797,380</u>	<u>851,076</u>
<b>Total net position - beginning</b>	<u>194,308,025</u>	<u>60,573,490</u>	<u>18,609,121</u>	<u>363,128</u>	<u>273,853,764</u>	<u>6,297,419</u>
<b>Total net position - ending</b>	<u>\$ 201,186,755</u>	<u>\$ 63,538,790</u>	<u>\$ 15,536,447</u>	<u>\$ 389,152</u>	<u>\$ 280,651,144</u>	<u>\$ 7,148,495</u>
Change in net position per above					\$ 6,797,380	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.					<u>165,510</u>	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements					<u>\$ 6,962,890</u>	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers and users	\$ 32,479,598	\$ 11,758,555	\$ 13,994,737	\$ 6,012,883	\$ 64,245,773	\$
Receipts from interfund charges for employee benefits						11,353,655
Disbursed for personnel services	(3,849,541)	(2,454,947)	(958,520)	(136,711)	(7,399,719)	(23,012)
Disbursed for goods and services	(14,300,901)	(6,269,094)	(4,720,473)	(5,742,501)	(31,032,969)	(9,245,483)
<b>Net cash provided (used) by operating activities</b>	<b>14,329,156</b>	<b>3,034,514</b>	<b>8,315,744</b>	<b>133,671</b>	<b>25,813,085</b>	<b>2,085,160</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers from other funds		155,733			155,733	
Transfers to other funds	(2,331,739)				(2,331,739)	
Payment of interfund loan	(5,600,000)		(3,000,000)		(8,600,000)	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(7,931,739)</b>	<b>155,733</b>	<b>(3,000,000)</b>		<b>(10,776,006)</b>	
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the sale of equipment	1,040	142			1,182	70,656
Proceeds from interfund loan for acquisition and construction of capital assets		2,000,000			2,000,000	
Proceeds from the sale of bonds	23,731,588	3,045,000	9,598,412		36,375,000	
Interest payments on debt	(4,314,011)	(414,531)	(5,158,097)		(9,886,639)	
Principal payments on debt	(4,987,084)	(772,399)	(2,557,916)		(8,317,399)	
Payments to bond escrow agent	(17,794,701)	(3,073,017)	(7,272,464)		(28,140,182)	
Acquisition and construction of capital assets	(13,454,210)	(5,024,573)	(1,448,475)		(19,927,258)	(2,392,397)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(16,817,378)</b>	<b>(4,239,378)</b>	<b>(6,838,540)</b>		<b>(27,895,296)</b>	<b>(2,321,741)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of investments	(2,207,889)	(3,249,899)	(7,484,799)		(12,942,587)	
Sale of investments	2,251,312				2,251,312	496,685
Interest received	383,711	32,265	132,117	341	548,434	41,950
<b>Net cash provided (used) by investing activities</b>	<b>2,635,023</b>	<b>(3,217,634)</b>	<b>(7,352,682)</b>	<b>341</b>	<b>(10,142,841)</b>	<b>538,635</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(7,784,938)</b>	<b>(4,266,765)</b>	<b>(8,875,478)</b>	<b>134,012</b>	<b>(23,001,058)</b>	<b>302,054</b>
Cash and equivalents, beginning of year	14,057,312	6,623,897	13,573,281	141,942	34,396,432	2,330,552
<b>Cash and equivalents, at end of year</b>	<b>\$ 6,272,374</b>	<b>\$ 2,357,132</b>	<b>\$ 4,697,803</b>	<b>\$ 275,954</b>	<b>\$ 13,603,263</b>	<b>\$ 2,632,606</b>
					2,207,889	
Unrestricted cash and equivalents	\$ 2,330,218	\$ 1,722,406	\$ 3,926,673	\$ 275,954	\$ 8,255,251	\$ 2,632,606
Restricted cash and equivalents	3,942,156	634,726	771,130		5,348,012	
	<b>\$ 6,272,374</b>	<b>\$ 2,357,132</b>	<b>\$ 4,697,803</b>	<b>\$ 275,954</b>	<b>\$ 13,603,263</b>	<b>\$ 2,632,606</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 7,136,200	\$ (340,631)	\$ 1,940,229	\$ 25,684	\$ 8,761,482	\$ 741,877
<b>Adjustments to reconcile operating income to cash provided by operating activities:</b>						
Depreciation	9,220,272	2,326,768	6,209,031	2,581	17,758,652	876,502
(Increase) decrease in accounts receivable	485,724	(61,341)	87,757	60,125	572,265	40,207
(Increase) decrease in inventory	17,791	3,472			21,263	
(Increase) decrease in prepaid items	(6,670)	(24,758)			(31,428)	(6,455)
(Increase) decrease in deferred outflows relating to pension activities	(761,710)	(421,283)	(204,792)	(18,302)	(1,406,087)	
Increase (decrease) in accounts payable	(2,504,788)	1,187,367	(4,751)	62,198	(1,259,974)	433,029
Increase (decrease) in salaries payable	105,190	(60,103)	12,374	(6,723)	50,738	
Increase (decrease) in customer deposits	(291,966)	(10,495)			(302,461)	
Increase (decrease) in net pension liability	784,897	348,735	239,460	3,368	1,376,460	
Increase (decrease) in deferred inflows relating to pension activities	144,216	86,783	36,436	4,740	272,175	
<b>Net cash provided (used) by operating activities</b>	<b>\$ 14,329,156</b>	<b>\$ 3,034,514</b>	<b>\$ 8,315,744</b>	<b>\$ 133,671</b>	<b>\$ 25,813,085</b>	<b>\$ 2,085,160</b>
<b>Non-cash Transactions:</b>						
Capital assets contributed to City	\$ 5,967,838	\$ 3,449,765	\$	\$	\$ 9,417,603	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF NET POSITION**  
*September 30, 2016*

	<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>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 893,948	\$ 20,383	\$ 86,777	\$ 1,013,584	\$ 2,014,692
Investments	7,246,325				7,246,325
Accounts receivable, net of allowance for doubtful accounts	1,063,957		22	23,474	1,087,453
Interest receivable	17,490				17,490
Prepaid items	15,177				15,177
Restricted cash and cash equivalents	1,858,932		30,445		1,889,377
Restricted investments	1,251,148				1,251,148
<b>Total Assets</b>	<b>12,346,977</b>	<b>20,383</b>	<b>117,244</b>	<b>1,037,058</b>	<b>13,521,662</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	131,654				131,654
<b>Total Deferred Outflows of Resources</b>	<b>131,654</b>				<b>131,654</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	53,464		14,088	3,938	71,490
Accrued interest	190,516				190,516
<b>Total current liabilities</b>	<b>243,980</b>		<b>14,088</b>	<b>3,938</b>	<b>262,006</b>
<b>Non-current liabilities:</b>					
Due within one year	1,886,639				1,886,639
Due in more than one year	32,104,811				32,104,811
<b>Total non-current liabilities</b>	<b>33,991,450</b>				<b>33,991,450</b>
<b>Total Liabilities</b>	<b>34,235,430</b>		<b>14,088</b>	<b>3,938</b>	<b>34,253,456</b>
<b>Net Position</b>					
Restricted:					
Debt service	2,919,564				2,919,564
Economic development activities		20,383	103,156	1,033,120	1,156,659
Unrestricted	(24,676,363)				(24,676,363)
<b>Total Net Position</b>	<b>\$(21,756,799)</b>	<b>\$ 20,383</b>	<b>\$ 103,156</b>	<b>\$ 1,033,120</b>	<b>\$(20,600,140)</b>

*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, 2016*

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position				Totals
		Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	
Component Unit:							
Sugar Land 4B Corporation	\$ 2,766,395	\$ 154,297	\$ (2,612,098)	\$	\$	\$	\$ (2,612,098)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	1,334,749			(1,334,749)			(1,334,749)
Sugar Land Reinvestment Zone No. 3	201,264				(201,264)		(201,264)
Sugar Land Reinvestment Zone No. 4	33,938					(33,938)	(33,938)
	<u>\$ 4,336,346</u>	<u>\$ 154,297</u>	<u>(2,612,098)</u>	<u>(1,334,749)</u>	<u>(201,264)</u>	<u>(33,938)</u>	<u>(4,182,049)</u>
<b>General revenues</b>							
Taxes:							
Property taxes				1,279,992	177,507	506,389	1,963,888
Sales tax			6,566,772				6,566,772
Miscellaneous			80,010	137			80,147
Unrestricted investment earnings			88,716	457	268	1,189	90,630
<b>Total general revenues</b>			<u>6,735,498</u>	<u>1,280,586</u>	<u>177,775</u>	<u>507,578</u>	<u>8,701,437</u>
Change in net position			4,123,400	(54,163)	(23,489)	473,640	4,519,388
<b>Net position - beginning</b>			<u>(25,880,199)</u>	<u>74,546</u>	<u>126,645</u>	<u>559,480</u>	<u>(25,119,528)</u>
<b>Net position - ending</b>			<u>\$ (21,756,799)</u>	<u>\$ 20,383</u>	<u>\$ 103,156</u>	<u>\$ 1,033,120</u>	<u>\$ (20,600,140)</u>

See Notes to Financial Statements.

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

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

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

**Blended Component Unit:**

**Sugar Land Development Corporation**

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

**Discretely Presented Component Units:**

**Sugar Land 4B Corporation**

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

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

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1 has been presented as a discretely presented component unit in the City's financial statements. The participants include Fort Bend County and First Colony LID #2 at 100% of incremental value. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

**Sugar Land Reinvestment Zone No. 3**

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property and sales taxes to be utilized in providing public improvements in TIRZ 3. The City participates at 50% of increment over the 2007 base value plus 50% of sales taxes within the historic district. Fort Bend County General Fund participates at 50% based on an increment over the 2013 tax base. Fort Bend County Drainage District does not participate. TIRZ 3 has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members of which the City Council appoints four members and Fort Bend County has the authority to appoint one member. City Council has the authority to approve or disapprove TIRZ 3 projects.

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

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

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

**Sugar Land Reinvestment Zone No. 4**

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use center with retail, office and entertainment uses. The City participates at a rate of 50 percent of their ad valorem tax rate above the 2009 tax base over the 30 year life of the Zone. Fort Bend County Municipal Utility District Nos. 138 and 139 have also agreed to contribute at a rate of 50 percent of the City's tax rate via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50 percent participation Years 2014 through 2029, 30 percent Years 2030 through 2034, and 20 percent Years 2035 through 2039; however, revenues were not captured until Tax Year 2014 (Fiscal Year 2015). The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 *Sugar Land Development Corporation Fund* is used to account for the promoting of economic and development activities on behalf of the City. The principal source of revenue for the Sugar Land Development Corporation Fund is sales taxes. The Sugar Land Development Corporation Fund is considered a major fund for financial reporting purposes.

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

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

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

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

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

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

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

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

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

**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)**

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

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

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

*Assigned fund balance* – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

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

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

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

**D. Encumbrances**

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

As of September 30, 2016, outstanding purchase orders totaled \$19,017,768. These were the result of normal operations. As such, City Council has committed \$18,685,316 and the City Manager has assigned \$332,452 in the General Fund.

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

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

**E. Cash and Cash Equivalents**

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

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

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

**F. Investments**

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

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

**G. Receivables**

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

**H. Internal Balances**

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

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

**J. Restricted Assets**

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category.

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

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

**K. Deferred Outflows/Inflows of Resources (continued)**

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

**L. Capital Assets**

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

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

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

**L. Capital Assets (continued)**

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

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

**M. Compensated Absences**

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

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

**N. Pensions**

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

**O. 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.

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

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

**P. Deficit Equity**

The Employee Benefits Fund had deficit net position of \$596.4 thousand as of September 30, 2016. The deficit is due to the unfunded OPEB liability.

The Sugar Land 4B Corporation had deficit net position of \$21.8 million as of September 30, 2016. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

**Q. Budgets**

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds, using the same cash basis of accounting.

**R. New Accounting Standards**

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

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

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

**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.

**Deposit and Investment Amounts**

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

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

The City's cash and investments are classified as: Cash and cash equivalents, investments, restricted cash and cash equivalents, and restricted investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in privately-managed public funds investment pool accounts (TexPool and TexSTAR). 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 cash equivalents and restricted investments include cash with financial institutions, TexPool, TexSTAR, 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, TexSTAR, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

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

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

**Deposit and Investment Amounts (continued)**

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

	<u>Total Fair Value</u>	
	<u>Primary Government</u>	<u>Component Units</u>
Cash Deposits	\$ 38,384,479	\$ 3,843,442
Certificates of Deposit	15,724,468	1,747,733
Flexible Repurchase Agreements	10,286,853	
Temporary Investments:		
Government securities:		
FHLB	22,519,143	1,501,855
FHLMC	57,758,890	2,749,771
FFCB	25,514,588	500,001
FNMA	11,495,763	1,998,113
Public Funds Investment Pools:		
TexPool	9,539,656	60,627
TexSTAR	2,006	
	<u>\$ 191,225,846</u>	<u>\$ 12,401,542</u>

At September 30, 2016, the City reported cash deposits in the amount of \$42,227,921 and the bank balance was \$47,768,082. \$488,000 of this total 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 \$51,970,370 as of September 30, 2016.

Investments' fair value measurements are as follows at September 30, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ 17,472,201	\$ 17,472,201	\$	\$
Government securities:				
FHLB	22,519,143		22,519,143	
FHLMC	57,758,890		57,758,890	
FFCB	25,514,588		25,514,588	
FNMA	11,495,763		11,495,763	
<b>Total</b>	<u>\$ 134,760,585</u>	<u>\$ 17,472,201</u>	<u>\$ 117,288,384</u>	<u>\$</u>

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:

	<u>Primary Government</u>	<u>Component Units</u>
Interest income	\$ 1,721,521	\$ 84,427
Unrealized gain (loss) on temporary investments	(32,587)	6,203
Investment earnings	<u>\$ 1,688,934</u>	<u>\$ 90,630</u>

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

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

**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>	
Cash Deposits	\$ 38,384,479	\$ 3,843,442	1
Certificate of Deposits	15,724,468	1,747,733	461
Flexible Repurchase Agreements	10,286,853		1
Temporary Investments:			
Government securities:			
U.S. Agency Securities	117,288,384	6,749,740	532
Public Funds Investment Pools:			
TexPool	9,539,656	60,627	44
TexSTAR	2,006		41
	<u>\$ 191,225,846</u>	<u>\$ 12,401,542</u>	
<b>Portfolio weighted average maturity (days)</b>	<u>367</u>	<u>355</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 1,095 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months.

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

**Local Government Investment Pools**

As of September 30, 2016, the City's investments included TexPool and TexSTAR Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

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

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

**Local Government Investment Pools (continued)**

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

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

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

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

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

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

**Concentration of Credit Risk**

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

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%
No Load Mutual Funds	up to 10% total

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>
Cash Deposits	\$ 42,227,921	20.7%
Certificates of Deposit	17,472,201	8.6%
Flexible Repurchase Agreements	10,286,853	5.1%
Temporary Investments:		
Government securities:		
FHLB	24,020,998	11.8%
FHLMC	60,508,661	29.7%
FFCB	26,014,589	12.8%
FNMA	13,493,876	6.6%
Total government securities	124,038,124	60.9%
Public Funds Investment Pools:		
TexPool	9,600,283	4.7%
TexSTAR	2,006	0.0%
	<u>\$203,627,388</u>	<u>100.0%</u>

**Credit Risk**

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

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

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

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

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

**Restricted Assets**

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

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

<u>Restricted Purpose</u>	<u>Cash</u>	<u>Investments</u>
Restricted for Capital Projects	\$ 2,153,371	\$ 23,768,796
Restricted for Debt Service	7,648,213	4,501,850
Restricted for Other Purposes	2,272,702	499,063
<b>Total</b>	<u>\$ 12,074,286</u>	<u>\$ 28,769,709</u>

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

**Note 3 - Receivables**

**Property Taxes**

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

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

**Note 3 - Receivables (continued)**

Receivables at September 30, 2016, consist of the following:

**Governmental Funds:**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Sugar Land Development Corporation Fund</u>	<u>Non -Major Governmental Funds</u>	<u>Total</u>
Property taxes, including penalties and interest	\$ 642,793	\$ 209,542	\$	\$	\$	\$ 852,335
Sales and other taxes	7,066,605					7,066,605
Fines and forfeitures	3,855,438			1,063,957	4,736,086	9,655,481
Interest	47,963	11,046	56,955	14,069	11,995	142,028
Other	1,155,956		224,303		643,506	2,023,765
Allowance for uncollectibles	<u>(3,697,927)</u>				<u>(1,174,549)</u>	<u>(4,872,476)</u>
<b>Total</b>	<u>\$9,070,828</u>	<u>\$ 220,588</u>	<u>\$ 281,258</u>	<u>\$ 1,078,026</u>	<u>\$ 4,217,038</u>	<u>\$ 14,867,738</u>

**Proprietary Funds:**

	<u>Utilities Fund</u>	<u>Airport Fund</u>	<u>Surface Water Fund</u>	<u>Solid Waste Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
Customer accounts	\$3,298,647	\$ 143,664	\$ 541,015	\$ 542,990	\$	\$ 4,526,316
Interest	108,758	12,306	30,021		5,618	156,703
Other				143,908	9,642	153,550
Allowance for uncollectibles	<u>(302,997)</u>	<u>(17,870)</u>	<u>(21,000)</u>	<u>(43,117)</u>		<u>(384,984)</u>
<b>Total</b>	<u>\$3,104,408</u>	<u>\$ 138,100</u>	<u>\$ 550,036</u>	<u>\$ 643,781</u>	<u>\$ 15,260</u>	<u>\$ 4,451,585</u>

**Component Units:**

	<u>Sugar Land 4B Corporation</u>	<u>Sugar Land TIRZ #1</u>	<u>Sugar Land TIRZ #4</u>	<u>Total</u>
Sales and other taxes	\$ 1,063,957	\$ 22	\$ 23,474	\$ 1,087,453
Interest	17,490			17,490
<b>Total</b>	<u>\$ 1,081,447</u>	<u>\$ 22</u>	<u>\$ 23,474</u>	<u>\$ 1,104,943</u>

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

**Note 4 - Capital Assets**

A summary of changes in the primary government's capital assets for the year ended September 30, 2016, follows:

	<b>Balance September 30, 2015</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2016</b>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 83,840,186	\$	\$	\$ 83,840,186
Construction in progress	66,332,227	89,524,430	(5,724,278)	150,132,379
Intangibles	1,946,379	52,413		1,998,792
<b>Total capital assets not being depreciated</b>	<b>152,118,792</b>	<b>89,576,843</b>	<b>(5,724,278)</b>	<b>235,971,357</b>
<b>Other capital assets:</b>				
Infrastructure	429,846,803	17,128,541		446,975,344
Buildings and improvements	128,284,092	455,310		128,739,402
Equipment and furniture	41,701,560	2,947,438	(268,565)	44,380,433
Intangibles	706,359	47,390		753,749
<b>Total other capital assets</b>	<b>600,538,814</b>	<b>20,578,679</b>	<b>(268,565)</b>	<b>620,848,928</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(230,511,088)	(9,605,950)		(240,117,038)
Buildings and improvements	(35,414,266)	(3,872,448)		(39,286,714)
Equipment and furniture	(25,205,388)	(2,623,213)	268,565	(27,560,036)
Intangibles	(131,132)	(81,304)		(212,436)
<b>Total accumulated depreciation</b>	<b>(291,261,874)</b>	<b>(16,182,915)</b>	<b>268,565</b>	<b>(307,176,224)</b>
Other capital assets, net	309,276,940	4,395,764		313,672,704
<b>Totals</b>	<b>\$ 461,395,732</b>	<b>\$ 93,972,607</b>	<b>\$ (5,724,278)</b>	<b>\$ 549,644,061</b>

	<b>Balance September 30, 2015</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2016</b>
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 19,974,051	\$	\$	\$ 19,974,051
Construction in progress	22,884,919	23,028,193	(3,092,556)	42,820,556
Intangibles	1,150,275	14,832		1,165,107
<b>Total capital assets not being depreciated</b>	<b>44,009,245</b>	<b>23,043,025</b>	<b>(3,092,556)</b>	<b>63,959,714</b>
<b>Other capital assets:</b>				
Infrastructure	492,110,044	9,278,021	(16,000)	501,372,065
Buildings and improvements	19,474,421	8,458		19,482,879
Equipment and furniture	9,283,831	123,942		9,407,773
Intangibles	1,019,012			1,019,012
<b>Total other capital assets</b>	<b>521,887,308</b>	<b>9,410,421</b>	<b>(16,000)</b>	<b>531,281,729</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(161,418,551)	(16,385,631)	7,468	(177,796,714)
Buildings and improvements	(6,073,027)	(690,827)		(6,763,854)
Equipment and furniture	(4,619,620)	(538,512)		(5,158,132)
Intangibles	(97,383)	(143,684)		(241,067)
<b>Total accumulated depreciation</b>	<b>(172,208,581)</b>	<b>(17,758,654)</b>	<b>7,468</b>	<b>(189,959,767)</b>
Other capital assets, net	349,678,727	(8,348,233)	(8,532)	341,321,962
<b>Totals</b>	<b>\$ 393,687,972</b>	<b>\$ 14,694,792</b>	<b>\$ (3,101,088)</b>	<b>\$ 405,281,676</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	\$ 735,230
Administrative services	1,112,231
Public works	9,894,804
Parks and recreation	1,053,744
Environmental and neighborhood services	1,022,997
Community development	75,947
Public safety-Police	387,496
Public safety-Fire	881,213
Public safety-EMS	142,751
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>876,502</u>
<b>Total Governmental Activities</b>	<b><u>\$ 16,182,915</u></b>
Water and wastewater	\$ 9,220,273
Airport	2,326,769
Solid Waste	2,581
Surface Water	<u>6,209,031</u>
<b>Total Business-Type Activities</b>	<b><u>\$ 17,758,654</u></b>

The City has active construction projects as of September 30, 2016. 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>
Drainage improvement	\$ 8,901,945	\$ 6,224,652
Park improvement	20,849,335	1,883,626
Municipal improvements	108,215,601	15,640,235
Street improvement	15,897,403	2,759,181
Traffic improvement	4,590,033	227,517
Water and wastewater improvements	24,884,034	6,529,390
Airport improvement	6,978,848	
Surface Water	<u>2,635,736</u>	<u>481,296</u>
<b>Totals</b>	<b><u>\$ 192,952,935</u></b>	<b><u>\$ 33,745,897</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 dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The City issued \$12,195,000 of General Obligation Refunding Bonds, Series 2015 dated December 1, 2015. This issuance is reported in governmental activities and business-type activities in the amounts of \$9,375,000 and \$2,820,000, respectively. Proceeds from the sale of the bonds, including a premium of \$1,821,553, will be used to refund a portion of outstanding ad valorem tax-supported obligations and to pay the costs associated with the issuance of the bonds. Proceeds in the amount of \$13,919,439 were deposited into an irrevocable trust to defease bonds and certificates of obligation totaling \$13,070,000. The refunding resulted in an economic gain (difference between present value of debt service payments of old debt and new debt) of \$1,072,405 and a reduction of \$1,275,658 in future debt service payments.

The City issued \$22,970,000 of General Obligation Refunding Bonds, Series 2016 dated April 1, 2016. This issuance is reported in governmental activities and business-type activities in the amounts of \$22,745,000 and \$225,000, respectively. Proceeds from the sale of the bonds, including a premium of \$3,763,525, will be used to refund a portion of outstanding ad valorem tax-supported obligations and to pay the costs associated with the issuance of the bonds. Proceeds in the amount of \$26,629,390 were deposited into an irrevocable trust to defease bonds and certificates of obligation totaling \$24,775,000. The refunding resulted in an economic gain (difference between present value of debt service payments of old debt and new debt) of \$1,381,365 and a reduction of \$1,636,581 in future debt service payments.

The City issued \$20,810,000 of Combination Tax and Revenue Certificates of Obligation, Series 2016 dated May 15, 2016. This issuance is reported in governmental activities and business-type activities in the amounts of \$19,190,000 and \$1,620,000, respectively. Proceeds from the sale of the certificates will be used for construction or acquisition of street and traffic improvements, including, but not limited to, streets and boulevards, wayside horns and traffic signal management; construction or acquisition of drainage improvements; construction or acquisition of utility system improvements, including, but not limited to, water plant improvements and surface water transmission lines; the cost of professional services incurred in connection therewith and the costs of issuing the certificates.

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

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

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

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2016. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	<u>Balance September 30, 2015</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2016</u>	<u>Amounts Due Within One Year</u>
<b>Bonds payable:</b>					
General obligation bonds	\$ 66,190,000	\$ 32,120,000	\$ (16,245,000)	\$ 82,065,000	\$ 7,165,000
Annexed utility district bonds	6,270,000		(3,945,000)	2,325,000	540,000
Certificates of obligation	111,279,394	19,190,000	(26,224,192)	104,245,202	5,247,601
Sales tax revenue bonds	52,400,000		(1,745,000)	50,655,000	1,790,000
Tax note	3,120,675	1,350,000	(505,794)	3,964,881	771,712
Issuance premiums/discounts	12,054,362	6,464,472	(1,715,901)	16,802,933	
	<u>251,314,431</u>	<u>59,124,472</u>	<u>(50,380,887)</u>	<u>260,058,016</u>	<u>15,514,313</u>
<b>Other non-current liabilities:</b>					
Net pension liability	16,999,704	10,415,156		27,414,860	
Obligations under capital leases	611,817		(351,647)	260,170	260,171
Other Post-Employment Benefit Obligation (OPEB)	1,330,787	301,829	(81,232)	1,551,384	
Obligation to State	398,566		(163,505)	235,061	18,082
Compensated absences	2,693,497	3,670,501	(3,560,224)	2,803,774	75,000
<b>Total Governmental Activities</b>	<u>\$ 273,348,803</u>	<u>\$ 73,511,958</u>	<u>\$ (54,537,495)</u>	<u>\$ 292,323,266</u>	<u>\$ 15,867,566</u>

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

The full amount estimated to be required for debt service on general obligation debt is provided by:

1. the debt service portion of the tax levy;
2. interest earned in the Debt Service Fund; and
3. transfers from the Utility Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

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

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

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

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2016, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>General Obligation Bonds</b>				
Series 2008 General obligation bonds	\$ 6,925,000	2028	4.0-5.0	\$ 635,000
Series 2010 General obligation & refunding	22,290,000	2026	2.0-5.0	11,105,000
Series 2010 General obligation bonds	2,435,000	2030	3.0-4.125	855,000
Series 2012 General obligation & refunding	9,440,000	2021	2.0-4.0	3,450,000
Series 2012A General obligation refunding	4,295,000	2025	2.0-4.0	3,315,000
Series 2014 General obligation refunding	21,565,000	2026	2.0-5.0	18,120,000
Series 2015 General obligation bonds	13,010,000	2035	2.125-4.0	12,565,000
Series 2015 General obligation refunding	9,375,000	2028	2.0-5.0	9,275,000
Series 2015 General obligation refunding	22,745,000	2029	4.0-5.0	22,745,000
<b>Total General Obligation Bonds</b>				<b>\$ 82,065,000</b>
<b>Certificates of Obligation</b>				
Series 2008 Tax and revenue certificates of obligation	\$ 4,460,000	2028	3.75-5.0	\$ 410,000
Series 2009 Tax and revenue certificates of obligation	17,370,000	2029	2.0-4.5	2,115,202
Series 2010 Tax and revenue certificates of obligation	23,405,000	2030	2.5-4.0	9,285,000
Series 2013 Tax and revenue certificates of obligation	24,440,000	2033	2.5-4.0	21,890,000
Series 2014 Tax and revenue certificates of obligation	9,980,000	2040	3.25-6.0	9,725,000
Series 2014A Tax and revenue certificates of obligation - Taxable	27,130,000	2046	3.125-4.50	27,130,000
Series 2015 Tax and revenue certificates of obligation	15,005,000	2035	3.0-4.0	14,500,000
Series 2016 Tax and revenue certificates of obligation	19,190,000	2036	2.0-4.0	19,190,000
<b>Total Certificates of Obligation</b>				<b>\$ 104,245,202</b>
<b>Series 2014 Tax Note</b>	<b>\$ 5,700,000</b>	<b>2021</b>	<b>1.81</b>	<b>\$ 3,964,881</b>
<b>Sales Tax Revenue Bonds</b>				
Series 2013 Sales Tax Revenue Bonds	\$ 7,200,000	2038	4.25-4.375	\$ 6,615,000
Series 2014 Sales Tax Revenue Refunding Bonds	7,375,000	2025	2.0-5.0	6,710,000
Series 2014 Sales Tax Revenue Bonds	38,265,000	2040	3.75-6.75	37,330,000
<b>Total Sales Tax Revenue Bonds</b>				<b>\$ 50,655,000</b>
<b>Annexed Utility District Bonds</b>				
<b>Fort Bend County Municipal Utility District No. 21</b>				
Series 2008 Unlimited Tax Refunding	\$ 4,000,000	2024	3.5-4.0	\$ 200,000
Series 2012 Unlimited Tax Refunding	4,045,000	2021	2.0-3.0	2,125,000
<b>Total Annexed Utility District Bonds</b>				<b>\$ 2,325,000</b>

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

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

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

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2016, are as follows:

Year Ending Sept. 30	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2017	\$ 7,165,000	\$ 3,346,531	\$ 5,247,601	\$ 3,400,888
2018	6,965,000	3,045,488	5,847,601	3,098,860
2019	6,445,000	2,765,656	4,705,000	2,927,493
2020	6,385,000	2,498,356	4,835,000	2,779,668
2021	7,635,000	2,175,231	3,815,000	2,649,768
2022	7,970,000	1,851,581	3,910,000	2,534,205
2023	7,800,000	1,527,181	4,015,000	2,414,568
2024	7,740,000	1,172,681	3,820,000	2,294,730
2025	6,180,000	858,356	3,890,000	2,177,086
2026	4,810,000	609,147	3,960,000	2,059,821
2027	3,885,000	411,413	4,030,000	1,950,677
2028	2,395,000	265,813	5,735,000	1,813,594
2029	1,625,000	185,088	5,900,000	1,632,951
2030	945,000	140,994	6,055,000	1,439,851
2031	775,000	114,125	4,310,000	1,277,415
2032	800,000	90,500	4,390,000	1,146,806
2033	825,000	66,125	4,465,000	1,016,765
2034	850,000	40,469	3,325,000	911,490
2035	870,000	13,594	3,400,000	826,965
2036			2,445,000	738,668
2037			1,555,000	660,488
2038			1,630,000	593,705
2039			1,700,000	523,895
2040			1,780,000	450,950
2041			1,190,000	388,055
2042			1,240,000	335,810
2043			1,295,000	281,308
2044			1,350,000	224,440
2045			1,405,000	165,208
2046			1,465,000	102,038
2047			1,535,000	5,335,785
	<u>\$ 82,065,000</u>	<u>\$ 21,178,328</u>	<u>\$ 104,245,202</u>	<u>\$ 48,153,946</u>

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

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

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

The annual requirements to amortize governmental activity dissolved utility district bonds and the tax note outstanding at September 30, 2016, are as follows:

Year Ending Sept. 30	Governmental Activities			
	Annexed Utility District Bonds		Tax Note	
	Principal	Interest	Principal	Interest
2017	\$ 540,000	\$ 62,450	\$ 771,712	\$ 68,288
2018	535,000	45,800	785,743	54,257
2019	425,000	31,125	1,066,024	53,976
2020	415,000	18,525	1,085,406	34,594
2021	410,000	6,150	1,095,996	16,671
	<u>\$ 2,325,000</u>	<u>\$ 164,050</u>	<u>\$ 4,804,881</u>	<u>\$ 227,787</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, 2016, are as follows:

Year Ending Sept. 30	Sugar Land Development Corporation Blended Component Unit	
	Sales Tax Revenue Bonds	
	Principal	Interest
2017	\$ 1,790,000	\$ 2,395,290
2018	1,845,000	2,304,296
2019	1,900,000	2,210,621
2020	1,980,000	2,108,984
2021	2,055,000	1,998,721
2022	2,140,000	1,884,090
2023	2,225,000	1,768,821
2024	2,315,000	1,644,571
2025	2,420,000	1,512,268
2026	1,610,000	1,402,659
2027	1,675,000	1,311,318
2028	1,740,000	1,216,346
2029	1,815,000	1,122,215
2030	1,885,000	1,028,808
2031	1,965,000	933,456
2032	2,045,000	835,944
2033	2,135,000	734,106
2034	2,225,000	639,431
2035	2,330,000	552,075
2036	2,450,000	457,600
2037	2,575,000	355,478
2038	2,705,000	248,172
2039	2,355,000	146,100
2040	2,475,000	49,500
	<u>\$ 50,655,000</u>	<u>\$ 28,860,871</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 Debt Service Fund.

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

	<u>Fiscal Year</u>	<u>Obligations</u>
	2017	\$ 264,945
Total		264,945
Less interest portion		(4,774)
Obligations under Capital Leases		<u>\$ 260,171</u>

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$4.6 million and accumulated depreciation of approximately \$2.3 million.

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

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

**Tax Note**

In October 2014, the City issued a \$5.7 million tax note to fund the purchase of ambulances and fire trucks. The note was issued for seven years at the rate of 1.81%. The principal and interest payments are calculated based on the following draw schedule:

<u>Date</u>	<u>Draw Amount</u>
10/9/2014	\$ 2,760,000
8/15/2015	750,000
8/15/2016	1,350,000
8/15/2018	840,000
	<u>\$ 5,700,000</u>

**Defeased Debt**

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

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

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

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

**Defeased Debt (continued)**

A summary of previously defeased debt still outstanding as of September 30, 2016 follows:

<u>Description</u>	<u>Call Date</u>	<u>Amount Considered Defeased</u>
Fort Bend County MUD No 21 Revenue Bonds, Series 2008	3/1/2017	\$ 3,395,000
General Obligation Bonds, Series 2008	2/15/2018	3,975,000
Combination Tax & Revenue Certification of Obligation, Series 2008	2/15/2018	2,560,000
General Obligation Bonds, series 2008	2/15/2018	340,000
Combination Tax & Revenue Certification of Obligation, Series 2008	2/15/2018	220,000
Combination Tax & Revenue Certification of Obligation, Series 2009	2/15/2018	10,035,000
Combination Tax & Revenue Certification of Obligation, Series 2010	2/15/2019	9,475,000
General Obligation Bonds, Series 2010	2/15/2019	1,095,000
General Obligation Refunding Bonds, Series 2010	2/15/2019	3,610,000
Waterworks and Sewer System Revenue Bonds, Series 2008	8/15/2018	9,165,000
Waterworks and Sewer System Revenue Bonds, Series 2009	8/15/2018	18,595,000
		<u>\$ 62,465,000</u>

**B. Business Activity Debt**

The City issued \$31,710,000 of Waterworks and Sewer System Revenue and Refunding Bonds, Series 2016 dated April 1, 2016. Proceeds in the amount of \$7,437,278 will be used for acquiring and constructing property, facilities and improvements and to pay the costs associated with the issuance of the bonds. Proceeds in the amount of \$30,062,835 were deposited into an irrevocable trust to defease bonds totaling \$27,760,000. The refunding resulted in an economic gain (difference between present value of debt service payments of old debt and new debt) of \$2,211,363.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2016.

	<u>Balance September 30, 2015</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2016</u>	<u>Amounts Due Within One Year</u>
<b>Bonds payable:</b>					
Water and wastewater revenue bonds	\$ 92,980,000	\$ 31,710,000	\$ (33,335,000)	\$ 91,355,000	\$ 5,915,000
General obligation bonds	5,080,000	3,045,000	(465,000)	7,660,000	630,000
Certificates of obligation	97,520,606	1,620,000	(5,670,808)	93,469,798	2,202,399
Issuance premiums/discounts	2,278,431	6,106,272	(627,974)	7,756,729	
	<u>197,859,037</u>	<u>42,481,272</u>	<u>(40,098,782)</u>	<u>200,241,527</u>	<u>8,747,399</u>
<b>Other liabilities:</b>					
Compensated absences	304,817	430,463	(397,242)	338,038	10,000
<b>Total Business-type Activities</b>	<u>\$ 198,163,854</u>	<u>\$ 42,911,735</u>	<u>\$ (40,496,024)</u>	<u>\$ 200,579,565</u>	<u>\$ 8,757,399</u>

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

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

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

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2016 follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Utility and Surface Water Funds</b>				
Series 2008 Waterworks and Sewer System Revenue Bonds	\$ 14,780,000	2028	3.5-5.0	\$ 1,355,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	1,320,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	2,590,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	89,530,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	18,695,000
Series 2012A Waterworks and Sewer System Revenue Refunding Bonds	9,025,000	2030	2.0-4.0	6,675,000
Series 2013 Waterworks and Sewer System Revenue Bonds	15,765,000	2033	2.5-4.0	13,930,000
Series 2015 Waterworks and Sewer System Revenue Refunding Bonds	15,750,000	2035	3.0-5.0	15,080,000
Series 2016 Waterworks and Sewer System Revenue Refunding Bonds	31,710,000	2036	2.0-5.0	31,710,000
Series 2016 Tax and revenue certificates of obligation	1,620,000	2036	2.0-4.0	1,620,000
<b>Total Utility and Surface Water Funds Debt</b>				<u>\$ 182,505,000</u>
<b>Airport Fund</b>				
Series 2010 Combination tax and revenue certificates of obligation	\$ 450,000	2030	2.0-4.5	\$ 54,797
Series 2012A General obligation refunding	5,610,000	2025	2.0-4.0	4,640,000
Series 2013 Tax and revenue certificates of obligation	730,000	2033	2.5-4.0	650,000
Series 2015 Tax and revenue certificates of obligation	1,670,000	2035	3.0-4.0	1,615,000
Series 2015 General obligation refunding	2,820,000	2028	2.0-5.0	2,795,000
Series 2016 General obligation refunding	225,000	2029	4.0-5.0	225,000
<b>Total Airport Fund Debt</b>				<u>\$ 9,979,797</u>
<b>Total Enterprise Funds Long-Term Debt</b>				<u>\$ 192,484,797</u>

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

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

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

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2016, are as follows:

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds		Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,915,000	\$ 3,424,344	\$ 2,202,399	\$ 4,133,441	\$ 630,000	\$ 286,950
2018	6,070,000	3,233,094	2,287,399	4,054,361	645,000	269,650
2019	5,405,000	3,032,569	2,355,000	3,983,629	690,000	250,550
2020	5,580,000	2,851,469	2,450,000	3,910,491	710,000	227,000
2021	5,460,000	2,672,069	2,545,000	3,831,454	745,000	197,750
2022	5,665,000	2,482,169	2,650,000	3,736,985	775,000	168,600
2023	5,555,000	2,271,219	2,780,000	3,628,891	800,000	138,250
2024	5,800,000	2,034,219	2,900,000	3,515,691	835,000	103,075
2025	6,050,000	1,810,944	3,015,000	3,397,741	870,000	66,375
2026	6,315,000	1,551,456	3,135,000	3,275,069	295,000	40,225
2027	6,235,000	1,278,281	3,265,000	3,132,885	315,000	24,975
2028	6,510,000	1,016,456	3,405,000	2,982,085	330,000	8,950
2029	5,595,000	751,194	3,555,000	2,834,057	20,000	400
2030	3,895,000	530,294	3,720,000	2,666,304		
2031	3,800,000	403,844	3,885,000	2,489,586		
2032	2,210,000	274,738	4,070,000	2,313,763		
2033	2,290,000	193,163	4,265,000	2,119,309		
2034	1,255,000	107,563	4,435,000	1,906,000		
2035	1,295,000	63,588	4,660,000	1,682,784		
2036	455,000	18,200	4,770,000	1,456,088		
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>\$ 91,355,000</u>	<u>\$ 30,000,873</u>	<u>\$ 93,469,798</u>	<u>\$ 64,570,245</u>	<u>\$ 7,660,000</u>	<u>\$ 1,782,750</u>

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

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2016:

	Balance September 30, 2015	Increases	(Decreases)	Balance September 30, 2016	Amounts Due Within One Year
<b>Bonds payable:</b>					
Sales tax revenue bonds	\$ 35,825,000	\$	\$ (1,840,000)	\$ 33,985,000	\$ 1,885,000
Issuance premiums/discounts	(17,336)		2,477	(14,859)	
<b>Other liabilities:</b>					
Obligation to State	43,723		(22,414)	21,309	1,639
	<u>\$ 35,851,387</u>	<u>\$</u>	<u>\$ (1,859,937)</u>	<u>\$ 33,991,450</u>	<u>\$ 1,886,639</u>

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

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

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

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2016, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 2,170,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	5,170,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	26,645,000
<b>Total Component Unit Long-Term Debt</b>				<u><u>\$ 33,985,000</u></u>

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2016, are as follows:

Year Ending Sept. 30	<b>Sugar Land 4B Corporation</b>	
	<b>Revenue Bonds</b>	
	Principal	Interest
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><u>\$ 33,985,000</u></u>	<u><u>\$ 15,755,936</u></u>

**D. Legal Compliance**

Long-term debt assumed by the City upon dissolution of 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 dissolved area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$2.3 million.

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

**Note 6 - Fund Balance/Net Position**

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

Fund balance restrictions for capital projects, economic development and tourism & marketing, for the year ended September 30, 2016 is as follows:

<u>Restricted Fund Balance</u>	<u>Amount</u>	<u>Purpose</u>
Capital projects	\$ 894,205	Street improvements
	4,582,379	Drainage improvements
	195,218	Traffic improvements
	316,301	Municipal improvements
	1,706,817	Park improvements
	<u>6,042,711</u>	Construction & acquisition of capital assets
	\$ 13,737,631	
Economic development	\$ 1,250,000	Incentive payments
	209,621	Operating expenses
	1,413,835	Construction in progress
	<u>2,783,400</u>	Promoting of economic and development activities
	\$ 5,656,856	
Tourism & marketing	\$ 1,053,237	Tourism & marketing activities

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net position balance at year-end of approximately \$21.8 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

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

**Note 7 - Interfund Transactions**

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2016 is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Photographic Traffic Enforcement Fund	\$ 528,434	50% of Net Revenues
		<b>528,434</b>	
Debt Service Fund	Tourism Fund	1,407,278	Reimbursement for Conference Center, Smart Finacnia
Debt Service Fund	Utility Fund	2,331,739	Reimbursement for Annexed MUD debt
Debt Service Fund	Capital Projects	472,500	Developer Fees to cover the University Blvd. debt
Debt Service Fund	SLDC Fund	1,110,999	Reimbursement for Smart Financial Centre debt
		<b>5,322,516</b>	
Airport Fund	General Fund	57,011	Property tax collected during the year on Airport value
Airport Fund	Debt Service Fund	48,722	Property tax collected during the year on Airport value
Airport Fund	SLDC Fund	50,000	International Marketing
		<b>155,733</b>	
Capital Project Fund	SLDC Fund	6,639,706	Reimbursement for Capital Projects
Capital Project Fund	Tourism Fund	2,550,000	PAYG CIP
Capital Project Fund	General Fund	4,593,500	PAYG CIP
		<b>13,783,206</b>	
GW Debt Reduction Fund	General Fund	294,379	Sales Tax collected from Greatwood & Riverpark
NT Debt Reduction Fund	General Fund	150,000	Sales Tax collected from Riverpark
		<b>444,379</b>	
Enclave at River Park PID - Special Revenue Fund	General Fund	6,035	50% of property tax in PID collected during the year
Enclave at River Park PID - Special Revenue Fund	Debt Service Fund	5,157	50% of property tax in PID collected during the year
		<b>11,192</b>	
		<b>\$ 20,245,460</b>	

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

**Note 7 - Interfund Transactions (continued)**

On May 3, 2016 the City Council approved an inter-fund loan of \$5.6 million from the Utility fund to the Capital Projects fund for the University Blvd. North extension project. The Utility fund is accumulating funds to support debt service for capital projects driven by new development and is not expected to need the funds through fiscal year 2020. The funds were transferred on May 3, 2016. A portion of this loan, \$1,322,211, together with accrued interest will be reimbursed by 4B Corporation in 2019 and the remaining balance of \$4,277,789 and accrued interest will be reimbursed by the developer no later than September 30, 2020. The interest on the loan will be accrued at 1.00% annually and will be paid with the principal amount in 2019 & 2020. The annual requirements to amortize this interfund loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
5/3/2016	\$	\$	\$ 5,600,000
9/30/2016		23,014	5,600,000
9/30/2017		56,000	5,600,000
9/30/2018		56,000	5,600,000
9/30/2019	1,322,211	56,000	4,277,789
9/30/2020	4,277,789	42,778	
	<u>\$ 5,600,000</u>	<u>\$ 233,792</u>	

On May 17, 2016 the City Council approved an inter-fund loan of \$2 million from the Surface Water fund to the Airport fund and \$1 million from the Surface Water fund to the Capital Projects fund to support the Westside Land Acquisition project. The funds were transferred on September 9, 2016. A portion of the loan, \$2 million, will be reimbursed to the City by Federal Aviation Administration and the remaining portion will be reimbursed by the Sugar Land Development Corporation. Interest on the loan will be accrued annually and paid with the principal in 2018 & 2019. The annual requirements to amortize this interfund loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
9/9/2016	\$	\$	\$ 3,000,000
9/30/2016		1,726	3,000,000
9/30/2017		30,000	3,000,000
9/30/2018	1,500,000	30,000	1,500,000
9/30/2019	1,500,000	1,500	
	<u>\$ 3,000,000</u>	<u>\$ 63,226</u>	

**Note 8 - Deferred Compensation Plan**

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

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

**Note 9 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

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

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

The City does not participate in Social Security.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	168
Inactive employees entitled to but not yet receiving benefits	252
Active employees	<u>678</u>
	<u>1,098</u>

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

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

*Texas Municipal Retirement System (continued)*

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2016, the City made contributions of 15.11% for the months in 2015 and 14.71% for the months in 2016.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5% per year
Overall payroll growth:	3.0% per year
Investment Rate of Return:	6.75%

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

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

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

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

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

**Texas Municipal Retirement System (continued)**

**Actuarial Assumptions (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. equities	17.5%
International equities	17.5%
Core fixed income	10.0%
Non-core fixed income	20.0%
Real estate	10.0%
Real return	10.0%
Absolute return	10.0%
Private equity	5.0%
Total	<u>100.0%</u>

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	<u>Total Pension Liability</u>	<u>Increase (Decrease) Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 179,243,147	\$ 160,022,127	\$ 19,221,020
Changes for the year:			
Service cost	8,049,539		8,049,539
Interest	12,692,457		12,692,457
Difference between expected and actual experience	3,187,321		3,187,321
Changes in assumptions	(2,120,835)		(2,120,835)
Contributions - employer		6,787,295	(6,787,295)
Contributions - employee		3,144,351	(3,144,351)
Net investment income		236,145	(236,145)
Benefit payments, including refunds, of employee contributions	(3,894,213)	(3,894,213)	
Administrative expense		(143,822)	143,822
Other charges		(7,103)	7,103
Net changes	<u>17,914,269</u>	<u>6,122,653</u>	<u>11,791,616</u>
Balance at 12/31/2015	<u>\$ 197,157,416</u>	<u>\$ 166,144,780</u>	<u>\$ 31,012,636</u>

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

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

*Texas Municipal Retirement System (continued)*

**Sensitivity of the Net Pension Liability**

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

	<b>1% Decrease to 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase to 7.75%</b>
City's net pension liability	\$ 62,784,927	\$ 31,012,636	\$ 5,229,234

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$6,462,998.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actuarial assumptions and actual experience	\$	\$ 553,597
Changes in actuarial assumptions used	2,693,928	1,792,532
Differences between projected and actual investment earnings	9,893,258	
Contributions subsequent to the measurement date	5,278,536	
Total	<u>\$ 17,865,722</u>	<u>\$ 2,346,129</u>

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

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

*Texas Municipal Retirement System (continued)*

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

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$5,278,536 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the City’s fiscal year 2017 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2017	\$ 2,612,091
2018	2,612,091
2019	2,612,091
2020	2,238,446
2021	90,394
Thereafter	75,944
Total	<u>\$ 10,241,057</u>

***Supplemental Death Benefits Fund***

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 2015</u>	<u>Plan Year 2016</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.

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

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

**Supplemental Death Benefits Fund (continued)**

The City’s contributions to the TMRS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$60,135, \$61,795, and \$54,444, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**

(Retiree-only portion of the rate, for OPEB)

<b>Plan/Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2014	0.01%	0.01%	100%
2015	0.01%	0.01%	100%
2016	0.01%	0.01%	100%

**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 postemployment 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 reported 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 as of December 31, 2014, and discloses the following:

**Plan Description and Funding Policy**

The City’s 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, 2014, a total of eleven (11) retirees had elected to receive retiree health care coverage through the City’s 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 health care 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)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The City's annual OPEB cost for the year ending September 30, 2016, is as follows:

<b>Determination of Net OPEB Obligation (NOO)</b>	
Annual required contribution	\$ 297,427
Interest on net OPEB obligation	59,885
Adjustment to ARC	<u>(55,483)</u>
Annual OPEB cost	301,829
Less contributions made	<u>(81,232)</u>
Increase in net OPEB obligation	220,597
Net OPEB obligation – beginning of year	<u>1,330,787</u>
Net OPEB obligation – end of year	<u><u>\$ 1,551,384</u></u>

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2016 and the preceding two fiscal 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>
2016	\$ 301,829	26.9%	\$ 1,551,384
2015	292,903	72.8%	1,330,787
2014	255,724	0.0%	1,251,059

The percentage of annual OPEB cost contributed was higher in fiscal year 2015 because it includes the implicit subsidies which were not recognized in fiscal years 2013 and 2014.

**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>2014</u>
Actuarial accrued liability (AAL)	\$2,307,149
Actuarial value of plan assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$2,307,149
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$40,020,785
UAAL as a percentage of covered payroll	5.76%

Under the reporting parameters, the City’s retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$2,307,149 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 5.76%.

**Actuarial Methods and Assumptions**

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce 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	12/31/2014
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	30-year open amortization
Amortization Method	Level percentage of employee payroll
Discount Rate	4.5% per annum, net of expenses
CPI	3% per annum
Medical Trend	Initial rate of 7.5%, declining to an ultimate rate of 4.5% after 14 years
Payroll Growth Rate	3% per annum

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

**Actuarial Methods and Assumptions (continued)**

The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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. 10, 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

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

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

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2016, were \$3.50 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) in the Greatwood and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$812,199 from the participating MUDs for the year ending September 30, 2016, in connection with this agreement.

The City has entered into fire protection agreements with various Fort Bend County Municipal Utility Districts (MUDs) within the City's extraterritorial Jurisdiction (ETJ), to support operating expenses related to provision of fire services to these areas. The MUDs are located in the New Territory and Riverstone subdivisions. The City received \$1,441,895 from these participating MUDs and \$218,500 from Fort Bend County for the year ending September 30, 2016 in connection with these agreements.

**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.

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

**Note 11 - Lease Agreements (continued)**

**Sugar Land Baseball, LLC**

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns “Skeeters” a minor league baseball team. The base annual rent of \$80,000 is due to the City January 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. In 2016 the City received \$0 in addition to the base rent.

**Note 12 - Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2016. 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, 2016.

**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.

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

**Note 12 - Commitments and Contingencies (continued)**

**Economic Development Grant Commitments**

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

<u>Fiscal Year</u>	<u>Grant Commitments</u>
2017	\$ 2,345,000
2018	1,685,000
2019	1,530,000
2020	960,000
2021	880,000
2022	910,000
2023	910,000
2024	590,000
2025	560,000
2026	545,000
2027	280,000
2028	250,000
<b>Totals</b>	<u><u>\$ 11,445,000</u></u>

**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, 2016, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Employee Benefits Fund**

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

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

**Note 13 - Risk Management (continued)**

**Employee Benefits Fund (continued)**

The City has obtained excess loss insurance which limits the City's claims paid to \$137,500 annually for any individual occurrence and aggregate claims at 120% of expected.

Settled claims did not exceed insurance coverages in fiscal year 2016. Estimates of claims payable and of claims incurred, but not reported at September 30, 2016, 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, 2016. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonable estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

**Note 14 - Tax Abatements**

In May 2016 the City Council adopted Resolution No. 16-15 strengthen the minimum requirements in the tax abatement guidelines and criteria. The strengthened provisions in the tax abatement guideline included, increasing the minimum capital investment requirements, and a percentage tiered structure based on capital investment. In addition, the corporate exemptions are limited to no more than 10 years, projects result in significant property tax value and revenue to the City after the abatement expires. Economic growth generated by these agreements fully benefits the local school districts, as they do not participate in abatements. Additionally, when granting a tax abatement the City evaluates and considers other economic benefits to include: jobs created, jobs retained, local payroll, industry type, cumulative value, sales tax generated, demolition, redevelopment, and retained revenue to the City after the abatement expires.

The Office of Economic Development performs annual compliance assessment, ensuring the companies are fulfilling their contractual obligations and requirements to receive a tax abatement. Currently, the City has 12 active tax abatement agreements comprising of over \$192 million in real and personal property value. It is important to note that the companies receiving tax abates also provided over \$84 million in inventory values, which is not subject to tax abatement exemptions. In 2015, the City abated \$123,257,943 in improvement and personal property value, and the revenue received for real and personal property for the companies was \$389,433 for tax year 2015.

**Note 15 - Land Transaction**

On April 15, 2016, the City of Sugar Land, Newland Communities (NNP-Telfair, LLC), and the State of Texas via the Texas Department of Transportation (TxDOT) closed on a simultaneous transaction for 13.47 acres at the northwest, northeast, and southeast corners of University Boulevard and US59. This excess right-of-way surrounding the intersection is commonly referred to as the jughandle property. The transaction, approved by City Council in November 2015 and later by an amendment in February 2016, ultimately resulted in Newland Communities purchasing the property at fair market value of \$9,416,902.50 from the State after the TxDOT property was transferred to the City. In exchange for the City's role in facilitating the transaction, the City received several benefits.

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

**Note 15 - Land Transaction (continued)**

First, the transaction allowed previously vacant, tax exempt property to become developable and taxable, benefiting all area taxing jurisdictions and Tax Increment Reinvestment Zone No. 4 (TIRZ No. 4). Additionally, the City received approximately 4,500 square feet at fair market value of \$73,104 for the construction of the marquee for the Smart Financial Centre at Sugar Land. This piece of land was donated by Newland Communities to the City. Finally, the transaction ensures continuity with the surrounding development allowing Newland Communities, the developer of the surrounding Telfair community, to provide access to the site, extend utilities, and coordinate land uses through planned development zoning.

**Note 16 - Subsequent Events**

**Issuance of Long-Term Debt – General Obligation Bonds, Series 2016**

The City issued \$7,570,000 of General Obligation bonds dated November 1, 2016. Proceeds from the sale of the bonds will be used for park and festival site improvements, hike and bike trails and to pay the costs associated with the issuance of the bonds.

**Annexation Ordinance & Budget Amendment**

On November 15, 2016 City Council approved an ordinance to annex nine MUDs in the City and dissolve them effective December 12, 2017. At the same meeting a budget amendment was approved to provide resources to begin preparations necessary in FY 2017 to implement the annexation plan.

**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, 2016**

	<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	\$ 20,188,900	\$ 20,188,900	\$ 20,186,224	\$ (2,676)
Sales tax	39,159,056	39,159,056	39,275,872	116,816
Franchise and other taxes	5,908,500	5,865,224	5,902,848	37,624
Licenses and permits	3,386,748	3,254,248	3,242,529	(11,719)
Fines and forfeitures	1,862,300	1,855,900	1,801,011	(54,889)
Charges for services	4,690,186	10,238,412	10,927,714	689,302
Investment earnings	307,000	220,000	486,495	266,495
Intergovernmental	443,605	601,203	233,980	(367,223)
Other	374,504	432,230	463,404	31,174
<b>Total Revenues</b>	<b>76,320,799</b>	<b>81,815,173</b>	<b>82,520,077</b>	<b>704,904</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	14,525,483	14,839,001	14,598,370	240,631
Administrative services	4,722,412	5,247,556	5,240,088	7,468
Public safety - Police	20,206,321	21,036,229	21,035,289	940
Public safety - Fire	12,368,527	12,997,091	12,992,037	5,054
Public safety - EMS	1,561,832	1,594,990	1,591,873	3,117
Public Works	8,558,704	8,715,322	8,441,979	273,343
Parks and recreation	4,314,601	4,347,465	4,288,928	58,537
Community development	4,936,864	5,158,169	5,155,978	2,191
Environmental and neighborhood services	4,794,600	4,893,241	4,892,216	1,025
<b>Total Expenditures</b>	<b>75,989,344</b>	<b>78,829,064</b>	<b>78,236,758</b>	<b>592,306</b>
Excess (deficiency) of revenues over expenditures	331,455	2,986,109	4,283,319	1,297,210
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,131,765	531,625	528,434	(3,191)
Transfers (out)	(7,716,230)	(5,151,154)	(5,100,925)	50,229
Sale of capital assets	53,700	53,700	36,987	(16,713)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,530,765)</b>	<b>(4,565,829)</b>	<b>(4,535,504)</b>	<b>30,325</b>
Net change in fund balance	(1,199,310)	(1,579,720)	(252,185)	1,327,535
<b>Fund balance - beginning</b>	<b>28,794,532</b>	<b>28,794,532</b>	<b>28,794,532</b>	
<b>Fund balance - ending</b>	<b>\$ 27,595,222</b>	<b>\$ 27,214,812</b>	<b>\$ 28,542,347</b>	<b>\$ 1,327,535</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**  
*For the Year ended September 30, 2015*

**Budgetary Compliance**

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2016.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal yearend. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity except TIRZ #1.

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2016*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

	<b>Measurement Year 2015</b>	<b>Measurement Year 2014</b>
<b>Total pension liability:</b>		
Service cost	\$ 8,049,539	\$ 6,851,489
Interest	12,692,457	11,663,572
Difference between expected and actual experience	3,187,321	(793,047)
Change in assumptions	(2,120,835)	
Benefit payments, including refunds of employee contributions	(3,894,213)	(3,351,164)
Net change in total pension liability	17,914,269	14,370,850
Total pension liability - beginning	179,243,147	164,872,297
Total pension liability - ending (a)	<u>\$ 197,157,416</u>	<u>\$ 179,243,147</u>
<b>Plan fiduciary net position:</b>		
Contributions - employer	\$ 6,787,295	\$ 6,171,200
Contributions - employee	3,144,351	2,801,455
Net investment income	236,145	8,361,151
Benefit payments, including refunds of employee contributions	(3,894,213)	(3,351,164)
Administrative expense	(143,822)	(87,280)
Other	(7,103)	(7,176)
Net change in plan fiduciary net position	6,122,653	13,888,186
Plan fiduciary net position - beginning	160,022,127	146,133,941
Plan fiduciary net position - ending (b)	<u>166,144,780</u>	<u>160,022,127</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 31,012,636</u>	<u>\$ 19,221,020</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	84.27%	89.28%
<b>Covered employee payroll</b>	\$ 44,919,301	\$ 40,020,785
<b>Net pension liability as a percentage of covered employee payroll</b>	69.04%	48.03%

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2016**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**

**Schedule of Contributions**

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 7,182,639	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329	\$ 5,577,309
Contribution in relation of the actuarially determined contribution	\$ 7,182,639	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329	\$ 5,577,309
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$48,031,610	\$43,906,341	\$39,133,715	\$36,193,853	\$35,535,263
Contributions as a percentage of covered employee payroll	15.0%	15.3%	15.5%	15.6%	15.7%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 5,800,525	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213	\$ 3,381,409
Contribution in relation of the actuarially determined contribution	\$ 5,800,525	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213	\$ 3,381,409
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$36,245,839	\$32,942,985	\$33,298,702	\$29,148,534	\$27,051,874
Contributions as a percentage of covered employee payroll	16.0%	17.3%	14.5%	12.7%	12.5%

**Notes to Required Supplementary Information:**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.75%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION**  
*For the Year Ended September 30, 2016*

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

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2014	\$ -	\$ 2,307,149	0%	\$ 2,307,149	\$40,020,785	5.76%
2012	-	2,069,749	0%	2,069,749	36,193,853	5.72%
2010	-	2,056,551	0%	2,056,551	36,245,839	5.67%

**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 Funds** – These funds are used to account for activities as a result of agreements with various Municipal Utility Districts in the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities. These include Riverstone, Greatwood, New Territory, and Tara Plantation.

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

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 333,736	\$ 24,843	\$
Investments	251,398		
Receivables (net of allowance for uncollectibles)	529,796		
Interest receivable	68		
Due from other governments			27,360
Prepaid items	1,325		
<b>Total Assets</b>	<b>\$ 1,116,323</b>	<b>\$ 24,843</b>	<b>\$ 27,360</b>
<b>Liabilities</b>			
Accounts payable	\$ 57,931	\$	\$ 27,360
Accrued expenditures	3,830	837	
<b>Total Liabilities</b>	<b>61,761</b>	<b>837</b>	<b>27,360</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
<b>Total Deferred Inflows of Resources</b>			
<b>Fund Balance</b>			
Nonspendable:			
Prepaid expenses	1,325		
Restricted:			
Debt service			
Economic development activities			
Public safety		24,006	
Tourism & marketing	1,053,237		
<b>Total Fund Balance</b>	<b>1,054,562</b>	<b>24,006</b>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,116,323</b>	<b>\$ 24,843</b>	<b>\$ 27,360</b>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 46,671	\$ 140,257	\$ 622,077
Investments			
Receivables (net of allowance for uncollectibles)	1,016		3,561,537
Interest receivable			
Due from other governments			
Prepaid items			
<b>Total Assets</b>	<u>\$ 47,687</u>	<u>\$ 140,257</u>	<u>\$ 4,183,614</u>
 <b>Liabilities</b>			
Accounts payable	\$	\$	\$ 605,693
Accrued expenditures			
<b>Total Liabilities</b>			<u>605,693</u>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue			<u>3,561,536</u>
<b>Total Deferred Inflows of Resources</b>			<u>3,561,536</u>
 <b>Fund Balance</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Economic development activities			
Public safety	47,687	140,257	16,385
Tourism & marketing			
<b>Total Fund Balance</b>	<u>47,687</u>	<u>140,257</u>	<u>16,385</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 47,687</u>	<u>\$ 140,257</u>	<u>\$ 4,183,614</u>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<b>Debt Reduction Funds</b>	<b>Enclave at River Park PID</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,462,942	\$ 165,328	\$ 2,795,854
Investments	7,237,760		7,489,158
Receivables (net of allowance for uncollectibles)	112,694		4,205,043
Interest receivable	11,927		11,995
Due from other governments			27,360
Prepaid items			1,325
<b>Total Assets</b>	<b>\$ 8,825,323</b>	<b>\$ 165,328</b>	<b>\$ 14,530,735</b>
<b>Liabilities</b>			
Accounts payable	\$		\$ 690,984
Accrued expenditures			4,667
<b>Total Liabilities</b>			<b>695,651</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			3,561,536
<b>Total Deferred Inflows of Resources</b>			<b>3,561,536</b>
<b>Fund Balance</b>			
Nonspendable:			
Prepaid expenses			1,325
Restricted:			
Debt service	8,825,323	165,328	8,990,651
Economic development activities			
Public safety			228,335
Tourism & marketing			1,053,237
<b>Total Fund Balance</b>	<b>8,825,323</b>	<b>165,328</b>	<b>10,273,548</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 8,825,323</b>	<b>\$ 165,328</b>	<b>\$ 14,530,735</b>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Revenues</b>			
Property Taxes	\$	\$	\$
Franchise and other taxes	2,328,186		
Fines and forfeitures		44,727	
Charges for services			
Investment earnings	8,529	37	
Intergovernmental			504,354
Other			
<b>Total Revenues</b>	<u>2,336,715</u>	<u>44,764</u>	<u>504,354</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	855,013		168,125
Administrative services		42,353	
Public Safety - Police			
Capital Outlay	3,575		336,229
<b>Total Expenditures</b>	<u>858,588</u>	<u>42,353</u>	<u>504,354</u>
Excess (deficiency) of revenues over expenditures	<u>1,478,127</u>	<u>2,411</u>	
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt, net			
Transfers in			
Transfers out	(3,957,278)		
Total other financing sources and uses	<u>(3,957,278)</u>		
Net change in fund balance	(2,479,151)	2,411	
<b>Fund balance - beginning</b>	<u>3,533,713</u>	<u>21,595</u>	
<b>Fund balance - ending</b>	<u>\$ 1,054,562</u>	<u>\$ 24,006</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Revenues</b>			
Property Taxes	\$	\$	\$
Franchise and other taxes			
Fines and forfeitures	59,636		1,836,288
Charges for services			
Investment earnings	148	197	1,116
Intergovernmental			
Other		10,219	
<b>Total Revenues</b>	<u>59,784</u>	<u>10,416</u>	<u>1,837,404</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government			
Administrative services	63,100		
Public Safety - Police			1,275,151
Capital Outlay			
<b>Total Expenditures</b>	<u>63,100</u>	<u></u>	<u>1,275,151</u>
Excess (deficiency) of revenues over expenditures	<u>(3,316)</u>	<u>10,416</u>	<u>562,253</u>
<b>Other Financing Sources (Uses)</b>			
Revenue bonds issued			
Transfers in			
Transfers out			(528,434)
<b>Total other financing sources and uses</b>	<u></u>	<u></u>	<u>(528,434)</u>
Net change in fund balance	(3,316)	10,416	33,819
<b>Fund balance - beginning</b>	<u>51,003</u>	<u>129,841</u>	<u>(17,434)</u>
<b>Fund balance - ending</b>	<u>\$ 47,687</u>	<u>\$ 140,257</u>	<u>\$ 16,385</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, 2016**

	<b>Debt Reduction Funds</b>	<b>Enclave at River Park PID</b>	<b>Totals</b>
<b>Revenues</b>			
Property Taxes	\$	\$	\$
Franchise and other taxes			2,328,186
Fines and forfeitures			1,940,651
Charges for services		153,973	153,973
Investment earnings	49,979	163	60,169
Intergovernmental	1,078,354		1,582,708
Other			10,219
<b>Total Revenues</b>	<u>1,128,333</u>	<u>154,136</u>	<u>6,075,906</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government			1,023,138
Administrative services			105,453
Public Safety - Police			1,275,151
Capital Outlay			339,804
<b>Total Expenditures</b>			<u>2,743,546</u>
Excess (deficiency) of revenues over expenditures	<u>1,128,333</u>	<u>154,136</u>	<u>3,332,360</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt, net			
Transfers in	444,379	11,192	455,571
Transfers out			(4,485,712)
Total other financing sources and uses	<u>444,379</u>	<u>11,192</u>	<u>(4,030,141)</u>
Net change in fund balance	1,572,712	165,328	(697,781)
<b>Fund balance - beginning</b>	<u>7,252,611</u>		<u>10,971,329</u>
<b>Fund balance - ending</b>	<u>\$ 8,825,323</u>	<u>\$ 165,328</u>	<u>\$ 10,273,548</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**  
**with comparative actual totals for the year ended September 30, 2015**

	<b>2016</b>		<b>Variance Positive / (Negative)</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 17,347,793	\$17,124,712	\$ (223,081)	\$15,639,782
Investment earnings	25,669	43,877	18,208	26,425
<b>Total Revenues</b>	<u>17,373,462</u>	<u>17,168,589</u>	<u>(204,873)</u>	<u>15,666,207</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	1,737,600	1,606,620	130,980	1,407,456
<b>Debt Service:</b>				
Principal	12,826,281	12,820,041	6,240	12,519,382
Interest and other charges	6,905,849	6,800,006	105,843	5,816,881
Handling fees & issuance costs	413,961	395,962	17,999	236,978
<b>Total Expenditures</b>	<u>21,883,691</u>	<u>21,622,629</u>	<u>261,062</u>	<u>19,980,697</u>
Excess (deficiency) of revenues over expenditures	(4,510,229)	(4,454,040)	56,189	(4,314,490)
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	32,003,253	32,120,000	116,747	21,565,000
Premium on general obligation debt	5,109,410	5,111,195	1,785	3,378,097
Payments to refunding escrow agent	(36,935,787)	(36,935,787)		(24,965,005)
Transfers in	5,322,516	5,322,516		4,967,824
Transfers (out)	(95,927)	(53,879)	42,048	(96,756)
<b>Total other financing sources (uses)</b>	<u>5,403,465</u>	<u>5,564,045</u>	<u>160,580</u>	<u>4,849,160</u>
<b>Changes in fund balance</b>	893,236	1,110,005	216,769	534,670
<b>Fund balance - beginning</b>	<u>4,639,681</u>	<u>4,639,681</u>		<u>4,105,011</u>
<b>Fund balance - ending</b>	<u>\$ 5,532,917</u>	<u>\$ 5,749,686</u>	<u>\$ 216,769</u>	<u>\$ 4,639,681</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended September 30, 2016**  
**with comparative actual totals for the year ended September 30, 2015**

	<b>2016</b>		<b>Variance Positive / (Negative)</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Charges for services	\$ 472,500	\$ 651,000	\$ 178,500	\$ 1,138,815
Intergovernmental	10,431,657	1,628,985	(8,802,672)	1,705,296
Investment earnings	130,000	326,901	196,901	306,689
Other	6,581,609	5,861,597	(720,012)	4,212,063
<b>Total Revenues</b>	<b>17,615,766</b>	<b>8,468,483</b>	<b>(9,147,283)</b>	<b>7,362,863</b>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	215,235	212,350	2,885	226,400
Public works	2,015,000	3,562,201	(1,547,201)	5,993,821
Parks and recreation	132,250	819,043	(686,793)	1,625,180
<b>Debt Service:</b>				
Handling fees & issuance costs	350,000	233,277	116,723	877,101
<b>Capital outlay</b>	<b>118,044,036</b>	<b>67,385,265</b>	<b>50,658,771</b>	<b>35,515,226</b>
<b>Total Expenditures</b>	<b>120,756,521</b>	<b>72,212,136</b>	<b>48,544,385</b>	<b>44,237,728</b>
Excess (deficiency) of revenues over expenditures	(103,140,755)	(63,743,653)	39,397,102	(36,874,865)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued	22,133,344	19,190,000	(2,943,344)	52,115,000
General obligation debt issued				13,010,000
Interfund loan proceeds	6,600,000	6,600,000		
Premium on debt issued		1,353,277	1,353,277	3,046,046
Capital leases		1,350,000	1,350,000	
Transfers in	15,675,040	13,783,206	(1,891,834)	6,912,633
Transfers (out)	(472,500)	(472,500)		(472,500)
<b>Total other financing sources (uses)</b>	<b>43,935,884</b>	<b>41,803,983</b>	<b>(2,131,901)</b>	<b>74,611,179</b>
<b>Changes in fund balance</b>	<b>(59,204,871)</b>	<b>(21,939,670)</b>	<b>37,265,201</b>	<b>37,736,314</b>
<b>Fund balance - beginning</b>	<b>60,550,768</b>	<b>60,550,768</b>		<b>22,814,454</b>
<b>Fund balance - ending</b>	<b>\$ 1,345,897</b>	<b>\$ 38,611,098</b>	<b>\$ 37,265,201</b>	<b>\$ 60,550,768</b>

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

**CITY OF SUGAR LAND, TEXAS**

**MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

*For the Year Ended September 30, 2016*

**Budgetary Basis**

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

The major differences between the budgetary and GAAP basis of accounting are the reporting of interfund loans. The proceeds from interfund loans are budgetary resources reported as Other Financing Sources, rather than Due to Other Funds (a liability), for GAAP reporting.

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

	<u>Budgetary Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
<b>Total Revenues</b>	\$ 8,468,483	\$	\$ 8,468,483
<b>Total Expenditures</b>	<u>72,212,136</u>	<u>                    </u>	<u>72,212,136</u>
Excess (deficiency) of revenues over expenditures	(63,743,653)		(63,743,653)
<b>Total Other Financing Sources (Uses)</b>	<u>41,803,983</u>	<u>(6,600,000)</u>	<u>35,203,983</u>
<b>Changes in fund balance</b>	(21,939,670)	(6,600,000)	(28,539,670)
<b>Fund balance - beginning</b>	<u>60,550,768</u>	<u>                    </u>	<u>60,550,768</u>
<b>Fund balance - ending</b>	<u>\$38,611,098</u>	<u>\$(6,600,000)</u>	<u>\$32,011,098</u>

**CITY OF SUGAR LAND, TEXAS**

**MAJOR GOVERNMENTAL FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

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

*For the Year Ended September 30, 2016*

*with comparative actual amounts for the year ended September 30, 2015*

	<b>2016</b>		<b>Variance Positive / (Negative)</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Sales and use taxes	\$ 6,526,500	\$ 6,545,997	\$ 19,497	\$ 6,425,156
Investment earnings	87,543	133,516	45,973	166,654
Intergovernmental	850,000	850,000		850,000
Other		10	10	
<b>Total Revenues</b>	<b>7,464,043</b>	<b>7,529,523</b>	<b>65,480</b>	<b>7,441,810</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	3,275,259	1,641,516	1,633,743	1,313,618
Administrative services	3,540	2,740	800	2,740
<b>Debt Service:</b>				
Principal	1,745,000	1,745,000		820,000
Interest and other charges	2,481,346	2,482,746	(1,400)	1,899,429
Bond issuance costs				898,790
Capital Outlay	21,628,511	21,348,738	279,773	18,722,646
<b>Total Expenditures</b>	<b>29,133,656</b>	<b>27,220,740</b>	<b>1,912,916</b>	<b>23,657,223</b>
Excess (deficiency) of revenues over expenditures	(21,669,613)	(19,691,217)	1,978,396	(16,215,413)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt				45,640,000
Premium on debt issued				5,045,731
Payment to escrow agent				(7,937,678)
Transfers (out)	(9,214,539)	(7,800,705)	1,413,834	(2,196,338)
<b>Total other financing sources (uses)</b>	<b>(9,214,539)</b>	<b>(7,800,705)</b>	<b>1,413,834</b>	<b>40,551,715</b>
<b>Changes in fund balance</b>	<b>(30,884,152)</b>	<b>(27,491,922)</b>	<b>3,392,230</b>	<b>24,336,302</b>
<b>Fund balance - beginning</b>	<b>37,692,493</b>	<b>37,692,493</b>		<b>13,356,191</b>
<b>Fund balance - ending</b>	<b>\$ 6,808,341</b>	<b>\$ 10,200,571</b>	<b>\$ 3,392,230</b>	<b>\$ 37,692,493</b>

**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, 2016*  
*with comparative actual amounts for the year ended September 30, 2015*

	<b>2016</b>		<b>Variance Positive / (Negative)</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Hotel occupancy tax	\$ 2,339,559	\$ 2,328,186	\$ (11,373)	\$ 2,499,147
Investment Income	16,452	8,529	(7,923)	27,478
<b>Total Revenues</b>	<u>2,356,011</u>	<u>2,336,715</u>	<u>(19,296)</u>	<u>2,526,625</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,100,254	855,013	245,241	852,547
<b>Capital Outlay</b>		<u>3,575</u>	<u>(3,575)</u>	<u>522,113</u>
<b>Total Expenditures</b>	<u>1,100,254</u>	<u>858,588</u>	<u>241,666</u>	<u>1,374,660</u>
Excess (deficiency) of revenues over expenditures	1,255,757	1,478,127	222,370	1,151,965
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>(3,957,278)</u>	<u>(3,957,278)</u>		<u>(2,978,049)</u>
<b>Changes in fund balance</b>	(2,701,521)	(2,479,151)	222,370	(1,826,084)
<b>Fund balance - beginning</b>	<u>3,533,713</u>	<u>3,533,713</u>		<u>5,359,797</u>
<b>Fund balance - ending</b>	<u>\$ 832,192</u>	<u>\$ 1,054,562</u>	<u>\$ 222,370</u>	<u>\$ 3,533,713</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, 2016*  
*with comparative actual amounts for the year ended September 30, 2015*

	<u>2016</u>		<b>Variance Positive / (Negative)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues</b>				
Fines and forfeitures	\$ 49,500	\$ 44,727	\$ (4,773)	\$ 48,980
Investment earnings	26	37	11	11
<b>Total Revenues</b>	<u>49,526</u>	<u>44,764</u>	<u>(4,762)</u>	<u>48,991</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	64,871	42,353	22,518	56,180
<b>Total Expenditures</b>	<u>64,871</u>	<u>42,353</u>	<u>22,518</u>	<u>56,180</u>
<b>Changes in fund balance</b>	<u>(15,345)</u>	<u>2,411</u>	<u>17,756</u>	<u>(7,189)</u>
<b>Fund balance - beginning</b>	<u>21,595</u>	<u>21,595</u>		<u>28,784</u>
<b>Fund balance - ending</b>	<u>\$ 6,250</u>	<u>\$ 24,006</u>	<u>\$ 17,756</u>	<u>\$ 21,595</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, 2016**  
**with comparative actual amounts for the year ended September 30, 2015**

	2016		Variance Positive / (Negative)	2015
	Budget	Actual		
<b>Revenues</b>				
Intergovernmental	\$ 718,398	\$ 504,354	\$ (214,044)	\$ 668,906
<b>Total Revenues</b>	718,398	504,354	(214,044)	668,906
<b>Expenditures</b>				
<b>Current:</b>				
General government	173,631	168,125	5,506	183,266
Capital Outlay	544,767	336,229	208,538	485,640
<b>Total Expenditures</b>	718,398	504,354	214,044	668,906
<b>Changes in fund balance</b>				
<b>Fund balance - beginning</b>				
<b>Fund balance - ending</b>	\$	\$	\$	\$

**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, 2016**  
**with comparative actual amounts for the year ended September 30, 2015**

	2016		Variance Positive / (Negative)	2015
	Budget	Actual		
<b>Revenues</b>				
Fines and forfeitures	\$ 63,828	\$ 59,636	\$ (4,192)	\$ 65,301
Investment earnings	94	148	54	35
Miscellaneous revenue				230
<b>Total Revenues</b>	<u>63,922</u>	<u>59,784</u>	<u>(4,138)</u>	<u>65,566</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	74,028	63,100	10,928	63,009
Capital Outlay				15,265
<b>Total Expenditures</b>	<u>74,028</u>	<u>63,100</u>	<u>10,928</u>	<u>78,274</u>
<b>Changes in fund balance</b>	(10,106)	(3,316)	6,790	(12,708)
<b>Fund balance - beginning</b>	<u>51,003</u>	<u>51,003</u>		<u>63,711</u>
<b>Fund balance - ending</b>	<u>\$ 40,897</u>	<u>\$ 47,687</u>	<u>\$ 6,790</u>	<u>\$ 51,003</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, 2016*  
*with comparative actual amounts for the year ended September 30, 2015*

	<u>2016</u>		<b>Variance Positive / (Negative)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues</b>				
Investment earnings	\$ 116	\$ 197	\$ 81	\$ 70
Other	10,217	10,219	2	88,238
<b>Total Revenues</b>	<u>10,333</u>	<u>10,416</u>	<u>83</u>	<u>88,308</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety - Police				12,897
<b>Capital Outlay</b>				<u>50,563</u>
<b>Total Expenditures</b>				<u>63,460</u>
<b>Changes in fund balance</b>	10,333	10,416	83	24,848
<b>Fund balance - beginning</b>	<u>129,841</u>	<u>129,841</u>		<u>104,993</u>
<b>Fund balance - ending</b>	<u>\$ 140,174</u>	<u>\$ 140,257</u>	<u>\$ 83</u>	<u>\$ 129,841</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**  
**with comparative actual amounts for the year ended September 30, 2015**

	<u>2016</u>		<b>Variance Positive / (Negative)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues</b>				
Fines and forfeitures	\$ 1,867,753	\$ 1,836,288	\$ (31,465)	\$ 1,967,721
Investment earnings	1,000	1,116	116	1,134
<b>Total Revenues</b>	<u>1,868,753</u>	<u>1,837,404</u>	<u>(31,349)</u>	<u>1,968,855</u>
<b>Expenditures</b>				
Current:				
Public Safety - Police	<u>1,319,694</u>	<u>1,275,151</u>	<u>44,543</u>	<u>1,342,198</u>
<b>Total Expenditures</b>	<u>1,319,694</u>	<u>1,275,151</u>	<u>44,543</u>	<u>1,342,198</u>
Excess (deficiency) of revenues over expenditures	549,059	562,253	13,194	626,657
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(531,625)</u>	<u>(528,434)</u>	<u>3,191</u>	<u>(656,523)</u>
<b>Changes in fund balance</b>	17,434	33,819	16,385	(29,866)
<b>Fund balance - beginning</b>	<u>(17,434)</u>	<u>(17,434)</u>		<u>12,432</u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$ 16,385</u>	<u>\$ 16,385</u>	<u>\$ (17,434)</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - DEBT REDUCTION FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2016*  
*with comparative actual amounts for the year ended September 30, 2015*

	<b>2016</b>		<b>Variance Positive / (Negative)</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 32,570	\$ 49,979	\$ 17,409	\$ 32,938
Intergovernmental	1,024,175	1,078,354	54,179	863,858
<b>Total Revenues</b>	<b>1,056,745</b>	<b>1,128,333</b>	<b>71,588</b>	<b>896,796</b>
<b>Expenditures</b>				
Current:				
General government				98,807
<b>Total Expenditures</b>				<b>98,807</b>
Excess (deficiency) of revenues over expenditures	1,056,745	1,128,333	71,588	797,989
<b>Other Financing Sources (Uses)</b>				
Transfers in	446,429	444,379	(2,050)	443,977
<b>Changes in fund balance</b>	<b>1,503,174</b>	<b>1,572,712</b>	<b>69,538</b>	<b>1,241,966</b>
<b>Fund balance - beginning</b>	<b>7,252,611</b>	<b>7,252,611</b>		<b>6,010,645</b>
<b>Fund balance - ending</b>	<b>\$ 8,755,785</b>	<b>\$ 8,825,323</b>	<b>\$ 69,538</b>	<b>\$ 7,252,611</b>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - ENCLAVE AT RIVER PARK PID**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**  
**with comparative actual amounts for the year ended September 30, 2015**

	2016		Variance Positive / (Negative)	2015
	Budget	Actual		
<b>Revenues</b>				
Charges for services	\$ 156,823	\$ 153,973	\$ (2,850)	\$
Investment earnings	75	163	88	
<b>Total Revenues</b>	156,898	154,136	(2,762)	
<b>Other Financing Sources (Uses)</b>				
Transfers in	11,192	11,192		
<b>Changes in fund balance</b>	168,090	165,328	(2,762)	
<b>Fund balance - beginning</b>				
<b>Fund balance - ending</b>	\$ 168,090	\$ 165,328	\$ (2,762)	\$

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

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

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

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

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

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
September 30, 2016

	<u>Employee Benefits Fund</u>	<u>Fleet Replacement Fund</u>	<u>High- Technology Replacement Fund</u>	<u>Total</u>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,147,435	\$ 261,858	\$ 1,223,313	\$ 2,632,606
Cash with fiscal agent	488,000			488,000
Investments		1,748,056	1,498,794	3,246,850
Accounts receivable, net of allowance for doubtful accounts	2,991		6,651	9,642
Interest receivable		2,248	3,370	5,618
Prepaid items	28,146	2,036		30,182
<b>Total current assets</b>	<u>1,666,572</u>	<u>2,014,198</u>	<u>2,732,128</u>	<u>6,412,898</u>
<b>Non-current assets:</b>				
Capital assets being depreciated:				
Equipment and furniture		7,414,850	4,180,712	11,595,562
Intangibles			30,354	30,354
Less accumulated depreciation		<u>(4,910,632)</u>	<u>(2,891,270)</u>	<u>(7,801,902)</u>
<b>Total non-current assets</b>		<u>2,504,218</u>	<u>1,319,796</u>	<u>3,824,014</u>
<b>Total Assets</b>	<u>1,666,572</u>	<u>4,518,416</u>	<u>4,051,924</u>	<u>10,236,912</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	2,262,974	163,634	661,809	3,088,417
<b>Total Liabilities</b>	<u>2,262,974</u>	<u>163,634</u>	<u>661,809</u>	<u>3,088,417</u>
<b>Net Position</b>				
Investment in capital assets		2,504,218	1,319,796	3,824,014
Unrestricted	(596,402)	1,850,564	2,070,319	3,324,481
<b>Total Net Position</b>	<u>\$ (596,402)</u>	<u>\$ 4,354,782</u>	<u>\$ 3,390,115</u>	<u>\$ 7,148,495</u>

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2016**

	<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	\$ 9,077,778	\$ 922,667	\$ 1,361,152	\$ 11,361,597
<b>Total operating revenues</b>	<u>9,077,778</u>	<u>922,667</u>	<u>1,361,152</u>	<u>11,361,597</u>
<b>Operating Expenses</b>				
Personnel services		23,012		23,012
Supplies and materials		177,712	344,700	522,412
Contractual services	86,375	23,853	1,820	112,048
Repairs and maintenance			19,329	19,329
Insurance claims	9,066,417			9,066,417
Depreciation		473,672	402,830	876,502
<b>Total operating expenses</b>	<u>9,152,792</u>	<u>698,249</u>	<u>768,679</u>	<u>10,619,720</u>
Operating income (loss)	<u>(75,014)</u>	<u>224,418</u>	<u>592,473</u>	<u>741,877</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment revenue	1,210	20,137	17,195	38,542
Miscellaneous income		201		201
Gain (loss) on disposal of capital assets		64,312	6,144	70,456
<b>Total non-operating revenue (expenses)</b>	<u>1,210</u>	<u>84,650</u>	<u>23,339</u>	<u>109,199</u>
Change in net position	(73,804)	309,068	615,812	851,076
<b>Total net position - beginning</b>	<u>(522,598)</u>	<u>4,045,714</u>	<u>2,774,303</u>	<u>6,297,419</u>
<b>Total net position - ending</b>	<u>\$ (596,402)</u>	<u>\$ 4,354,782</u>	<u>\$ 3,390,115</u>	<u>\$ 7,148,495</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended September 30, 2016*

	<u>Employee Benefits Fund</u>	<u>Fleet Replacement Fund</u>	<u>High- Technology Replacement Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from interfund charges for services	\$ 9,069,836	\$ 922,667	\$ 1,361,152	\$ 11,353,655
Disbursed for personnel services		(23,012)		(23,012)
Disbursed for goods and services	(8,951,357)	7	(294,133)	(9,245,483)
<b>Net cash provided (used) by operating activities</b>	<u>118,479</u>	<u>899,662</u>	<u>1,067,019</u>	<u>2,085,160</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the sale of equipment		64,512	6,144	70,656
Acquisition and construction of capital assets		(1,488,300)	(904,097)	(2,392,397)
<b>Net cash provided (used) by capital and related financing activities</b>		<u>(1,423,788)</u>	<u>(897,953)</u>	<u>(2,321,741)</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of investments		250,630	246,055	496,685
Interest received	1,210	23,517	17,223	41,950
<b>Net cash provided (used) by investing activities</b>	<u>1,210</u>	<u>274,147</u>	<u>263,278</u>	<u>538,635</u>
<b>Net increase/(decrease) in cash and equivalents</b>	119,689	(249,979)	432,344	302,054
Cash and equivalents, beginning of year	1,027,746	511,837	790,969	2,330,552
<b>Cash and equivalents, at end of year</b>	<u>\$ 1,147,435</u>	<u>\$ 261,858</u>	<u>\$ 1,223,313</u>	<u>\$ 2,632,606</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (75,014)	\$ 224,418	\$ 592,473	\$ 741,877
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation		473,672	402,830	876,502
(Increase) decrease in accounts receivable	(7,942)	54,800	(6,651)	40,207
(Increase) decrease in prepaid expenses	(7,546)	1,091		(6,455)
Increase (decrease) in accounts payable	208,981	145,681	78,367	433,029
<b>Net cash provided (used) by operating activities</b>	<u>\$ 118,479</u>	<u>\$ 899,662</u>	<u>\$ 1,067,019</u>	<u>\$ 2,085,160</u>

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

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<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 cash equivalents	\$ 893,948	\$ 20,383	\$ 86,777	\$ 1,013,584	\$ 2,014,692
Investments	7,246,325				7,246,325
Accounts receivable, net of allowance for doubtful accounts	1,063,957		22	23,474	1,087,453
Interest receivable	17,490				17,490
Prepaid items	15,177				15,177
Restricted cash and cash equivalents	1,858,932		30,445		1,889,377
Restricted investments	1,251,148				1,251,148
<b>Total Assets</b>	<b>12,346,977</b>	<b>20,383</b>	<b>117,244</b>	<b>1,037,058</b>	<b>13,521,662</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	53,465		14,088	3,938	71,491
<b>Total Liabilities</b>	<b>53,465</b>		<b>14,088</b>	<b>3,938</b>	<b>71,491</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid items	15,177				15,177
Restricted:					
Debt service	3,110,080				3,110,080
Development activities	9,168,255	20,383	103,156	1,033,120	10,324,914
<b>Total Fund Balances</b>	<b>12,293,512</b>	<b>20,383</b>	<b>103,156</b>	<b>1,033,120</b>	<b>13,450,171</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,346,977</b>	<b>\$ 20,383</b>	<b>\$ 117,244</b>	<b>\$ 1,037,058</b>	<b>\$ 13,521,662</b>
<b>Reconciliation from Fund Balance to Net Position</b>					
<b>Fund Balance</b>	\$ 12,293,512	\$ 20,383	\$ 103,156	\$ 1,033,120	\$ 13,450,171
Plus deferred outflows of resources	131,654				131,654
Less long-term liabilities	(33,991,450)				(33,991,450)
Less interest payable	(190,515)				(190,515)
<b>Net Position</b>	<b>\$(21,756,799)</b>	<b>\$ 20,383</b>	<b>\$ 103,156</b>	<b>\$ 1,033,120</b>	<b>\$(20,600,140)</b>

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2016*

	<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	\$	\$ 1,279,992	\$ 177,507	\$ 506,389	\$ 1,963,888
Sales tax	6,545,997				6,545,997
Intergovernmental	154,297				154,297
Investment earnings	88,716	457	268	1,189	90,630
Other	80,010	137			80,147
<b>Total Revenues</b>	<u>6,869,020</u>	<u>1,280,586</u>	<u>177,775</u>	<u>507,578</u>	<u>8,834,959</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	1,226,814	1,334,749	201,264	33,938	2,796,765
<b>Debt Service:</b>					
Principal	1,840,000				1,840,000
Interest and fiscal charges	1,524,888				1,524,888
<b>Total Expenditures</b>	<u>4,591,702</u>	<u>1,334,749</u>	<u>201,264</u>	<u>33,938</u>	<u>6,161,653</u>
<b>Revenues over (under) expenditures</b>	2,277,318	(54,163)	(23,489)	473,640	2,673,306
<b>Fund balance - beginning</b>	<u>10,016,194</u>	<u>74,546</u>	<u>126,645</u>	<u>559,480</u>	<u>10,776,865</u>
<b>Fund balances - ending</b>	<u>\$ 12,293,512</u>	<u>\$ 20,383</u>	<u>\$ 103,156</u>	<u>\$ 1,033,120</u>	<u>\$ 13,450,171</u>
<b>Reconciliation from changes in fund balance to changes in net position</b>					
Change in fund balance	\$ 2,277,318	\$ (54,163)	\$ (23,489)	\$ 473,640	\$ 2,673,306
Add principal payments	1,840,000				1,840,000
Add other changes in long-term assets and liabilities	6,082				6,082
<b>Changes in Net Position</b>	<u>\$ 4,123,400</u>	<u>\$ (54,163)</u>	<u>\$ (23,489)</u>	<u>\$ 473,640</u>	<u>\$ 4,519,388</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>	114
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>	124
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>	133
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>	138
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>	140
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 116,539	\$ 124,219	\$ 170,519	\$ 161,857
Restricted	12,838	14,508	18,259	21,535
Unrestricted	33,552	35,199	29,931	28,639
<b>Total governmental activities net position</b>	<b>\$ 162,929</b>	<b>\$ 173,926</b>	<b>\$ 218,709</b>	<b>\$ 212,031</b>
<b>Business-type Activities</b>				
Net investment in capital assets	\$ 195,126	\$ 199,679	\$ 210,123	\$ 218,494
Restricted	3,011	3,464	5,478	6,963
Unrestricted	4,802	7,531	8,613	10,200
<b>Total business-type net position</b>	<b>\$ 202,939</b>	<b>\$ 210,674</b>	<b>\$ 224,214</b>	<b>\$ 235,657</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 311,665	\$ 323,898	\$ 380,643	\$ 380,352
Restricted	15,849	17,972	23,738	28,498
Unrestricted	38,354	42,730	38,543	38,838
<b>Total primary government net position</b>	<b>\$ 365,868</b>	<b>\$ 384,600</b>	<b>\$ 442,924</b>	<b>\$ 447,688</b>

**Fiscal Year**

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 213,685	\$ 255,293	\$ 280,082	\$ 282,719	\$ 268,582	\$ 304,720
14,705	18,863	20,305	28,311	51,879	24,902
26,882	27,698	32,551	37,503	24,026	37,413
<u>\$ 255,272</u>	<u>\$ 301,854</u>	<u>\$ 332,937</u>	<u>\$ 348,533</u>	<u>\$ 344,487</u>	<u>\$ 367,035</u>
\$ 224,092	\$ 240,741	\$ 231,676	\$ 229,356	\$ 224,544	\$ 225,650
7,475	7,926	8,068	26,945	27,736	8,549
15,760	9,848	23,675	16,718	22,722	47,766
<u>\$ 247,327</u>	<u>\$ 258,515</u>	<u>\$ 263,418</u>	<u>\$ 273,019</u>	<u>\$ 275,002</u>	<u>\$ 281,965</u>
\$ 437,777	\$ 496,034	\$ 511,757	\$ 512,075	\$ 493,126	\$ 530,370
22,180	26,789	28,372	55,256	79,615	33,451
42,642	37,546	56,226	54,221	46,748	85,179
<u>\$ 502,599</u>	<u>\$ 560,369</u>	<u>\$ 596,355</u>	<u>\$ 621,552</u>	<u>\$ 619,489</u>	<u>\$ 649,000</u>

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

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 10,423,331	\$ 11,839,672	\$ 14,638,050	\$ 11,950,794
Administrative services	10,298,466	11,145,609	15,469,507	14,617,875
Public safety - Police	13,854,658	15,560,440	16,045,992	17,126,183
Public safety - Fire	9,088,288	11,075,689	14,530,795	10,325,782
Public safety - EMS				
Public works	14,478,873	13,354,211	14,136,657	16,673,481
Parks and recreation	3,151,255	3,515,675	3,944,900	9,159,332
Community development	2,421,116	4,713,084	3,812,432	4,073,334
Environmental and neighborhood services				
Interest on long-term debt	4,907,490	5,365,325	5,490,374	5,394,340
<b>Total governmental activities expenses</b>	<b>68,623,477</b>	<b>76,569,705</b>	<b>88,068,707</b>	<b>89,321,121</b>
<b>Business-Type Activities:</b>				
Utility	16,893,917	19,674,836	21,943,160	22,248,954
Regional airport	9,486,024	12,932,066	9,879,544	11,366,997
Surface Water				
Solid waste management	3,200,763	3,864,419	4,538,631	5,279,327
<b>Total business-type activities expenses</b>	<b>29,580,704</b>	<b>36,471,321</b>	<b>36,361,335</b>	<b>38,895,278</b>
<b>Total primary government expenses</b>	<b>\$ 98,204,181</b>	<b>\$ 113,041,026</b>	<b>\$ 124,430,042</b>	<b>\$ 128,216,399</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for services:</b>				
Administrative services	\$ 2,046,873	\$ 2,924,426	\$ 3,839,810	\$ 3,352,232
Public safety - Fire	1,674,410	1,682,088	1,908,129	1,552,253
Public safety - EMS				
Community development	2,783,375	2,564,714	2,364,539	2,188,436
Other	588,174	1,705,382	1,967,236	3,608,192
Operating grants and contributions	1,672,011	2,547,348	5,139,071	1,480,490
Capital grants and contributions	15,149,904	4,193,480	42,710,113	8,420,807
Total governmental activities program revenues	23,914,747	15,617,438	57,928,898	20,602,410
<b>Business-Type Activities</b>				
<b>Charges for services:</b>				
Utility	21,612,433	25,166,996	29,085,428	27,593,557
Regional airport	10,121,153	13,076,039	8,843,750	11,084,688
Surface Water				
Solid waste management	3,138,901	3,980,877	4,497,802	4,859,770
Operating grants and contributions	92,406	88,595	59,880	216,570
Capital grants and contributions	50,077,524	7,345,680	12,531,211	12,163,511
<b>Total business-type activities program revenues</b>	<b>85,042,417</b>	<b>49,658,187</b>	<b>55,018,071</b>	<b>55,918,096</b>
<b>Total primary government program revenues</b>	<b>\$ 108,957,164</b>	<b>\$ 65,364,092</b>	<b>\$ 112,946,969</b>	<b>\$ 76,520,506</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (44,708,730)	\$ (60,952,267)	\$ (30,139,809)	\$ (68,718,711)
Business-type activities	55,461,713	13,186,866	18,656,736	17,022,818
<b>Total primary government net expense</b>	<b>\$ 10,752,983</b>	<b>\$ (47,765,401)</b>	<b>\$ (11,483,073)</b>	<b>\$ (51,695,893)</b>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 11,969,433	\$ 11,463,677	\$ 13,087,580	\$ 15,675,644	\$ 12,886,353	\$ 18,591,072
12,721,478	9,802,035	10,471,115	7,876,517	9,067,022	6,643,488
18,095,251	18,354,251	18,333,422	19,541,680	21,128,023	22,979,425
10,199,579	10,898,603	10,838,009	12,045,062	13,164,239	14,195,523
				1,916,547	1,722,037
17,027,897	22,311,568	23,481,443	24,894,769	30,122,770	22,827,677
7,264,499	8,504,303	8,177,350	7,916,451	8,286,024	6,215,405
4,038,545	4,855,764	4,667,336	5,188,471	5,672,387	5,484,522
					5,902,886
<u>6,555,667</u>	<u>5,908,721</u>	<u>5,066,337</u>	<u>5,910,083</u>	<u>10,243,695</u>	<u>9,778,640</u>
<u>87,872,349</u>	<u>92,098,922</u>	<u>94,122,592</u>	<u>99,048,677</u>	<u>112,487,060</u>	<u>114,340,675</u>
26,487,388	28,574,352	39,919,147	22,848,223	27,923,518	29,391,413
14,874,179	16,002,860	16,633,872	16,828,870	14,335,885	12,485,217
		6,670,417	12,098,623	16,079,024	17,125,862
<u>5,305,970</u>	<u>5,087,731</u>	<u>5,067,548</u>	<u>5,147,195</u>	<u>5,625,859</u>	<u>5,926,813</u>
<u>46,667,537</u>	<u>49,664,943</u>	<u>68,290,984</u>	<u>56,922,911</u>	<u>63,964,286</u>	<u>64,929,305</u>
<u>\$ 134,539,886</u>	<u>\$ 141,763,865</u>	<u>\$ 162,413,576</u>	<u>\$ 155,971,588</u>	<u>\$ 176,451,346</u>	<u>\$ 179,269,980</u>
\$ 3,916,555	\$ 3,663,149	\$ 3,261,324	\$ 2,678,310	\$ 6,906,002	\$ 8,522,761
1,526,340	2,102,494	2,229,152	2,233,714	2,369,089	2,833,491
				459,223	1,132,847
2,404,638	2,376,127	2,817,871	3,033,205	3,494,806	3,242,529
3,534,161	3,231,665	2,748,396	4,766,369	4,967,637	4,164,196
1,019,323	1,566,549	1,517,342	936,559	2,831,268	1,740,054
<u>42,497,257</u>	<u>43,196,769</u>	<u>27,028,874</u>	<u>9,004,691</u>	<u>11,071,624</u>	<u>19,053,728</u>
<u>54,898,274</u>	<u>56,136,753</u>	<u>39,602,959</u>	<u>22,652,848</u>	<u>32,099,649</u>	<u>40,689,606</u>
35,625,109	40,543,433	42,958,217	31,417,468	29,844,425	32,252,245
14,355,810	15,675,468	16,576,205	16,939,277	13,747,794	11,830,391
		4,184,027	12,884,852	13,192,793	13,888,252
5,264,072	5,068,656	5,007,131	5,030,491	5,770,866	5,950,568
354,865	84,271	65,091	73,199	131,567	50,000
<u>8,193,030</u>	<u>6,297,452</u>	<u>11,560,813</u>	<u>6,641,939</u>	<u>3,020,185</u>	<u>9,417,603</u>
<u>63,792,886</u>	<u>67,669,280</u>	<u>80,351,484</u>	<u>72,987,226</u>	<u>65,707,630</u>	<u>73,389,059</u>
<u>\$ 118,691,160</u>	<u>\$ 123,806,033</u>	<u>\$ 119,954,443</u>	<u>\$ 95,640,074</u>	<u>\$ 97,807,279</u>	<u>\$ 114,078,665</u>
\$ (32,974,075)	\$ (35,962,169)	\$ (54,519,633)	\$ (76,395,829)	\$ (80,387,411)	\$ (73,651,069)
<u>17,125,349</u>	<u>18,004,337</u>	<u>12,060,500</u>	<u>16,064,315</u>	<u>1,743,344</u>	<u>8,459,754</u>
<u>\$ (15,848,726)</u>	<u>\$ (17,957,832)</u>	<u>\$ (42,459,133)</u>	<u>\$ (60,331,514)</u>	<u>\$ (78,644,067)</u>	<u>\$ (65,191,315)</u>

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

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 21,773,074	\$ 22,716,623	\$ 26,207,576	\$ 29,128,113
Sales tax	32,670,300	34,398,124	34,823,327	33,039,840
Franchise and other taxes	5,722,424	6,135,916	6,377,523	6,611,934
Unrestricted grants and contributions				
Investment earnings	3,126,277	1,999,308	1,194,603	467,715
Miscellaneous	20,311	587,370	729,542	849,701
Special Item				(13,906,224)
Transfers	6,322,645	6,112,762	5,590,028	5,849,543
<b>Total governmental activities</b>	<b>69,635,031</b>	<b>71,950,103</b>	<b>74,922,599</b>	<b>62,040,622</b>
<b>Business-Type Activities:</b>				
Investment earnings	975,420	661,026	473,837	269,249
Miscellaneous				
Transfers	(6,322,645)	(6,112,762)	(5,590,028)	(5,849,543)
<b>Total business-type activities</b>	<b>(5,347,225)</b>	<b>(5,451,736)</b>	<b>(5,116,191)</b>	<b>(5,580,294)</b>
<b>Total primary government</b>	<b>\$ 64,287,806</b>	<b>\$ 66,498,367</b>	<b>\$ 69,806,408</b>	<b>\$ 56,460,328</b>
<b>Changes in Net Position:</b>				
Governmental activities	\$ 24,926,301	\$ 10,997,836	\$ 44,782,790	\$ (6,678,089)
Business-type activities	50,114,488	7,735,130	13,540,545	11,442,524
<b>Total primary government</b>	<b>\$ 75,040,789</b>	<b>\$ 18,732,966</b>	<b>\$ 58,323,335</b>	<b>\$ 4,764,435</b>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 27,539,737	\$ 28,282,258	\$ 29,920,274	\$ 31,367,793	\$ 34,205,770	\$ 37,227,640
35,086,830	38,239,215	39,790,138	43,453,673	45,320,979	45,967,293
6,751,900	7,472,103	8,019,976	8,373,935	8,398,820	8,231,034
360,902	250,959	236,117	240,913	1,062,965	1,089,499
756,532	1,054,383	1,328,239	1,393,438	1,297,768	1,507,896
<u>5,718,716</u>	<u>7,245,571</u>	<u>7,287,990</u>	<u>7,161,781</u>	<u>(1,300,673)</u>	<u>2,176,006</u>
<u>76,214,617</u>	<u>82,544,489</u>	<u>86,582,734</u>	<u>91,991,533</u>	<u>88,985,629</u>	<u>96,199,368</u>
263,593	429,350	218,645	117,683	531,396	599,435
		404,274	580,735	59,565	79,707
<u>(5,718,716)</u>	<u>(7,245,571)</u>	<u>(7,287,990)</u>	<u>(7,161,781)</u>	<u>1,300,673</u>	<u>(2,176,006)</u>
<u>(5,455,123)</u>	<u>(6,816,221)</u>	<u>(6,665,071)</u>	<u>(6,463,363)</u>	<u>1,891,634</u>	<u>(1,496,864)</u>
<u>\$ 70,759,494</u>	<u>\$ 75,728,268</u>	<u>\$ 79,917,663</u>	<u>\$ 85,528,170</u>	<u>\$ 90,877,263</u>	<u>\$ 94,702,504</u>
\$ 43,240,542	\$ 46,582,320	\$ 32,063,101	\$ 15,595,704	\$ 8,598,218	\$ 22,548,299
<u>11,670,226</u>	<u>11,188,116</u>	<u>5,395,429</u>	<u>9,600,952</u>	<u>3,634,978</u>	<u>6,962,890</u>
<u>\$ 54,910,768</u>	<u>\$ 57,770,436</u>	<u>\$ 37,458,530</u>	<u>\$ 25,196,656</u>	<u>\$ 12,233,196</u>	<u>\$ 29,511,189</u>

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

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General fund</b>				
Nonspendable:				
Inventories	\$ 149,015	\$ 214,910	\$ 160,160	\$ 170,230
Prepaid items	24,722	35,264	49,701	48,690
Committed				
Assigned	736,341	3,239,821	877,578	1,259,302
Unassigned	25,350,615	23,284,240	26,649,204	26,400,935
<b>Total General fund</b>	<u>\$26,260,693</u>	<u>\$26,774,235</u>	<u>\$27,736,643</u>	<u>\$27,879,157</u>
<b>All other governmental funds</b>				
Nonspendable:				
Prepaid items	\$ 599,557	\$	\$ 2,740	\$ 2,740
Restricted:				
Debt service	6,760,482	6,831,645	7,473,977	9,822,105
Capital projects	10,107,767	16,612,280	8,409,874	39,154,554
Economic development activities	4,908,899	7,268,433	9,317,941	9,856,844
Public safety	330,232	377,885	676,382	1,053,827
Tourism & marketing	1,054,339	1,490,757	1,937,635	2,348,244
Drainage improvement	245,497			
Committed				
Unassigned	(83,290)			
<b>Total all other governmental funds</b>	<u>\$23,923,483</u>	<u>\$32,581,000</u>	<u>\$27,818,549</u>	<u>\$62,238,314</u>

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>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 169,208	\$ 160,635	\$ 209,793	\$ 217,124	\$ 204,263	\$ 195,050
49,727	43,861	30,008	25,655	18,328	27,701
		463,599	3,091,704	146,728	411,849
638,523	652,316	219,357	385,205	339,946	332,452
<u>25,359,638</u>	<u>24,260,117</u>	<u>25,740,747</u>	<u>24,544,824</u>	<u>28,085,267</u>	<u>27,575,295</u>
<u>\$ 26,217,096</u>	<u>\$ 25,116,929</u>	<u>\$ 26,663,504</u>	<u>\$ 28,264,512</u>	<u>\$ 28,794,532</u>	<u>\$ 28,542,347</u>
\$ 9,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 18,353
7,602,464	7,397,649	9,419,630	11,448,975	11,892,292	18,881,941
30,931,980	15,443,725	3,517,678	23,785,846	60,550,768	14,122,714
4,333,696	7,689,398	7,019,867	11,048,740	37,689,753	5,656,856
1,488,292	1,779,756	230,282	209,920	202,439	228,335
2,681,505	3,228,805	4,269,302	5,359,797	3,533,713	1,053,237
					18,273,467
				(17,434)	
<u>\$ 47,047,677</u>	<u>\$ 35,542,073</u>	<u>\$ 24,459,499</u>	<u>\$ 51,856,018</u>	<u>\$ 113,854,271</u>	<u>\$ 58,234,903</u>

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

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Revenues</b>				
<b>Taxes:</b>				
General property	\$ 21,654,619	\$ 22,648,350	\$ 26,145,691	\$ 29,102,845
Sales and use taxes	34,161,008	36,048,286	36,389,644	34,581,479
Franchise taxes	4,231,716	4,485,754	4,661,287	4,920,376
Licenses and permits	2,713,913	2,398,765	2,160,999	2,163,562
Fines and forfeitures	1,666,349	2,845,153	3,088,489	3,273,032
Charges for services	3,283,310	4,056,076	4,849,709	3,694,519
Investment earnings	2,960,813	1,882,428	1,128,345	461,633
Intergovernmental	2,273,746	3,883,420	12,865,312	8,183,086
Other	77,914	814,787	364,509	308,694
<b>Total Revenues</b>	<b>73,023,388</b>	<b>79,063,019</b>	<b>91,653,985</b>	<b>86,689,226</b>
<b>Expenditures</b>				
General government	9,146,314	14,563,908	9,451,503	10,682,661
Administrative services	8,684,560	5,415,343	14,039,145	12,200,260
Public safety	22,322,526	25,354,202	30,413,697	26,263,330
Public works	5,503,132	6,045,538	6,205,250	9,397,495
Parks and recreation	2,501,447	2,777,315	2,960,890	8,088,715
Community development	3,434,872	3,794,196	3,747,772	3,981,327
Environmental and neighborhood services				
<b>Debt Service:</b>				
Principal	12,283,907	11,139,672	11,104,420	12,458,335
Interest and other charges	5,718,988	5,338,204	5,341,234	6,486,624
Capital outlay	14,469,153	11,185,254	18,745,284	12,099,869
<b>Total Expenditures</b>	<b>84,064,899</b>	<b>85,613,632</b>	<b>102,009,195</b>	<b>101,658,616</b>
Excess of revenues over (under) expenditures	(11,041,511)	(6,550,613)	(10,355,210)	(14,969,390)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued				40,775,000
General obligation bonds issued		11,385,000		2,435,000
Revenue bonds issued				26,810,000
Refunding bonds issued				1,707,730
Premium (discount) on debt issued				(28,296,220)
Payments to refunded bond escrow agent				78,465
Proceeds of the sale of capital assets			1,668,756	623,300
Capital leases			623,300	1,709,042
Transfers in	13,942,261	11,479,267	10,350,336	10,438,670
Transfers (out)	(8,622,276)	(7,142,591)	(6,087,227)	(6,126,018)
<b>Total other financing sources (uses)</b>	<b>5,319,985</b>	<b>15,721,676</b>	<b>6,555,165</b>	<b>49,531,669</b>
Net change in fund balances	<b>\$ (5,721,526)</b>	<b>\$ 9,171,063</b>	<b>\$ (3,800,045)</b>	<b>\$ 34,562,279</b>
Debt service as a percentage of noncapital expenditures	25.9%	22.0%	19.1%	21.3%

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 27,588,283	\$ 28,242,085	\$ 29,874,615	\$ 31,356,582	\$ 34,073,015	\$ 37,310,936
36,857,302	40,111,821	39,344,519	43,008,054	44,975,136	45,821,869
4,731,821	5,161,877	8,019,976	8,373,935	8,398,820	8,231,034
2,371,944	2,332,393	2,817,871	3,033,205	3,494,806	3,242,529
3,874,845	3,399,284	3,364,798	3,964,053	3,956,657	3,741,662
3,399,457	3,182,908	3,649,563	4,477,416	9,792,915	11,732,687
352,469	242,856	230,542	235,034	1,030,032	1,050,958
30,102,390	29,941,993	4,477,965	14,014,873	4,853,727	4,295,673
5,345,683	1,193,356	1,444,727	1,300,331	4,676,006	6,335,230
<u>114,624,194</u>	<u>113,808,573</u>	<u>93,224,576</u>	<u>109,763,483</u>	<u>115,251,114</u>	<u>121,762,578</u>
10,421,139	10,350,520	12,019,511	13,934,579	13,932,805	17,263,024
10,728,359	6,665,760	7,708,191	7,743,921	9,221,555	7,167,251
28,858,550	27,852,455	27,951,639	29,573,636	38,688,191	36,894,350
10,092,059	15,280,951	14,456,178	13,947,304	17,764,680	12,004,180
6,131,140	7,245,735	6,782,321	6,726,036	5,452,923	5,107,971
3,965,737	4,781,203	4,592,647	4,917,761	5,583,223	5,155,978
					4,892,216
14,744,007	13,643,295	12,529,510	12,216,112	13,339,382	14,565,041
6,491,477	5,769,576	5,261,161	6,040,441	9,729,179	9,911,991
44,225,175	38,821,615	15,262,218	21,672,372	55,311,453	89,073,807
<u>135,657,643</u>	<u>130,411,110</u>	<u>106,563,376</u>	<u>116,772,162</u>	<u>169,023,391</u>	<u>202,035,809</u>
(21,033,449)	(16,602,537)	(13,338,800)	(7,008,679)	(53,772,277)	(80,273,231)
			24,440,000	52,115,000	19,190,000
				13,010,000	
			7,200,000	38,265,000	
	9,440,000	4,295,000		28,940,000	32,120,000
	806,260	491,941	201,566	11,469,874	6,464,472
	(10,328,482)	(4,758,878)		(32,902,683)	(36,935,787)
125,995	90,953	78,516	54,949	54,099	36,987
				3,510,000	1,350,000
17,193,975	13,518,223	16,183,645	13,794,353	12,979,491	20,089,727
<u>(13,139,219)</u>	<u>(9,530,188)</u>	<u>(10,987,848)</u>	<u>(9,684,662)</u>	<u>(11,140,231)</u>	<u>(17,913,721)</u>
4,180,751	3,996,766	5,302,376	36,006,206	116,300,550	24,401,678
<u>\$ (16,852,698)</u>	<u>\$ (12,605,771)</u>	<u>\$ (8,036,424)</u>	<u>\$ 28,997,527</u>	<u>\$ 62,528,273</u>	<u>\$ (55,871,553)</u>
23.9%	21.4%	19.5%	19.5%	20.9%	21.8%

**CITY OF SUGAR LAND, TEXAS**

**TAXABLE SALES**

*Most Recent Calendar Year and Nine Years Ago*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retail trade	\$ 809,548,650	\$ 1,041,357,085	\$ 845,579,899	\$ 817,695,030
Accommodation/Food Services	160,203,538	183,194,577	192,532,921	192,249,613
Wholesale trade	100,998,889	126,340,529	145,219,665	180,406,668
Construction	148,647,428	125,525,252	76,785,094	36,651,229
Information	69,933,126	63,304,095	58,277,031	38,724,172
Professional/Scientific/Technical Services	32,611,442	43,007,134	44,337,155	47,152,301
Arts/Entertainment/Recreation	35,683,686	40,367,297	40,622,857	39,254,647
Manufacturing	18,053,650	30,304,881	33,737,478	29,117,441
Other services (except public administration)	22,030,038	23,548,996	25,214,386	26,341,315
Admin/Support/Waste Mgmt/Remediation Services	23,392,488	19,226,638	18,437,657	18,392,831
Real Estate/Rental/Leasing	13,336,535	13,107,901	20,196,130	24,123,822
Utilities	213,895	7,257,357	15,208,544	14,793,208
Management of Companies/Enterprises	18,611,026	5,418,090	5,144,574	117,446
Transportation/Warehousing	1,010,732	1,331,028	1,049,859	1,007,624
Health Care/Social Assistance	990,456	1,255,260	1,645,260	2,604,444
Finance/Insurance	1,850,429	1,207,585	1,673,015	2,060,437
Educational services	783,940	918,972	899,505	953,485
Mining/Quarrying/Oil and Gas Extraction	409,616,155	226,213,432	501,668,924	314,960,195
Public administration	744,017			
Agriculture/Forestry/Fishing/Hunting				
Other				17,250
	<u>\$ 1,868,260,120</u>	<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,623,158</u>

Source of information: Texas State Comptrollers Office.

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

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

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

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 820,003,254	\$ 867,111,564	\$ 929,146,373	\$ 1,013,038,055	\$ 1,079,111,307	\$ 1,112,422,397
201,788,407	218,501,058	250,015,141	266,588,831	291,440,468	306,003,246
178,624,633	187,615,472	187,011,775	223,242,793	322,215,101	264,383,272
25,341,501	19,921,962	32,689,492	34,937,314	31,891,454	32,514,909
42,562,635	55,552,360	55,714,105	58,052,627	65,549,620	77,592,685
50,418,078	56,999,807	55,122,521	50,596,341	70,107,578	73,059,491
39,319,467	42,862,934	50,293,772	50,560,192	47,548,675	49,334,544
18,700,212	20,258,143	29,071,293	33,219,238	52,646,578	33,044,113
25,115,775	25,601,706	27,119,294	28,242,044	30,831,362	30,318,512
19,456,520	23,205,438	23,316,739	26,184,607	30,250,196	26,562,888
28,589,598	27,704,045	25,874,568	18,062,334	25,860,657	44,888,541
31,999,808	58,554,971	41,645,585	32,630,922	42,308,231	50,970,885
60,298	616,716	403,809	394,466	470,557	2,196,489
958,673	1,154,717	1,007,418	1,721,390	5,214,426	2,306,433
3,180,679	3,974,677	5,304,237	3,994,579	4,539,906	5,201,086
1,690,868	4,640,404	6,248,890	4,575,685	5,420,994	7,515,705
884,432	991,469	1,227,275	1,568,185	1,714,360	1,626,077
235,249	29,244,015	7,157,655	10,513,820	14,160,548	10,431,168
2,506,111	5,243,483	4,931,239	4,958,782	5,096,682	5,284,355
	2,706				
37,492	26,574	2,382			
<b>\$ 1,491,473,690</b>	<b>\$ 1,649,784,221</b>	<b>\$ 1,733,303,563</b>	<b>\$ 1,863,082,205</b>	<b>\$ 2,126,378,700</b>	<b>\$ 2,135,656,796</b>

**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>	
2007	2006	\$ 5,004,383,727	\$ 1,993,984,330	\$ 50,625,468	\$ 909,034,631	\$ 342,153,402
2008	2007	5,293,822,227	2,309,295,100	54,542,255	1,038,400,912	504,240,160
2009	2008	5,964,689,707	2,940,782,650	63,824,522	1,148,686,784	717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976
2012	2011	6,809,072,671	4,251,649,252	44,595,732	21,840,700	712,702,870
2013	2012	6,969,923,228	4,416,404,289	46,289,655	21,319,710	832,310,358
2014	2013	7,304,799,346	4,716,532,408	46,326,301	11,026,160	834,025,711
2015	2014	7,848,719,852	4,902,444,421	40,119,210	10,982,250	850,115,704
2016	2015	8,753,398,998	5,250,244,090	13,465,326	10,934,610	890,919,215

Source: Budget Department of the City.

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

<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>
\$ 512,828,996	\$ 7,103,045,758	\$ 0.30655	\$ 7,103,045,758	100.00%
570,215,378	7,621,604,956	0.30000	7,621,604,956	100.00%
674,751,010	8,725,649,555	0.30000	8,725,649,555	100.00%
889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%
915,453,424	9,499,002,061	0.30245	9,499,002,061	100.00%
921,195,348	9,700,431,176	0.30895	9,700,431,176	100.00%
940,543,105	10,304,115,399	0.30895	10,304,115,399	100.00%
1,006,806,921	10,945,343,108	0.31595	10,945,343,108	100.00%
1,093,598,345	12,043,525,464	0.31595	12,043,525,464	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>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Tax Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Tax Rates</b>				
City of Sugar Land				
Operating tax rate	\$ 0.15307	\$ 0.15000	\$ 0.15575	\$ 0.16000
Debt service tax rate	0.15348	0.15000	0.14425	0.14000
Total tax rate	\$ 0.30655	\$ 0.30000	\$ 0.30000	\$ 0.30000
Fort Bend County	\$ 0.51674	\$ 0.51674	\$ 0.49976	\$ 0.49976
Fort Bend ISD	1.54000	1.25000	1.27000	1.30500
Fort Bend LID 2	0.17700	0.16500	0.14500	0.13400
Fort Bend County MUD No. 21	0.44000	0.39000	0.39000	0.27000
Fort Bend LID 7	0.18500	0.19460	0.19460	0.19460
Eldridge Road MUD	0.39000	0.32000	0.25000	0.22000
Fort Bend WCID No. 2	0.18000	0.18000	0.18000	0.18000
First Colony LID No. 2	0.31500	0.31500	0.29500	0.28500
Burney Road MUD	0.33000	0.30000	0.30000	0.24250
First Colony MUD 10		0.75000	0.75000	0.75000
Ft Bend MUD 136		0.63000	0.62000	0.62000
Ft Bend MUD 137		0.63000	0.62000	0.57000
Ft Bend MUD 138		0.63000	0.62000	0.57000
Ft Bend MUD 139				
Ft. Bend Lid 17 *		0.54000	0.57000	0.58000
Imperial Redevelopment District **				

Source: Central Appraisal District Website

(A) Tax rate per \$100 assessed valuation

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

\* Correction on Data for Ft. Bend Lid #17 included this year in data and corrected prior years

\*\* Correction on Data for Imperial Redevelopment District included this year and corrected prior years

<b>2011 2010</b>	<b>2012 2011</b>	<b>2013 2012</b>	<b>2014 2013</b>	<b>2015 2014</b>	<b>2016 2015</b>
\$ 0.16500	\$ 0.16635	\$ 0.17285	\$ 0.17285	\$ 0.17035	\$ 0.17035
0.13500	0.13610	0.13610	0.13610	0.14560	0.14560
<u>\$ 0.30000</u>	<u>\$ 0.30245</u>	<u>\$ 0.30895</u>	<u>\$ 0.30895</u>	<u>\$ 0.31595</u>	<u>\$ 0.31595</u>
\$ 0.48556	\$ 0.49976	\$ 0.48076	\$ 0.49976	\$ 0.49476	\$ 0.48600
1.34000	1.34000	1.34000	1.34000	1.34000	1.34000
0.13400	0.13400	0.12900	0.12900	0.12000	0.11000
0.26000	0.26000	0.24000			
0.19460	0.19460	0.19460	0.20500	0.23500	0.22500
0.08000					
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.27500	0.27500	0.27500	0.27500	0.25000	0.25000
0.26750	0.26750	0.26750	0.26000	0.26000	0.25500
0.49000	0.49000	0.49000	0.47000	0.41000	0.25000
0.57000	0.57000	0.54000	0.54000	0.50000	0.43000
0.57000	0.57000	0.54000	0.48000	0.43000	0.42000
0.57000	0.57000	0.54000	0.48000	0.44500	0.43500
0.57000	0.57000	0.54000	0.54000	0.44000	0.41000
0.63000	0.63000	0.65000	0.65000	0.63000	0.61000
			1.10000	1.10000	1.10000

**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>
2007	2006	\$ 0.30655	\$ 21,807,595	\$ 21,617,919	99.3%
2008	2007	0.30000	22,945,785	22,655,023	99.1%
2009	2008	0.30000	25,975,362	25,953,447	99.1%
2010	2009	0.30000	27,471,806	27,567,908	99.5%
2011	2010	0.30000	27,793,686	27,743,159	99.7%
2012	2011	0.30245	28,554,874	28,502,346	99.6%
2013	2012	0.30895	29,942,268	29,998,455	99.6%
2014	2013	0.30895	31,549,703	31,543,063	99.6%
2015	2014	0.31595	34,714,608	34,625,522	99.5%
2016	2015	0.31595	38,008,669	37,856,002	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>
\$ 182,806	\$ 21,800,725	100.0%
259,232	22,914,256	99.9%
(3,666)	25,949,781	99.9%
(119,660)	27,448,248	99.9%
30,309	27,773,468	99.9%
30,918	28,533,263	99.9%
(84,198)	29,914,256	99.9%
(36,291)	31,506,772	99.9%
21,848	34,647,369	99.8%
	37,856,002	99.6%

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

<b>Taxpayer</b>	<b>Fiscal Year 2016</b>			<b>Fiscal Year 2007</b>		
	<b>Tax Year 2015</b>		<b>% of Total Assessed Valuation</b>	<b>Tax Year 2006</b>		<b>% of Total Assessed Valuation</b>
	<b>Taxable Assessed Value</b>	<b>Rank</b>		<b>Taxable Assessed Value</b>	<b>Rank</b>	
Schlumberger Tech Corp-SPC & Well Services	\$ 152,137,370	1	1.3%	\$ 130,180,970	1	1.8%
Amerisource Bergen Drug Corp.	98,619,650	2	0.8%	56,175,320	4	0.8%
Nalco Energy Services	94,731,210	3	0.8%	55,462,450	6	0.8%
Tramontina USA Inc.	92,505,270	4	0.8%	75,432,590	3	1.1%
Lakepointe Assets, LLC	89,467,110	5	0.7%	81,849,550	2	1.2%
Fairfield Industries	87,673,520	6	0.7%			
First Colony Mall LLC	79,153,240	7	0.7%			
LCFRE Sugar Land Town Square LLC	67,256,368	8	0.6%			
Sugar Creek/EPG LLC & Sugar Creek TIC Investors LLC	61,690,120	9	0.5%			
Weingarten Realty Investors & WRI/Post Oak Inc.	56,307,990	10	0.5%	28,896,570	10	0.4%
Sugar Land Telephone Co. (Alltel)				56,127,830	5	0.8%
Sugar Creek Place, LP/Unocal Campus				50,240,950	7	0.7%
GGP-Sugar Land Mall.LP/First Colony				32,770,150	8	0.5%
Inland Western Sugar Land Colony Limited Partnership				29,983,660	9	0.4%
	879,541,848		7.3%	597,120,040		8.4%
Other taxpayers	11,163,983,616		92.7%	6,505,925,718		91.6%
<b>Total Assessed Valuation</b>	<b>\$ 12,043,525,464</b>		<b>100.0%</b>	<b>\$ 7,103,045,758</b>		<b>100.0%</b>

Source - Tax assessor/collector's records  
Note - Assessed valuation is net of exemptions

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value* of Property</b>	<b>Per Capita**</b>
2007	2006	\$ 87,105,001	\$ 5,029,013	\$ 82,075,988	1.2%	\$ 1,077
2008	2007	84,800,000	5,993,163	78,806,837	1.0%	1,011
2009	2008	75,795,000	4,808,870	70,986,130	0.8%	892
2010	2009	93,815,000	5,226,158	88,588,842	1.0%	1,048
2011	2010	83,855,000	7,014,403	76,840,597	0.8%	909
2012	2011	79,620,000	4,069,685	75,550,315	0.8%	894
2013	2012	72,280,000	3,230,208	69,049,792	0.7%	817
2014	2013	70,105,000	4,105,011	65,999,989	0.6%	763
2015	2014	72,460,000	4,639,682	67,820,318	0.6%	780
2016	2015	84,390,000	5,749,686	78,640,314	0.7%	899

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*

<b>Governmental Activities</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Annexed MUD Debt</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Sales Tax Revenue Bonds</b>	<b>Tax Note</b>	<b>Issuance Premiums/ (Discounts)</b>
2007	\$84,480,001	\$ 2,625,000	\$ 24,345,000	\$628,336	\$ 11,930,000		\$ 831,744
2008	82,895,000	1,905,000	27,505,000	474,264	11,475,000		735,959
2009	74,310,000	1,485,000	26,035,000	938,143	11,005,000		642,481
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000		1,561,071
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000		1,333,100
2012	74,095,000	5,525,000	45,376,995	1,664,554	9,485,000		1,759,679
2013	67,090,000	5,190,000	40,879,596	1,287,784	8,935,000		1,847,338
2014	58,440,000	11,665,000	63,231,995	954,273	15,345,000		1,731,326
2015	66,190,000	6,270,000	111,279,394	611,817	52,400,000	3,120,675	12,054,362
2016	82,065,000	2,325,000	104,245,202	260,170	50,655,000	3,964,881	16,802,933

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

**Business-Type Activities**

<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Issuance Premiums/ (Discounts)</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>
\$ 30,600,000		\$ 8,375,000	\$ 98,324	\$163,913,405	5.8%	2.3%	\$2,150
43,100,000		12,455,000	89,358	180,634,581	6.2%	2.4%	2,316
40,420,000		11,990,000	80,750	166,906,374	5.6%	1.9%	2,098
65,940,000		11,946,995	220,808	243,342,725	7.3%	2.6%	2,879
62,225,000		110,246,010	184,234	324,198,188	12.2%	3.5%	3,836
80,400,000		107,968,005	147,404	326,421,637	9.1%	3.4%	3,862
75,670,000	5,610,000	99,645,404	1,419,321	307,574,443	8.2%	3.2%	3,639
86,180,000	5,510,000	98,003,005	1,222,767	342,283,366	9.1%	3.3%	3,957
92,980,000	5,080,000	97,520,606	2,278,431	449,785,285	10.8%	4.1%	5,172
91,355,000	7,660,000	93,469,798	7,756,729	460,559,713	11.3%	3.8%	5,263

\*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, 2016**

<u>Taxing Jurisdiction</u>	<u>Gross Debt</u>	<u>Overlapping</u>	
		<u>Estimated Percentage *</u>	<u>Amount</u>
Burney Road MUD	\$ 8,575,000	100.00%	\$ 8,575,000
First Colony MUD No. 10	13,905,000	100.00%	13,905,000
Fort Bend County (2)	518,540,000	21.02%	108,997,108
Fort Bend County LID No. 2	12,875,000	100.00%	12,875,000
Fort Bend County LID No. 10	11,520,000	95.04%	10,948,608
Fort Bend County LID No. 14	3,465,000	100.00%	3,465,000
Fort Bend County LID No. 17	57,395,000	100.00%	57,395,000
Fort Bend County MUD No. 116	26,340,000	0.25%	65,850
Fort Bend County MUD No. 136	4,385,000	100.00%	4,385,000
Fort Bend County MUD No. 137	28,570,000	100.00%	28,570,000
Fort Bend County MUD No. 138	43,410,000	100.00%	43,410,000
Fort Bend County MUD No. 139	14,085,000	100.00%	14,085,000
Fort Bend County WC&ID No. 2	71,065,000	0.50%	355,325
Fort Bend ISD	841,418,767	40.70%	<u>342,457,438</u>
<b>Total Overlapping Debt</b>			<b>\$ 649,489,329</b>
City of Sugar Land	197,915,254	100.00%	<u>197,915,254</u>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 847,404,583</u></b>
Ratio of Direct and Overlapping Funded Debt to 2015 Taxable Assessed Valuation			7.04%
Per Capita Debt - Direct and Overlapping			\$ 9,684

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**

**PLEGDED REVENUE COVERAGE**

*Last Ten Fiscal Years*

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements (C)			Times Coverage
				Principal	Interest	Total	
<b>Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation</b>							
2007	\$ 22,492,174	\$ 9,672,726	\$ 12,819,448	\$ 2,280,000	\$ 1,319,533	\$ 3,599,533	3.56
2008	25,758,079	11,821,825	13,936,254	2,280,000	1,969,366	4,249,366	3.28
2009	29,493,918	12,534,620	16,959,298	2,535,000	1,777,648	4,312,648	3.93
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75
2012	40,961,236	13,325,073	27,636,163	6,360,000	7,138,761	13,498,761	2.05
2013	43,056,189	13,980,526	29,075,663	6,535,000	7,138,988	13,673,988	2.13
2014	44,461,529	15,551,786	28,909,743	7,305,000	6,736,571	14,041,571	2.06
2015	43,600,505	21,062,882	22,537,623	6,875,000	7,435,047	14,310,047	1.57
2016	46,769,917	21,687,088	25,082,829	7,990,000	7,479,132	15,469,132	1.62
<b>Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds</b>							
2007	\$ 10,216,832	\$ 8,414,435	\$ 1,802,397	\$ 320,000	\$ 370,451	\$ 690,451	2.61
2008	13,264,297	11,587,030	1,677,267	465,000	532,008	997,008	1.68
2009	8,909,097	7,389,197	1,519,900	480,000	512,208	992,208	1.53
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91
2012	15,686,832	13,442,241	2,244,591	562,601	458,337	1,020,938	2.20
2013	16,580,724	13,971,288	2,609,436	617,399	584,625	1,202,024	2.17
2014	16,947,944	14,005,337	2,942,607	672,399	359,000	1,031,399	2.85
2015	13,773,153	11,605,184	2,167,969	692,399	400,254	1,092,653	1.98
2016	11,884,935	9,844,254	2,040,681	757,399	365,604	1,123,003	1.82
<b>Sugar Land Development Corporation - Sales Tax Revenue Bonds</b>							
2007	\$ 5,087,031	\$	\$ 5,087,031	\$ 455,000	\$ 555,436	\$ 1,010,436	5.03
2008	5,492,177		5,492,177	470,000	526,530	996,530	5.51
2009	5,126,108		5,126,108	490,000	496,530	986,530	5.20
2010	4,765,732		4,765,732	505,000	465,436	970,436	4.91
2011	5,002,593		5,002,593	525,000	433,249	958,249	5.22
2012	5,418,133		5,418,133	550,000	405,499	955,499	5.67
2013	5,635,748		5,635,748	575,000	382,655	957,655	5.88
2014	6,155,747		6,155,747	775,000	635,546	1,410,546	4.36
2015	6,591,810		6,591,810	1,745,000	2,480,746	4,225,746	1.56
2016	6,679,523		6,679,523	1,790,000	2,395,290	4,185,290	1.60
<b>Sugar Land 4B Corporation - Sales Tax Revenue Bonds</b>							
2007	\$ 5,089,765	\$	\$ 5,089,765	\$ 935,000	\$ 746,523	\$ 1,681,523	3.03
2008	5,557,492		5,557,492	975,000	696,910	1,671,910	3.32
2009	6,776,475		6,776,475	1,025,000	647,116	1,672,116	4.05
2010	4,735,081		4,735,081	1,195,000	429,231	1,624,231	2.92
2011	5,020,642		5,020,642	1,635,000	1,742,456	3,377,456	1.49
2012	5,430,099		5,430,099	1,660,000	1,691,606	3,351,606	1.62
2013	5,629,941		5,629,941	1,705,000	1,639,706	3,344,706	1.68
2014	6,506,277		6,506,277	1,780,000	1,583,844	3,363,844	1.93
2015	6,727,338		6,727,338	1,840,000	1,522,638	3,362,638	2.00
2016	6,735,498		6,735,498	1,885,000	1,457,419	3,342,419	2.02

(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.

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

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

<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>Unemployment Rate<sup>2</sup></b>
2007	76,228	2,807,477	36,830	37.4	54%	3.4%
2008	77,982	2,930,953	37,585	37.6	54%	3.7%
2009	79,573	2,986,693	37,534	36.4	53%	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	6.5%
2012	84,511	3,586,815	42,442	41.2	54%	4.5%
2013	84,511	3,737,330	44,223	40.7	54%	4.9%
2014	86,495	3,781,499	44,375	41.4	54%	3.9%
2015	86,972	4,149,181	48,807	41.7	55%	4.6%
2016	87,504	4,086,683	48,117	41.8	54%	4.5%

Data Sources:

1 - U.S. Census; ESRI

2 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

\* 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>2016</b>			<b>2007</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>
Fluor Enterprises, Inc.	2,800	1	4.33%	3,400	1	8.69%
Schlumberger	2,200	2	3.41%	2,000	2	5.11%
Houston Methodist Sugar Land Hospital	1,900	3	2.94%	650	3	1.66%
Nalco Champion, an Ecolab Company	744	4	1.15%	400	4	1.02%
Tramontina USA, Inc.	740	5	1.15%	300	8	0.77%
First Data Telecheck	500	6	0.77%			
Memorial Hermann Sugar Land	497	7	0.77%			
Noble Drilling Services, Inc.	477	8	0.74%	375	5	0.96%
Baker Hughes	450	9	0.70%	325	7	0.83%
St. Luke's Hospital Sugar Land	390	10	0.60%			
National Oilwell Varco				350	6	0.89%
Thermo Fisher Scientific				260	9	0.66%
Fairfield Industries, Inc.				225	10	0.57%
	<u>10,698</u>		<u>17%</u>	<u>8,285</u>		<u>21%</u>

(A) For 2016, estimated total employment was 64,600. For 2007, estimated total employment was 39,145  
 Source: Total employment estimates were obtained from the City's Economic Development Website

**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>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Governmental Activities:</b>				
General government	54.7	65.7	64.7	77.7
Administrative services	59.5	63.0	62.5	58.5
Public safety - Police	176.5	183.5	193.5	190.5
Public safety - Fire	105.0	110.0	112.0	108.0
Public safety - EMS				
*Public works	37.9	34.9	38.9	41.9
Parks and recreation	26.3	27.3	29.3	34.4
*Community development	38.0	52.5	53.0	54.1
Environmental & Neighborhood Services				
<b>Business-type activities:</b>				
Utility	51.0	55.0	51.5	56.5
Solid waste management	1.0	2.0	2.0	2.0
Regional Airport	29.5	29.5	33.5	33.5
<b>Total</b>	<b>579.4</b>	<b>623.4</b>	<b>640.9</b>	<b>657.1</b>

Source: Budget Office

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

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

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
80.2	80.2	83.2	78.7	82.0	85.5
30.2	30.2	27.5	34.0	34.0	37.0
191.8	191.8	194.5	198.5	200.5	200.5
107.0	107.0	107.0	108.0	110.0	109.0
			3.0	12.0	13.0
52.5	52.5	54.9	54.4	53.5	34.0
34.4	34.4	35.9	37.3	31.0	27.0
52.0	55.0	56.0	54.1	61.0	45.5
					43.0
55.5	55.5	59.5	66.0	67.5	71.5
2.0	2.0	2.0	2.5	2.5	2.5
33.5	33.5	42.0	42.0	41.0	43.5
<b>639.1</b>	<b>642.1</b>	<b>662.5</b>	<b>678.5</b>	<b>695.0</b>	<b>712.0</b>

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
City of Sugar Land				
Population	76,228	77,982	79,732	84,511
Square miles	32.2	32.2	32.2	33.5
Acres	20,597	20,618	20,618	21,451
Budgeted full time equivalent employees	578.4	623.4	640.9	657.1
Police				
Physical arrests	2,702	2,577	3,044	3,212
Traffic violations	17,006	15,243	22,056	21,370
Parking violations	139	158	285	203
Calls for service	73,304	66,666	66,711	69,298
Fire				
Number of calls answered	6,264	6,296	6,253	6,106
Parks and recreation				
Special events	12	7	19	19
Water				
New connections	677	663	527	1,656
Water main breaks	65	117	209	51
Annual Rainfall (inches)	71.8	35.7	22.3	55.0
Average daily production (MG)	11.22	13.64	16.77	12.99
Sewer				
Average daily WW treatment (MG)	8.48	8.14	7.81	7.81
Community Development				
Building Permits issued	8,385	7,906	8,115	7,982
Airport				
No. of fuel gallons sold	2,641,000	2,560,240	2,053,874	2,418,443
Fuel Sales	\$ 8,939,866	\$11,915,051	\$ 7,437,870	\$ 9,530,961
Aircraft served	13,446	13,608	12,663	12,309

Source: Various City Departments.

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

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

\*\*\* Correction on fuel sales for 2014

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
84,511	84,511	84,511	86,495	86,972	87,504
33.5	33.5	35.1	35.2	35.2	36.5
21,451	21,516	22,475	22,500	22,500	23,341
642.0	642.0	662.5	662.5	678.5	712.0
3,914	3,792	3,009	2,899	2,247 *	2,033
27,053	24,157	21,577	20,534	19,364 *	17,117
615	652	469	377	313 *	446
162,669	151,967	155,718	123,450	70,136 *	73,546
6,293	6,419	7,250	7,328	8,248	8,197
15	18	18	18	20	18
448	432	186	186	194	207
357	59	211	35 **	45	26
17.2	57.1	35.5	48.3	62.6	73.6
18.01	15.70	15.15	15.47	15.35	15.51
7.71	8.27	7.28	8.02	8.65	8.59
8,629	7,583	7,362	7,271	6,798	6,973
2,714,881	2,847,905	3,015,916	2,968,546	2,868,330	2,820,170
\$12,766,985	\$13,876,503	\$14,616,206	\$14,934,003 ***	\$11,551,592	\$ 9,636,133
13,160	18,843	13,353	12,017 ****	11,375 *****	11,648

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General government				
Municipal buildings	36	36	36	36
Conference center	1	1	1	1
Public safety				
Police Protection				
Stations	1	1	1	1
Fire Protection				
Stations within city limits	5	5	5	5
Stations operated through agreements with MUDs served in ETJ	1	1	1	1
Highways and streets				
Linear miles of sidewalks	367	405	405	432
Storm sewers (miles)	280	242	242	246
Traffic signals	70	74	74	80
Parks and recreation				
Parks	20	22	22	24
Community centers	6	6	6	6
Parks acreage				
Developed	508	507	507	562
Undeveloped	429	569	569	695
Water				
Water wells	15	15	15	17
Water mains (miles)	360	370	370	415
Fire hydrants	3,257	3,363	3,363	3,610
Maximum daily demand (MG)				
Groundwater	21.57	42.90	42.90	27.20
Waste water				
Waste water treatment plants	2	2	2	2
Sanitary sewers (miles)	331	338	338	381
Max daily efficiency flow (MG)	13.5	13.5	13.5	13.5

Source: Various City Departments.

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

\*\* Correcting the data for 2012-2014

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

Fiscal Year						
2011	2012	2013	2014	2015	2016	
38	40	40	40	40	40	40
1	1	1	1	1	1	1
1	1	1	1	1	1	1
5	6	6	6	6	6	6
1	1	1	1	1	1	1
432	450	500	500	537	537	
246	338	338	338	350	350	
78	79	81	85	85	85	
23	24	24	24	26	27	
6	6	6	6	6	6	
562	562 **	562 **	571 **	571	924	
695	760 **	760 **	807 **	807	1484	
17	17	17	16 ***	16	16	
421	431	431	441	452	465	
3,817	3,993	4,000	4,050	4,134	4,296	
36.07	30.14	29.89	29.97	25.84	31.00	
2	2	2	2	2	2	
395	405	405	412	426	424	
13.5	13.5	13.5	13.5	24.3 *	18.8	

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