



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2016-2017



City of Sugar Land



CITY OF SUGAR LAND, TEXAS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2017**

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)

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

CITY OF SUGAR LAND, TEXAS
TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i
Principal Officials	vii
Organizational Chart	viii
GFOA Certificate of Achievement	ix
Financial Section	
Report of Independent Auditors	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Governmental Funds	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Fund Net Position	27
Statement of Cash Flows	29
Discretely Presented Component Units	
Combining Statement of Net Position	30
Combining Statement of Activities	31
Notes to the Financial Statements	32

CITY OF SUGAR LAND, TEXAS
TABLE OF CONTENTS

Page

Financial Section (continued):

Required Supplementary Information

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	81
Notes to Required Supplementary Budget Information	82
Required Pension System Supplementary Information	83
Required Other Post Employment Benefit (OPEB) Supplementary Information	85

Other Supplementary Information

Special Revenue Funds	
Combining and Individual Fund Statements and Schedules Balance Sheet – Nonmajor Governmental Funds	91
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Major Fund – Debt Service Fund	97
Major Fund – Capital Projects Fund	98
Special Revenue Fund – Tourism Fund	100
Special Revenue Fund – Court Security Fund	101
Special Revenue Fund – Community Development Block Grant (CDBG) Fund	102
Special Revenue Fund – Court Technology Fund	103
Special Revenue Fund – Law Enforcement Grant Fund	104
Special Revenue Fund – Photographic Traffic Enforcement Fund	105
Special Revenue Fund – Debt Reduction Funds	106
Special Revenue Fund – Sugar Land Development Corporation Fund	107
Special Revenue Fund – Enclave at River Park PID	108
Internal Service Funds	
Combining Statement of Net Position	110
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	111
Statement of Cash Flows	112
Discretely Presented Component Units Fund Based Financial Statements	
Balance Sheets - Governmental Funds	114
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	115

CITY OF SUGAR LAND, TEXAS

TABLE OF CONTENTS

Unaudited Statistical Section	<u>Page</u>
Net Position by Component	118
Changes in Net Position	120
Fund Balances of Governmental Funds	124
Changes in Fund Balances of Governmental Funds	126
Taxable Sales	128
Assessed Value and Estimated Actual Value of Taxable Property	130
Property Tax Rates - Direct and Overlapping Governments	132
Property Tax Levies and Collections	134
Principal Property Taxpayers	136
Ratios of General Bonded Debt Outstanding	137
Ratios of Outstanding Debt by Type	138
Direct and Estimated Overlapping Governmental Activities Debt	140
Pledged Revenue Coverage	141
Demographic and Economic Statistics	142
Principal Employers	143
Full-time Equivalent City Government Employees by Function	144
Operating Indicators by Function	146
Capital Asset Statistics by Function	148

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)



CITY OF SUGAR LAND

February 20, 2018

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, 2017.

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, 2017. The independent auditors’ report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

A full range of municipal services are provided by the City of Sugar Land including public safety (Police, Fire/EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), 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

The economic slowdown that began in FY16 has continued through the current year. Regional economic conditions, such as the slowdown in the Oil & Gas industry, and changes in consumer spending behavior have placed downward pressure on local businesses, resulting in reduced sales tax revenue to the City. As a result, the City has revised its sales tax estimate downward in anticipation of lower than expected collections. Despite these challenging economic conditions, the City was able to maintain its core service levels and complete major projects in this fiscal year.

In fiscal year 2017, 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 4.48% to \$12.35 billion as of January 1, 2016; an increase of \$530 million over 2015 values. New development accounted for \$124 million of the increase, while existing property values increased by \$453 million. The City Council maintained the tax rate of \$0.31595, generating approximately 4% more revenues from the prior year from increased values. The council opted to manage residential tax bill growth by adjusting the homestead exemption to 10%, an increase of 2% from the prior year.

Development continues within the City, although at a slower pace than in the past; commercial developers permitted \$129 million in projects, which included \$62 million in non-taxable value. The volume of residential development slowed as well, with 144 homes permitted; however, the average value of the permitted construction increased 14% to approximately \$505,000. This is due to the location of the development, with most residential activity occurring in the Imperial Redevelopment District.

Sales tax revenues were anticipated to decline 2.34% from the prior year due to the end of an incentive agreement; actual revenue came in 5.34% lower than anticipated, but the downward trend was identified early and adjustments to pay as you go CIP funding were made to offset the decrease in revenue from sales tax.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The recent instability in the economy has highlighted the need for the City to be less dependent on sales tax revenue, and transition to more stable revenue streams. Over the years, the City has strengthened its finances through revisions to the Council adopted Financial Management Policy Statements (FMPS) that provide for less dependence on sales tax to fund operations, but there is more work to be done in the coming years. As the City matures, our financial strategies must adjust to ensure long-term fiscal health. The financial strength of the City continues to be recognized by outside rating agencies. The City's AAA bond rating has been affirmed through multiple bond issues, with the rating agencies citing the City's financial stability, strong policies, and planning efforts as key components of the AAA rating.

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

The FMPS establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health.

A five year forecast has been prepared for each of the major operating funds. With reduced revenue growth assumed from property and sales taxes, adjustments had to be made to out-year expenditure growth assumptions, as the original assumptions are not affordable within the revised revenue growth assumptions. The five year CIP was amended to reflect reduced debt capacity for tax-backed debt due to the limited debt capacity generated by the Effective Tax Rate plus 1.5%.

The Debt Service Fund is able to maintain balances over the policy requirement of 10% of annual debt service and support the issuance of \$48.8 million in tax backed debt over the five-year period. The forecast does not include the final \$10.26 million in voter approved GO bonds for park projects, nor does it incorporate the one-cent tax increase that is necessary to support them.

With the anticipated issuance of \$24.4 million in revenue bonds over the five-year period, the forecast shows utility rates will need to be increased in anticipation of future capital investment in the system. Surface water rates will need to increase as the City prepares to meet the next requirement of 60% reduction in groundwater usage in 2025. Since the City will be issuing utility revenue bonds for expansion of the surface water treatment plant, revenue streams must be built up in advance of the debt issuance to meet the appropriate 1.25x bond coverage ratios.

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. The adopted budget was approved on September 19th 2017, but was later amended on October 17th, 2017. As a result of that amendment the long-range assumptions also changed, and are reflected within this section. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Annexation of New Territory and Greatwood in December 2017
- Maintain approximately 1.5% growth from tax revenues over the forecast period

- Fund existing services at current service levels in all funds
- Support the surface water treatment plant and debt repayment
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Fund the revised Five-Year CIP and resulting operating expenditures
- Continued Economic Development efforts through reserves for opportunities

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as Public Safety, Parks, Finance, Community Development, Environmental & Neighborhood Services and Public Works operations. The General Fund continues to fund all current services throughout the forecast, which includes the annexation of Greatwood and New Territory. The forecast includes additions to operating expenditures for pay-as-you-go projects, now being included in the General Fund, instead of transferring the funds from General Fund to General CIP to cover the cost of these projects. Recurring operating expenditures increase by an average of 1.18% from FY18 to FY22 due to additions to the budget for the operating impact of capital projects, growth in personnel costs and operations and maintenance.

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 \$48.82 million in new debt for projects in the Five-Year CIP, excluding \$10.26 million in voter approved GO bonds for parks, which will require a tax increase to support.

The City's Five-Year CIP totals \$96.4 million for FY18-FY22. 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.

In FY17, the City opened the Smart Financial Centre at Sugar Land, Brazos River Park, and the festival site. The Smart Financial Centre at Sugar Land has been a bright spot for the City, bringing top names in entertainment to perform at the venue. In addition to improving the entertainment options within the City, the Smart Financial Centre at Sugar Land has enhanced the reputation of Sugar Land as a destination. The venue has helped boost sales taxes received through ticket sales as well as indirectly through increased activity at local restaurants. The first major event at the festival site was the 2017 Star Spangled Spectacular, which opened with tremendous success, hosting over 20,000 visitors to the event.

Another major regional event this year was Super Bowl LI, which was held at NRG Stadium in Houston. The Sugar Land Regional Airport saw a tremendous impact from the event, with 524 aircraft reservations. This increased traffic resulted in 116,705 gallons of fuel sales, as well as additional revenue from ramp fees and services. The Airport staff and volunteers worked tirelessly to ensure that the operation was successful, with many visitors promising return visits to the airport. Over the last few months of the year, the City saw a resulting increase in traffic and fuel sales at the airport; many as a result of their Super Bowl experiences.

Accountability initiatives, such as City Council Goal Measures, and departmental Performance Measures, have been implemented in the City. Recently, the City introduced its new Goal Measures Dashboard,

which enables citizens to go to the City's website and view interactive tools that describe visually, and contextually, how the City is performing within each of the City's priorities. Departmental assessments aimed at identifying operational efficiencies are continuing and have shown great success. These efficiencies range from details such as how the minutes of public meetings are recorded and even how fire personnel are allocated and deployed to maximize effectiveness.

This year the City was able to see results of a lower negotiated electricity rate, which will save the City over a million dollars in electricity costs in the upcoming FY18 budget. The lower rate was due to the City's active participation on the Texas Coalition for Affordable Power (TCAP) board, which resulted in the per kilowatt hour rate being cut nearly in half.

In November 2016, City Council approved an Ordinance that annexed nine Municipal Utility Districts (MUDs) located in the Greatwood and New Territory communities, effective December 12, 2017. At annexation, the City will grow to an estimated population of 117,869 and cover 42.85 square miles.

The City's investment in infrastructure continued in FY17. Drainage continues to be a priority, and results were realized during Hurricane Harvey, with no reported structural flooding in areas where the City has made significant investments over the last few years.

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.

Other accomplishments for FY 2017 include:

- Completed preparations for the annexation of Greatwood & New Territory districts
- Completion & grand opening of Smart Financial Centre at Sugar Land and TIRZ #4 Plaza
- Completion & grand opening of Brazos River Park and Festival Site
- Implementation of Agenda Management Software
- Implementation of Goal Measures Dashboard
- Acquisition of former Central Prison Unit Property
- Updates to City Council and Employee Ethics Policies
- Achieved goal of 40% diversion rate due to recycling program
- Graduation ceremonies for 2017 Fort Bend ISD held at Smart Financial Centre at Sugar Land
- Lowest crime rate in 20 years
- Construction of permanent TxDOT electronic signs on State Highway 6

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, 2016. This was the 33rd 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, 2016- September 30, 2017. This was the 21st 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 fluid and cursive, with the first name "Allen" and the last name "Bogard" clearly legible.

Allen Bogard, City Manager

CITY OF SUGAR LAND, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2017

City Officials	Elective Position	Term Expires
Joe R. Zimmerman	Mayor	2018
Himesh Gandhi	Council Member - At Large Position One	2018
Mary K. Joyce	Council Member - At Large Position Two	2018
Steve R. Porter	Council Member - District One, Mayor Pro Tem	2019
Bridget R. Yeung	Council Member - District Two	2019
Amy L. Mitchell	Council Member - District Three	2019
Carol K. McCutcheon	Council Member - District Four	2019

Key Staff	Position
Allen Bogard	City Manager
Steve Griffith	First Assistant City Manager
Jim Callaway	Assistant City Manager
Chris Steubing	Assistant City Manager
Jennifer May	Assistant City Manager
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, 2017

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
- [Police](#)
- Public Safety Dispatch
- [Sugar Land Regional Airport](#)



[Jim Callaway](#)

Assistant City Manager

- [Annexation Implementation](#)



[Chris Steubing](#)

Assistant City Manager

- [Engineering](#)
- [Environmental & Neighborhood Services](#)
- Information Technology
- [Permits & Inspections](#)
- [Public Works](#)



[Jennifer May](#)

Assistant City Manager

- [Communications](#)
- [Economic Development](#)
- [Finance](#)
- [Human Resources](#)
- Intergovernmental Relations
- [Parks and Recreation](#)
- [Planning](#)



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, 2016

Christopher P. Morill

Executive Director/CEO

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, 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 81 through 82, pension system supplementary information on pages 83 through 84, and other post-employment benefit supplementary information on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as described in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as described in the accompanying table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other supplementary information, as described in the accompanying table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

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

Houston, Texas
February 13, 2018

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, 2017.

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 \$667.4 million (*net position*). Of this amount, \$68.5 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 \$77.8 million, a decrease of \$9 million over the prior year. Approximately 36% of this total amount, \$28.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring budgeted operating costs, which is approximately \$18.3 million for fiscal year 2017.
- The City's total long-term liabilities increased by \$28.6 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, community development, and environmental and neighborhood services. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

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, and Capital Projects, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 91 through 96. 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 29 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 32 through 77.

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 81 through 85 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 \$667.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 85% or \$568.7 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, 2017. 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, 2017 and 2016

<i>Amounts in (000's)</i>	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 100,715	\$ 123,587	\$ 96,879	\$ 87,791	\$ 197,594	\$ 211,378
Capital assets	591,948	549,644	411,812	405,282	1,003,760	954,926
Total Assets	692,663	673,231	508,691	493,073	1,201,354	1,166,304
Total Deferred Outflows of Resources	16,603	17,449	2,659	2,771	19,262	20,220
Other liabilities	16,163	29,248	10,071	9,430	26,234	38,678
Long-term liabilities	306,896	292,323	218,186	204,177	525,082	496,500
Total Liabilities	323,059	321,571	228,257	213,607	551,316	535,178
Total Deferred Inflows of Resources	1,673	2,074	225	272	1,898	2,346
Net Position						
Net investment in capital assets	340,298	304,720	228,369	225,650	568,667	530,370
Restricted	21,152	24,902	9,116	8,549	30,268	33,451
Unrestricted	23,084	37,413	45,383	47,766	68,467	85,179
Total Net Position	\$ 384,534	\$ 367,035	\$ 282,868	\$ 281,965	\$ 667,402	\$ 649,000

An additional portion of the City's net position, 4.5% or \$30.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 10.3% or \$68.5 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net 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, 2017 and 2016

<i>Amounts in (000's)</i>	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 18,057	\$ 19,896	\$ 62,474	\$ 63,921	\$ 80,531	\$ 83,817
Operating grants and contributions	1,825	1,740	50	50	1,875	1,790
Capital grants and contributions	29,997	19,241	6,675	9,418	36,672	28,659
General revenues:						
Property taxes	39,052	37,228			39,052	37,228
Sales tax	41,330	45,967			41,330	45,967
Franchise and other taxes	8,535	8,231			8,535	8,231
Other	3,474	2,597	644	679	4,118	3,276
Total Revenues	142,270	134,900	69,843	74,068	212,113	208,968
Expenses						
General government	23,395	18,591			23,395	18,591
Administrative services	5,514	6,643			5,514	6,643
Public safety - Police	26,138	22,979			26,138	22,979
Public safety - Fire	14,197	14,196			14,197	14,196
Public safety - EMS	1,803	1,722			1,803	1,722
Public works	27,075	22,828			27,075	22,828
Parks and recreation	7,870	6,215			7,870	6,215
Community development	5,564	5,485			5,564	5,485
Environmental and neighborhood services	6,065	5,903			6,065	5,903
Interest on long-term debt	9,393	9,779			9,393	9,779
Utility			29,342	29,391	29,342	29,391
Regional Airport			14,346	12,485	14,346	12,485
Surface Water			16,812	17,126	16,812	17,126
Solid Waste Management			6,197	5,927	6,197	5,927
Total Expenses	127,014	114,341	66,697	64,929	193,711	179,270
Increase (decrease) in net position before transfers	15,256	20,372	3,146	9,139	18,402	29,511
Transfers	2,243	2,176	(2,243)	(2,176)		
Increase (decrease) in net position	17,499	22,548	903	6,963	18,402	29,511
Net position - beginning	367,035	344,487	281,965	275,002	649,000	619,489
Net position - ending	\$ 384,534	\$ 367,035	\$ 282,868	\$ 281,965	\$ 667,402	\$ 649,000

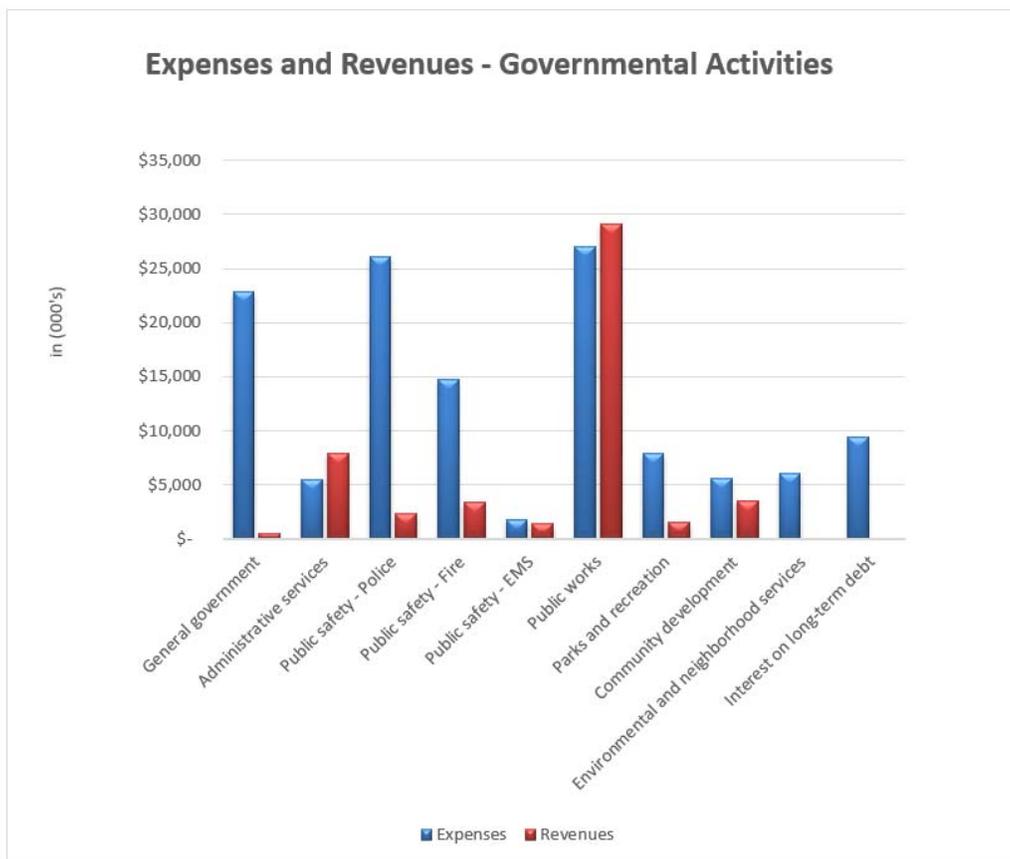
The City's net position increased by approximately \$18.4 million, which was the result of an increase in both governmental activities and business-type activities net position. The increase in the net position of governmental activities was the result of capital contributions of \$22.6 million and an 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 total revenues exceeding overall expenses.

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

Governmental Activities

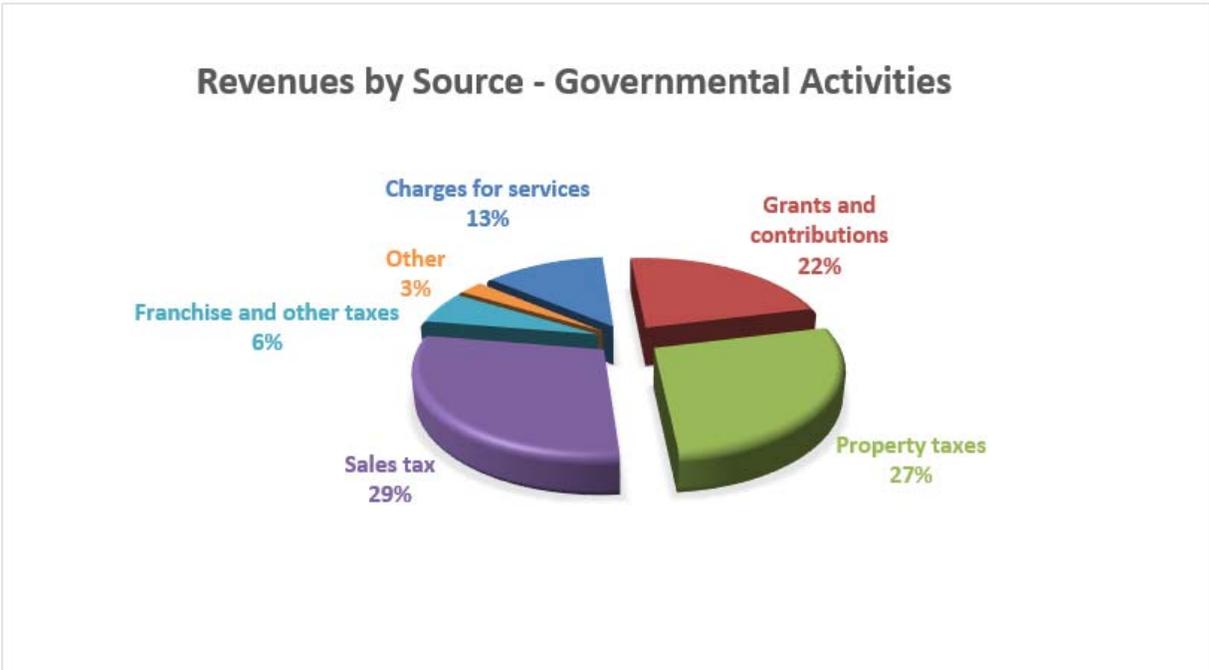
Governmental activities increased the City's net position by \$17.5 million. Key elements of this increase are as follows:

- An increase in property tax revenues by \$1.8 million is due to an increase in the property valuation.
- Capital grants and contributions of \$30 million includes: \$10.7 million from Imperial Redevelopment District for the University Blvd. project, \$4.9 million from Fort Bend County and Texas Department of Transportation for various street projects, \$8.9 million in developer and easement donations, \$4.2 million from ACE LLC and Sugar Land 4B Corporation for the Performing Art Center facility and TIRZ 4 Parking.



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

Governmental Activities (continued)



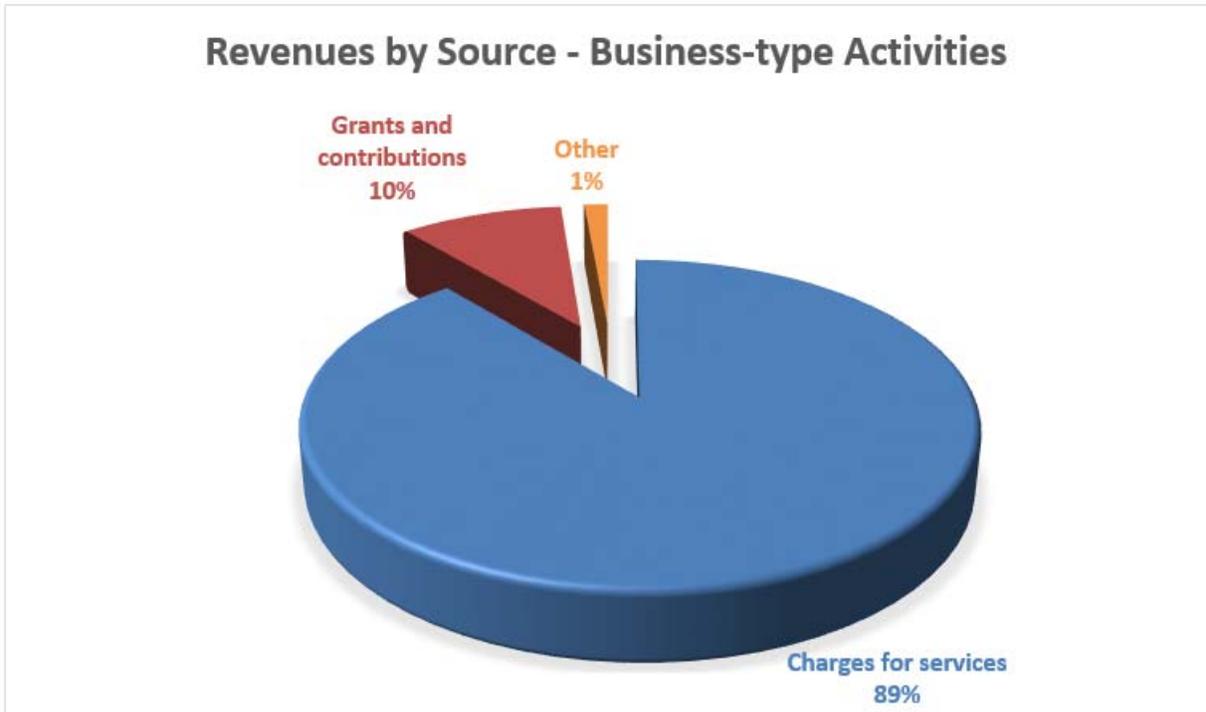
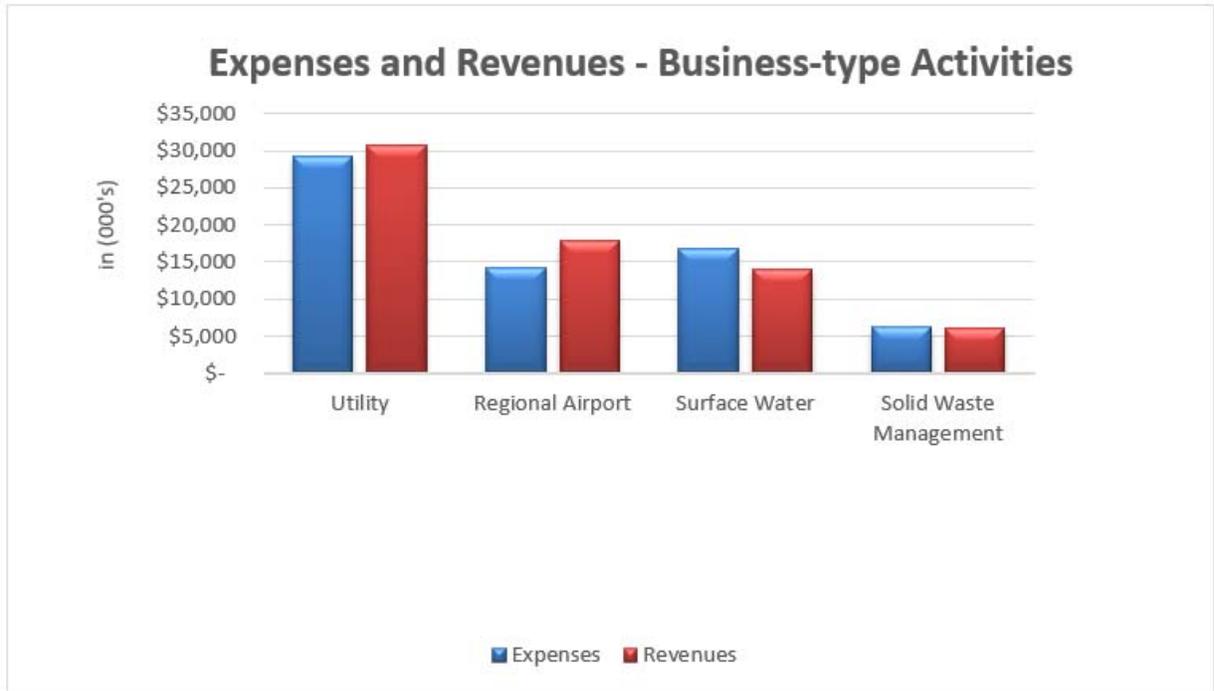
Business-type Activities

Business-type activities increased the City's net position by \$0.9 million. Key elements of this increase are as follows:

The net position of Airport Fund increased by \$3.7 million mainly due to capital contribution of \$3.5 million from Texas Department of Transportation and increase in the fuel sales due to Super Bowl LI, held at NRG stadium in Houston. The increase in net position of Airport Fund is offset by the decrease in net position of Utility and Surface Water Fund by \$0.3 million and \$2.5 million respectively.

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

Business-type Activities (continued)



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 \$77.8 million, a decrease of \$9 million from the prior year. Approximately 36% of the combined ending fund balances, \$28.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with decreases of \$5.9 million. This decrease is primarily due to capital outlay related to construction projects including various improvements to street, parks and facilities.

Fund balance in the General Fund increased from prior year, by \$0.6 million, resulting in an ending fund balance of \$29.1 million at year end. The unassigned fund balance of \$28.0 million represents 34% of total fund expenditures.

The Debt Service Fund has a total fund balance of \$5.5 million at year end, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$0.2 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 \$25.4 million. The Surface Water Fund has approximately \$15.3 million in unrestricted net position, and the Airport Fund's unrestricted net position amounted to approximately \$3.0 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 \$1.9 million due to the reclassification of transfers into sales tax.

During the year there were increases between the original and final amended budget expenditure appropriations of \$4.3 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 2017. The review of the final amended budget versus the actual for the general fund, reflected a positive budget variance in the amount of \$2.7 million.

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

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year 2017, the City's governmental activities and business-type activities had invested \$591.9 million and \$411.8 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$42.3 million or 7.7% over the end of last fiscal year for governmental activities and a change of \$6.5 million or 1.6% for business-type activities.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land and intangibles	\$ 89,682	\$ 86,380	\$ 25,736	\$ 21,917	\$ 115,419	\$ 108,297
Construction in progress	60,241	150,132	48,912	42,821	109,153	192,953
Infrastructure	219,695	206,858	316,184	323,575	535,879	530,433
Buildings and improvements	199,103	89,453	16,510	12,719	215,613	102,172
Equipment and furniture	23,227	16,820	4,470	4,250	27,696	21,070
Total Capital Assets	\$ 591,948	\$ 549,643	\$ 411,812	\$ 405,282	\$ 1,003,759	\$ 954,925

The decrease in construction in progress for governmental activities is due to completion of various projects including; Performing Art Center, TIRZ 4 Parking, Brazos River Park Phase II and University North to Imperial.

The increase in construction in progress for business-type activities is due to the construction activities in various areas including; Waste water collection rehab. Project, Lift station rehab. Project, Riverstone ground water plant improvement and Surface water transmission line to Riverstone ground water plant.

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, and other obligations outstanding of \$525.1 million. Of this amount, \$90.9 million was general obligation debt (including \$1.8 million of dissolved utility district bonds), and \$154.1 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and tax notes account for \$211.5 million and \$3.2 million, respectively. The City's net pension liability as of September 30, 2017 is \$34.0 million.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 83,880	\$ 84,390	\$ 7,030	\$ 7,660	\$ 90,910	\$ 92,050
Revenue bonds	48,865	50,655	105,220	91,355	154,085	142,010
Certificates of obligation	118,058	104,245	93,322	93,470	211,380	197,715
Tax note	3,193	3,965			3,193	3,965
Premiums or discounts	17,513	16,803	8,229	7,757	25,742	24,560
Capital leases payable		260			-	260
Net pension liability	29,961	27,415	4,027	3,598	33,988	31,013
Other obligations	5,427	4,590	358	338	5,785	4,928
	\$ 306,896	\$ 292,323	\$ 218,186	\$ 204,178	\$ 525,082	\$ 496,501

The net increase in debt for the year was \$28.6 million or 5.8%. 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:

	Standard and Poor’s	Fitch Investors Service
General obligation bonds	AAA	AAA
Revenue bonds	AA+	AA+

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

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

Imperial Redevelopment Agreement

On May 3, 2016, the City Council approved the third amendment to the Imperial Redevelopment Agreement. This agreement defines the conditions for the Imperial Redevelopment District's participation in the extension of a roadway and bridge from US 90A at University Boulevard N to the terminus of Stadium Drive, including a bridge across Oyster Creek and the Union Pacific Railroad Spur at Nalco Champion. The Imperial Redevelopment District (IRD) issued Unlimited Tax Road Bonds Series 2016 of \$12,135,000 and Tax Increment Contract Revenue Bonds Series 2016 of \$4,980,000 to fund their share of the roadway project and bridge. Funding in the amount of \$10,650,000, representing the District's share of the roadway and bridge, was received by the City on October 14, 2016. On August 16, 2016, the City approved a Tri-Party Funding Agreement between the City, Tax Increment Reinvestment Zone #3 (TIRZ #3) and the IRD to transfer the Tax Increments in the Tax Increment Fund, less certain deductions, to the IRD to support repayment of the Tax Increment Contract Revenue Bonds to be issued to finance certain components of the TIRZ plan. The City was responsible for a portion of the roadway, the UPRR crossing and the intersection and signal at US90A. Fort Bend County contributed \$1.3 million toward the roadway project as well.

Economic Factors and Next Year’s Budgets and Rates

As of September 2017, the Houston-Sugar Land-Baytown MSA unemployment rate was 4.8%, the Texas unemployment rate was 4.2% and the U.S. unemployment rate was 4.0%. The City experienced a downturn in sales tax revenues during the last three months of the fiscal year and recognized that certain patterns and facts were beginning to suggest further declines in fiscal year 2018. Fiscal year 2017 ended with collections 5.34% lower than original budget, and 0.69% lower than year-end projections. The adopted FY18 budget held sales tax revenue flat based on FY17 projected revenue. FY18 property tax revenues are based on the adopted 2017 tax rate of \$0.31762 per \$100 taxable value and a net taxable value of \$12.62 billion to the City after TIRZ incremental values are deducted. The fiscal year 2018 budget was amended in October to reduce general fund expenditures to accommodate a lower than anticipated revenue stream from property and sales taxes compared to the original budget, and provide capacity to address needs that arose from Hurricane Harvey.

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

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

The main objective of this budget was to complete the annexation of New Territory and Greatwood, which is being funded with money set aside during the last 10 years specifically for this purpose. At the same time, economic challenges were thrown at the City due to the decline in the oil and gas industry, leading to a reduction and prioritization of available resources. The FY18 budget highlights the City's commitment to financial integrity and long-term resiliency. It demonstrates the City's continued efforts to act in best interests of its residents by taking proactive, and fiscally conservative actions that maintain the organizations financial well-being. Unlike most years, this budget was confronted with dynamic events, including a natural disaster in the form of Hurricane Harvey. This natural disaster placed significant downward pressure on one of the City's largest revenue sources, sales tax. In addition to reducing sales tax revenue estimates, the budget also required an adjustment to reflect the revenues associated with the adopted tax rate. Maintaining a balanced budget requires that as revenues are reduced, recurring expenditures must also be reduced. Ultimately, it was a combination of the economy, a natural disaster, and the adopted tax rate that shaped the final amended budget.

The amended total budget for fiscal year 2018 is \$228.71 million and includes \$21.6 million in capital projects funding. The amended budget for FY18 continues to incorporate strategic changes that are recommended to reduce the City's reliance on sales tax as a revenue stream for recurring operations. The City has historically transferred 10% of General Fund sales tax to support the Pay-As-You-Go (PAYG) capital improvement program. With the slowdown in the City's sales tax collections, the funding mechanism for supporting these recurring capital improvement costs has evaporated and highlighted the need to begin taking actions to implement a long-term solution. The FY18 budget incorporates the first steps in this strategy by forecasting no growth in the base sales tax estimates for the upcoming year, as well as transitioning recurring PAYG capital rehabilitation projects into departmental operating budgets using a phased approach. This will allow these projects to transition to a more stable funding source and ensure that critical maintenance items, such as road repairs, can continue when there is downturn in sales tax.

The budget has been developed to serve an estimated population of 117,868 as of January 1, 2018, a 34% increase from 2017, with no impact to existing residents. This population includes the Greatwood and New Territory communities, which will be annexed into the City on December 12, 2017.

Approximately half of the General Fund operating budget is used to fund a robust public safety program. Drivers of the budget include annexation related expenses (which are covered by debt reduction funds from the annexed areas), a 2% pool for merit increases for existing employees effective January 1, full year implementation of 2017 merit increases, a 4% increase in health benefits costs, and contractual costs such as landscaping, custodial services, and the Comcast franchise agreement.

Outside of increases due to annexation, there are no planned new positions or services incorporated in the budget. The budget for FY18 incorporates the addition of 19.5 new positions due to annexation. The growth in population from annexation triggers implementation of a new 311 Contact Center to improve customer service citywide.

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

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

The 2017 adopted tax rate is \$0.31762 per \$100 valuation, which is effectively a 1.5% increase over the 2016 rate. The homestead exemption remains at 10% for 2017, as does the optional exemption of \$70,000 for over 65/disabled.

In the Enterprise Funds there are no changes to water, wastewater, or surface water rates. This is consistent with the 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 2.5% increase to residential rates based on the contract with Republic Services, which is based on a 2.5% CPI increase. The new rate will be effective January 1, 2018 and will increase from \$18.00 to \$18.45 per month with no changes to service levels.

The FMPS contains guidance on evaluating user fees for an annual CPI adjustment and for calculation of new fees. There are only two new fees included which are based on requests for expedited food permits, and late renewals of rental licenses. In FY18, an increase of 2.10% is incorporated in certain fees based on changes in the CPI between 2016 and 2017. The full cost of fire service shows a small increase from the current fee, going from \$17.09 to \$17.68 per month. Fee adjustments are effective January 1, 2018.

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.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF SUGAR LAND, TEXAS

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 22,029,708	\$ 1,466,273	\$ 23,495,981	\$ 1,811,499
Cash with fiscal agent	488,000		488,000	
Investments	61,267,210	38,352,244	99,619,454	4,973,763
Accounts receivable, net of allowance for doubtful accounts	13,482,439	4,731,349	18,213,788	1,005,796
Interest receivable	152,638	293,076	445,714	29,651
Internal balances	(7,901,531)	7,901,531		
Due from other governments	4,081,783	50,000	4,131,783	
Inventories	211,199	306,920	518,119	
Prepaid items	348,391	7,908	356,299	3,139
Restricted cash and cash equivalents	3,564,943	8,079,913	11,644,856	413,709
Restricted investments	2,989,786	35,690,235	38,680,021	2,739,382
Total current assets	100,714,566	96,879,449	197,594,015	10,976,939
Non-current assets:				
Capital assets not being depreciated:	149,466,319	74,013,653	223,479,972	
Capital assets net of depreciation:	442,481,226	337,798,088	780,279,314	
Total non-current assets	591,947,545	411,811,741	1,003,759,286	
Total Assets	692,662,111	508,691,190	1,201,353,301	10,976,939
Deferred Outflows of Resources				
Deferred charge on refunding	1,512,396	630,858	2,143,254	109,712
Deferred outflows relating to pension activities	15,090,613	2,028,295	17,118,908	
Total Deferred Outflows of Resources	16,603,009	2,659,153	19,262,162	109,712
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	14,098,940	5,945,852	20,044,792	21,185
Accrued interest	1,596,561	1,100,547	2,697,108	181,936
Unearned revenue	345,741	15,900	361,641	
Customer deposits	120,173	3,009,582	3,129,755	
Total current liabilities	16,161,415	10,071,881	26,233,296	203,121
Non-current liabilities:				
Due within one year	17,637,142	9,717,398	27,354,540	1,994,599
Due in more than one year	289,258,994	208,468,446	497,727,440	30,184,099
Total non-current liabilities	306,896,136	218,185,844	525,081,980	32,178,698
Total Liabilities	323,057,551	228,257,725	551,315,276	32,381,819
Deferred Inflows of Resources				
Deferred inflows relating to pension activities	1,673,209	224,892	1,898,101	
Total Deferred Inflows of Resources	1,673,209	224,892	1,898,101	
Net Position				
Net investment in capital assets	340,297,843	228,368,656	568,666,499	
Restricted:				
Debt service	11,911,559	9,116,186	21,027,745	2,940,710
Economic development activities	7,655,992		7,655,992	1,690,087
Public safety	189,342		189,342	
Tourism & marketing	1,395,355		1,395,355	
Unrestricted	23,084,269	45,382,884	68,467,153	(25,925,965)
Total Net Position	\$ 384,534,360	\$ 282,867,726	\$ 667,402,086	\$ (21,295,168)

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental Activities:				
General government	\$ 23,393,933	\$ 492,105	\$	\$
Administrative services	5,514,367	6,598,604	1,339,389	
Public safety - Police	26,137,845	2,189,953	148,828	
Public safety - Fire	14,196,831	3,139,758	93,135	211,916
Public safety - EMS	1,803,131	1,426,438		
Public works	27,074,624	556,641	22,831	28,558,089
Parks and recreation	7,870,047	591,610	62,410	923,410
Community development	5,563,555	3,061,505	158,313	303,304
Environmental and neighborhood services	6,064,691			
Interest on long-term debt	9,393,095			
Total governmental activities	<u>127,012,119</u>	<u>18,056,614</u>	<u>1,824,906</u>	<u>29,996,719</u>
Business-type activities:				
Utility	29,341,563	28,409,379		2,433,875
Regional Airport	14,345,583	13,539,743	50,000	4,241,193
Surface Water	16,812,428	14,049,110		
Solid Waste Management	6,196,978	6,475,296		
Total business-type activities	<u>66,696,552</u>	<u>62,473,528</u>	<u>50,000</u>	<u>6,675,068</u>
Total primary government	<u>\$ 193,708,671</u>	<u>\$ 80,530,142</u>	<u>\$ 1,874,906</u>	<u>\$ 36,671,787</u>
Component Units				
Sugar Land 4B Corporation	\$ 7,450,048	\$	\$ 155,403	\$
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1	1,380,860			
Sugar Land Reinvestment Zone No. 3	356,677			
Sugar Land Reinvestment Zone No. 4	30,368			
Total component units	<u>\$ 9,217,953</u>	<u>\$</u>	<u>\$ 155,403</u>	<u>\$</u>

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Functions/Programs	Governmental Activities	Business-type Activities	Total	Component Units
Primary government				
Governmental Activities:				
General government	\$ (22,901,828)	\$	\$ (22,901,828)	
Administrative services	2,423,626		2,423,626	
Public safety - Police	(23,799,064)		(23,799,064)	
Public safety - Fire	(10,752,022)		(10,752,022)	
Public safety - EMS	(376,693)		(376,693)	
Public works	2,062,937		2,062,937	
Parks and recreation	(6,292,617)		(6,292,617)	
Community development	(2,040,433)		(2,040,433)	
Environmental and neighborhood services	(6,064,691)		(6,064,691)	
Interest on long-term debt	(9,393,095)		(9,393,095)	
Total governmental activities	<u>(77,133,880)</u>		<u>(77,133,880)</u>	
Business-type activities:				
Utility		1,501,691	1,501,691	
Regional Airport		3,485,353	3,485,353	
Surface Water		(2,763,318)	(2,763,318)	
Solid Waste Management		278,318	278,318	
Total business-type activities		<u>2,502,044</u>	<u>2,502,044</u>	
Total primary government	<u>\$ (77,133,880)</u>	<u>\$ 2,502,044</u>	<u>\$ (74,631,836)</u>	
Component Units				
Sugar Land 4B Corporation				\$ (7,294,645)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1				(1,380,860)
Sugar Land Reinvestment Zone No. 3				(356,677)
Sugar Land Reinvestment Zone No. 4				<u>(30,368)</u>
Total component units				<u>(9,062,550)</u>
General revenues:				
Property taxes	39,052,391		39,052,391	2,292,107
Sales tax	41,330,120		41,330,120	5,904,303
Franchise and other taxes	8,535,339		8,535,339	
Investment earnings	826,905	561,113	1,388,018	91,096
Miscellaneous	2,645,117	83,106	2,728,223	80,016
Transfers	<u>2,243,212</u>	<u>(2,243,212)</u>		
Total general revenues and transfers	<u>94,633,084</u>	<u>(1,598,993)</u>	<u>93,034,091</u>	<u>8,367,522</u>
Change in net position	17,499,204	903,051	18,402,255	(695,028)
Net position - beginning	<u>367,035,156</u>	<u>281,964,675</u>	<u>648,999,831</u>	<u>(20,600,140)</u>
Net position - ending	<u>\$ 384,534,360</u>	<u>\$ 282,867,726</u>	<u>\$ 667,402,086</u>	<u>\$ (21,295,168)</u>

See Notes to the Financial Statements.

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 2,834,843	\$ 947,234	\$ 14,376,394	\$ 2,639,178	\$ 20,797,649
Investments	24,421,045	4,587,679	18,676,615	9,700,936	57,386,275
Receivables, net of allowance for uncollectibles	8,090,149	220,665		4,777,570	13,088,384
Interest receivable	54,154	14,102	47,979	26,694	142,929
Due from other governments	241,884		3,662,346	177,553	4,081,783
Inventories	211,199				211,199
Prepaid items	255,751			11,735	267,486
Restricted cash and cash equivalents	15		1,592,446	1,972,482	3,564,943
Restricted investments			498,550	2,491,236	2,989,786
Total Assets	<u>\$ 36,109,040</u>	<u>\$ 5,769,680</u>	<u>\$ 38,854,330</u>	<u>\$ 21,797,384</u>	<u>\$ 102,530,434</u>
Liabilities					
Accounts payable	\$ 4,233,011	\$	\$ 6,116,301	\$ 1,774,666	\$ 12,123,978
Accrued expenditures	1,177,864			4,838	1,182,702
Customer deposits	120,173				120,173
Due to other funds			6,600,000		6,600,000
Unearned revenue	321,950		23,791		345,741
Total Liabilities	<u>5,852,998</u>		<u>12,740,092</u>	<u>1,779,504</u>	<u>20,372,594</u>
Deferred Inflows of Resources					
Unavailable revenue	1,159,594	220,667		3,027,016	4,407,277
Total Deferred Inflows of Resources	<u>1,159,594</u>	<u>220,667</u>		<u>3,027,016</u>	<u>4,407,277</u>
Fund Balance					
Nonspendable:					
Inventories	211,199				211,199
Prepaid items	255,751			11,735	267,486
Restricted:					
Debt service		5,549,013		7,738,440	13,287,453
Capital projects			18,346,186		18,346,186
Economic development activities				7,655,992	7,655,992
Public safety				215,855	215,855
Tourism & marketing				1,395,355	1,395,355
Committed	376,995		7,768,052		8,145,047
Assigned	272,224				272,224
Unassigned	27,980,279			(26,513)	27,953,766
Total Fund Balance	<u>29,096,448</u>	<u>5,549,013</u>	<u>26,114,238</u>	<u>16,990,864</u>	<u>77,750,563</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 36,109,040</u>	<u>\$ 5,769,680</u>	<u>\$ 38,854,330</u>	<u>\$ 21,797,384</u>	<u>\$ 102,530,434</u>

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, 2017

Total fund balance, governmental funds \$ 77,750,563

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 \$905,343,942 and the accumulated depreciation is \$317,359,120. 587,984,822

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 4,407,277

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. 1,512,396

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	\$ (253,995,771)	
Accrued interest on the bonds	(1,596,561)	
Premium/discount of bonds payable	(17,512,512)	
Compensated absences	(2,904,149)	
Sales tax payable	(716,858)	
Net pension liability	<u>(29,960,937)</u>	
		(306,686,788)

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. 13,417,404

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. 6,148,686

Net Position of Governmental Activities in the Statement of Net Position \$ 384,534,360

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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ 21,127,721	\$ 17,871,342	\$	\$	\$ 38,999,063
Sales tax	35,854,284			5,975,714	41,829,998
Franchise and other taxes	6,160,773			2,374,566	8,535,339
Licenses and permits	3,052,646				3,052,646
Fines and forfeitures	1,550,428			2,433,435	3,983,863
Charges for services	11,167,633		347,220	154,084	11,668,937
Investment earnings	332,383	34,294	307,387	129,111	803,175
Intergovernmental	657,843		18,423,700	2,526,905	21,608,448
Other	423,946	1,118,103	2,269,660	532,779	4,344,488
Total Revenues	<u>80,327,657</u>	<u>19,023,739</u>	<u>21,347,967</u>	<u>14,126,594</u>	<u>134,825,957</u>
Expenditures					
Current:					
General government	15,339,082			4,102,215	19,441,297
Administrative services	4,032,334	1,652,432	343,329	779,810	6,807,905
Public safety - Police	23,471,122		25,024	1,645,564	25,141,710
Public safety - Fire	12,947,595		19,050		12,966,645
Public safety - EMS	1,711,485				1,711,485
Public works	9,510,418		5,504,444		15,014,862
Parks and recreation	4,911,262		471,827		5,383,089
Community development	5,163,724				5,163,724
Environmental and neighborhood services	5,099,366		13,492		5,112,858
Debt Service:					
Principal		14,359,483		1,790,000	16,149,483
Interest and fiscal charges		7,762,314		2,397,290	10,159,604
Bond issuance costs			355,510		355,510
Capital Outlay			<u>50,887,348</u>	<u>583,075</u>	<u>51,470,423</u>
Total Expenditures	<u>82,186,388</u>	<u>23,774,229</u>	<u>57,620,024</u>	<u>11,297,954</u>	<u>174,878,595</u>
Excess (deficiency) of revenues over expenditures	<u>(1,858,731)</u>	<u>(4,750,490)</u>	<u>(36,272,057)</u>	<u>2,828,640</u>	<u>(40,052,638)</u>
Other Financing Sources (Uses)					
Certificates of obligation issued			19,060,000		19,060,000
General obligation bonds issued			7,570,000		7,570,000
Premium on debt issued		6,241	2,039,223		2,045,464
Sale of capital assets	107,275				107,275
Transfers in	3,772,467	4,616,779	2,603,474	861,380	11,854,100
Transfers (out)	(1,466,910)	(73,203)	(897,500)	(7,173,275)	(9,610,888)
Total Other Financing Sources and Uses	<u>2,412,832</u>	<u>4,549,817</u>	<u>30,375,197</u>	<u>(6,311,895)</u>	<u>31,025,951</u>
Net change in fund balance	554,101	(200,673)	(5,896,860)	(3,483,255)	(9,026,687)
Fund balance - beginning	<u>28,542,347</u>	<u>5,749,686</u>	<u>32,011,098</u>	<u>20,474,119</u>	<u>86,777,250</u>
Fund balance - ending	<u>\$ 29,096,448</u>	<u>\$ 5,549,013</u>	<u>\$ 26,114,238</u>	<u>\$ 16,990,864</u>	<u>\$ 77,750,563</u>

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

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

For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds: \$ (9,026,687)

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 (\$18,437,042) is exceeded by capital outlays (\$52,512,360) in the current period. 34,075,318

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. 8,095,257

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (5,802)

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. (1,605,021)

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 4,995,958

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

Proceeds from the issuance of long term debt, plus premiums and interest, less issuance costs	(28,675,464)	
Repayment of long term debt principal	<u>16,167,565</u>	
		(12,507,899)

Bond issuance costs, deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Assets. The net change for each represents an increase/(decrease) in net assets.

Bond premiums/discounts	1,335,885	
Gain/loss on refunding	<u>(143,924)</u>	
		1,191,961

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	(83,442)	
Changes in accrued compensated absences	(100,364)	
Pension expense for the pension plan measurement year	<u>(7,843,797)</u>	
		(8,027,603)

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. 313,722

Change in net position of governmental activities		<u>\$ 17,499,204</u>
---	--	----------------------

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 448,520	\$ 203,818	\$ 544,610	\$ 269,325	\$ 1,466,273	\$ 1,232,059
Cash with fiscal agent						488,000
Investments	21,167,506	5,977,310	11,207,428		38,352,244	3,880,935
Accounts receivable, net of allowance for doubtful accounts	3,253,028	164,074	585,539	728,708	4,731,349	394,055
Due from other funds	5,600,000		3,000,000		8,600,000	
Receivables from other governments		50,000			50,000	
Interest receivable	174,738	18,377	99,961		293,076	9,709
Inventories	131,385	175,535			306,920	
Prepaid items	1,270	6,638			7,908	80,905
Restricted cash and cash equivalents	7,416,552	402,964	260,397		8,079,913	
Restricted investments	16,201,970	2,970,537	16,517,728		35,690,235	
Total current assets	54,394,969	9,969,253	32,215,663	998,033	97,577,918	6,085,663
Non-current assets:						
Capital assets not being depreciated:						
Land	2,321,552	20,140,022	804,373		23,265,947	
Construction in progress	27,629,106	11,477,876	9,804,807		48,911,789	
Intangibles	1,595,947		239,970		1,835,917	
Capital assets being depreciated:						
Infrastructure	358,990,938	46,113,408	105,632,855		510,737,201	
Buildings and improvements	5,597,869	17,999,696	393,788		23,991,353	
Equipment and furniture	4,688,381	5,081,338	256,086	55,358	10,081,163	11,936,661
Intangibles	127,704		891,308		1,019,012	30,354
Less accumulated depreciation	(158,396,755)	(27,692,656)	(21,932,930)	(8,300)	(208,030,641)	(8,004,292)
Total non-current assets	242,554,742	73,119,684	96,090,257	47,058	411,811,741	3,962,723
Total Assets	296,949,711	83,088,937	128,305,920	1,045,091	509,389,659	10,048,386
Deferred Outflows of Resources						
Deferred charge on refunding	327,129	303,729			630,858	
Deferred outflows relating to pension activities	1,053,416	649,845	274,440	50,594	2,028,295	
Total Deferred Outflows of Resources	1,380,545	953,574	274,440	50,594	2,659,153	
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	2,751,810	835,588	1,789,380	569,074	5,945,852	145,059
Accrued interest	396,233	77,055	627,259		1,100,547	
Due to other funds		2,000,000			2,000,000	
Customer deposits	2,926,580	83,002			3,009,582	
Unearned revenue		15,900			15,900	
Claims and judgments						647,201
Total current liabilities	6,074,623	3,011,545	2,416,639	569,074	12,071,881	792,260
Non-current liabilities:						
Due within one year	5,619,909	840,931	3,256,348	210	9,717,398	
Due in more than one year	83,562,375	11,572,424	109,299,362	7,303	204,441,464	1,805,909
Net pension liability	2,091,455	1,290,204	544,873	100,450	4,026,982	
Total non-current liabilities	91,273,739	13,703,559	113,100,583	107,963	218,185,844	1,805,909
Total Liabilities	97,348,362	16,715,104	115,517,222	677,037	230,257,725	2,598,169
Deferred Inflows of Resources						
Deferred inflows relating to pension activities	116,800	72,053	30,429	5,610	224,892	
Total Deferred Inflows of Resources	116,800	72,053	30,429	5,610	224,892	
Net Position						
Net investment in capital assets	168,819,262	63,346,875	(3,844,539)	47,058	228,368,656	3,962,723
Restricted:						
Debt service	6,618,534	914,571	1,583,081		9,116,186	
Unrestricted	25,427,298	2,993,908	15,294,167	365,980	44,081,353	3,487,494
Total Net Position	\$200,865,094	\$ 67,255,354	\$ 13,032,709	\$ 413,038	281,566,195	\$ 7,450,217

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.

1,301,531

Total Net Position per Government-Wide financial statements

\$282,867,726

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, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
Revenues						
Charges for services	\$ 28,423,400	\$ 13,543,538	\$ 14,096,597	\$ 6,477,588	\$ 62,541,123	\$ 12,668,173
Total Operating Revenues	<u>28,423,400</u>	<u>13,543,538</u>	<u>14,096,597</u>	<u>6,477,588</u>	<u>62,541,123</u>	<u>12,668,173</u>
Operating Expenses						
Personnel services	4,400,576	2,795,401	1,107,574	228,185	8,531,736	29,227
Supplies and materials	171,842	6,321,496	76,442	5,318	6,575,098	1,222,278
Contractual services	6,783,987	1,642,748	2,693,249	5,917,607	17,037,591	155,782
Repairs and maintenance	4,847,094	519,749	1,708,700	9,307	7,084,850	58,602
Other expenses	724,493	381,703	307,807	33,133	1,447,136	10,114,037
Depreciation	9,623,569	2,293,967	6,199,869	4,428	18,121,833	974,634
Total Operating Expenses	<u>26,551,561</u>	<u>13,955,064</u>	<u>12,093,641</u>	<u>6,197,978</u>	<u>58,798,244</u>	<u>12,554,560</u>
Operating income (loss)	<u>1,871,839</u>	<u>(411,526)</u>	<u>2,002,956</u>	<u>279,610</u>	<u>3,742,879</u>	<u>113,613</u>
Non-Operating Revenues (Expenses)						
Interest and investment revenue	353,198	30,746	177,093	76	561,113	23,730
Intergovernmental		50,000			50,000	
Gain (loss) on disposal of capital assets	19,913				19,913	164,379
Interest expense	(2,815,404)	(391,519)	(4,683,787)		(7,890,710)	
Total Non-operating Revenue (Expenses)	<u>(2,442,293)</u>	<u>(310,773)</u>	<u>(4,506,694)</u>	<u>76</u>	<u>(7,259,684)</u>	<u>188,109</u>
Income (loss) before contributions and transfers	<u>(570,454)</u>	<u>(722,299)</u>	<u>(2,503,738)</u>	<u>279,686</u>	<u>(3,516,805)</u>	<u>301,722</u>
Capital contributions	2,433,875	4,241,193			6,675,068	
Transfers in		197,670		44,200	241,870	
Transfers out	(2,185,082)			(300,000)	(2,485,082)	
Change in net position	<u>(321,661)</u>	<u>3,716,564</u>	<u>(2,503,738)</u>	<u>23,886</u>	<u>915,051</u>	<u>301,722</u>
Total net position - beginning	<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>
Total net position - ending	<u>\$ 200,865,094</u>	<u>\$ 67,255,354</u>	<u>\$ 13,032,709</u>	<u>\$ 413,038</u>	<u>\$ 281,566,195</u>	<u>\$ 7,450,217</u>
Change in net position per above					\$ 915,051	
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.					(12,000)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements					\$ 903,051	

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds					Governmental
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from customers and users	\$ 28,171,904	\$ 13,500,542	\$ 14,031,073	\$ 6,392,661	\$ 62,096,180	\$
Receipts from interfund charges for services						13,185,486
Disbursed for personnel services	(4,198,388)	(2,637,168)	(1,046,135)	(198,347)	(8,080,038)	(29,227)
Disbursed for goods and services	(12,556,344)	(9,748,159)	(3,447,360)	(5,915,671)	(31,667,534)	(12,993,396)
Net cash provided (used) by operating activities	11,417,172	1,115,215	9,537,578	278,643	22,348,608	162,863
Cash Flows from Non-Capital Financing Activities:						
Transfers from other funds		197,670		44,200	241,870	
Transfers to other funds	(2,185,082)			(300,000)	(2,485,082)	
Operating grants and contributions		65,900			65,900	
Net cash provided (used) by noncapital financing activities	(2,185,082)	263,570		(255,800)	(2,177,312)	
Cash Flows from Capital and Related Financing Activities:						
Proceeds from the sale of equipment	19,913				19,913	166,398
Proceeds from the sale of bonds	7,256,291	2,055,000	13,470,046		22,781,337	
Interest payments on debt	(2,802,948)	(347,885)	(4,633,791)		(7,784,624)	
Principal payments on debt	(5,256,802)	(757,399)	(2,733,198)		(8,747,399)	
Acquisition and construction of capital assets	(10,535,991)	(406,508)	(7,409,285)	(29,548)	(18,381,332)	(1,115,362)
Net cash provided (used) by capital and related financing activities	(11,319,537)	543,208	(1,306,228)	(29,548)	(12,112,105)	(948,964)
Cash Flows from Investing Activities						
Purchase of investments		(3,697,018)	(12,231,299)		(15,928,317)	(634,085)
Sale of investments	3,392,927				3,392,927	
Interest received	287,218	24,675	107,153	76	419,122	19,639
Net cash provided (used) by investing activities	3,680,145	(3,672,343)	(12,124,146)	76	(12,116,268)	(614,446)
Net increase (decrease) in cash and equivalents	1,592,698	(1,750,350)	(3,892,796)	(6,629)	(4,057,077)	(1,400,547)
Cash and equivalents, beginning of year	6,272,374	2,357,132	4,697,803	275,954	13,603,263	2,632,606
Cash and equivalents, at end of year	\$ 7,865,072	\$ 606,782	\$ 805,007	\$ 269,325	\$ 9,546,186	\$ 1,232,059
Unrestricted cash and equivalents	\$ 448,520	\$ 203,818	\$ 544,610	\$ 269,325	\$ 1,466,273	\$ 1,232,059
Restricted cash and equivalents	7,416,552	402,964	260,397		8,079,913	
	\$ 7,865,072	\$ 606,782	\$ 805,007	\$ 269,325	\$ 9,546,186	\$ 1,232,059
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,871,839	\$ (411,526)	\$ 2,002,956	\$ 279,610	\$ 3,742,879	\$ 113,613
Adjustments to reconcile operating income to cash provided by operating activities:						
Depreciation	9,623,569	2,293,967	6,199,869	4,428	18,121,833	974,634
(Increase) decrease in accounts receivable	(257,378)	(38,280)	(65,524)	(84,927)	(446,109)	(384,413)
(Increase) decrease in inventory	(24,016)	(41,073)			(65,089)	
(Increase) decrease in prepaid items	10,929	20,245			31,174	(50,723)
(Increase) decrease in deferred outflows relating to pension activities	44,790	11,008	3,015	(14,505)	44,308	
Increase (decrease) in accounts payable	(15,841)	(861,635)	1,338,838	49,694	511,056	(1,391,974)
Increase (decrease) in salaries payable	(294)	18,908	1,184	5,669	25,467	
Increase (decrease) in customer deposits	5,882	(4,716)			1,166	
Increase (decrease) in claims and judgments						901,726
Increase (decrease) in net pension liability	185,108	143,047	63,247	37,804	429,206	
Increase (decrease) in deferred inflows relating to pension activities	(27,416)	(14,730)	(6,007)	870	(47,283)	
Net cash provided (used) by operating activities	\$ 11,417,172	\$ 1,115,215	\$ 9,537,578	\$ 278,643	\$ 22,348,608	\$ 162,863
Non-cash Transactions:						
Capital assets contributed to City	\$ 2,433,875	\$ 4,241,193	\$	\$	\$ 6,675,068	

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF NET POSITION
September 30, 2017

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total Component Units
Assets					
Current assets:					
Cash and cash equivalents	\$ 161,479	\$ 20,581	\$ 39,588	\$ 1,589,851	\$ 1,811,499
Investments	4,973,763				4,973,763
Accounts receivable, net of allowance for doubtful accounts	991,868	205		13,723	1,005,796
Interest receivable	29,651				29,651
Prepaid items	3,139				3,139
Restricted cash and cash equivalents	383,264		30,445		413,709
Restricted investments	2,739,382				2,739,382
Total Assets	9,282,546	20,786	70,033	1,603,574	10,976,939
Deferred Outflows of Resources					
Deferred charge on refunding	109,712				109,712
Total Deferred Outflows of Resources	109,712				109,712
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	16,879		4,306		21,185
Accrued interest	181,936				181,936
Total current liabilities	198,815		4,306		203,121
Non-current liabilities:					
Due within one year	1,961,639				1,961,639
Due in more than one year	30,217,059				30,217,059
Total non-current liabilities	32,178,698				32,178,698
Total Liabilities	32,377,513		4,306		32,381,819
Net Position					
Restricted:					
Debt service	2,940,710				2,940,710
Economic development activities		20,786	65,727	1,603,574	1,690,087
Unrestricted	(25,925,965)				(25,925,965)
Total Net Position	\$(22,985,255)	\$ 20,786	\$ 65,727	\$ 1,603,574	\$(21,295,168)

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, 2017

Functions/Programs	Expenses	Program	Net (Expense) Revenue and Changes in Net Position				Totals
		Revenues	Sugar Land				
		Operating	Sugar Land 4B	Town Square	Sugar Land	Sugar Land	
		Grants and	Corporation	Reinvestment	Reinvestment	Reinvestment	
		Contributions		Zone No. 1	Zone No. 3	Zone No. 4	
Component Unit:							
Sugar Land 4B Corporation	\$ 7,450,048	\$ 155,403	\$ (7,294,645)	\$	\$	\$	\$ (7,294,645)
Sugar Land Town Square							
Tax Increment							
Reinvestment Zone No. 1	1,380,860			(1,380,860)			(1,380,860)
Sugar Land Reinvestment							
Zone No. 3	356,677				(356,677)		(356,677)
Sugar Land Reinvestment							
Zone No. 4	30,368					(30,368)	(30,368)
	<u>\$ 9,217,953</u>	<u>\$ 155,403</u>	<u>(7,294,645)</u>	<u>(1,380,860)</u>	<u>(356,677)</u>	<u>(30,368)</u>	<u>(9,062,550)</u>
General revenues							
Taxes:							
Property taxes				1,381,142	319,132	591,833	2,292,107
Sales tax			5,904,303				5,904,303
Miscellaneous			80,000	16			80,016
Unrestricted investment earnings			81,886	105	116	8,989	91,096
Total general revenues			<u>6,066,189</u>	<u>1,381,263</u>	<u>319,248</u>	<u>600,822</u>	<u>8,367,522</u>
Change in net position			(1,228,456)	403	(37,429)	570,454	(695,028)
Net position - beginning			<u>(21,756,799)</u>	<u>20,383</u>	<u>103,156</u>	<u>1,033,120</u>	<u>(20,600,140)</u>
Net position - ending			<u>\$ (22,985,255)</u>	<u>\$ 20,786</u>	<u>\$ 65,727</u>	<u>\$ 1,603,574</u>	<u>\$ (21,295,168)</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 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.

In addition, the City's Business type activities includes the following nonmajor proprietary fund:

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

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

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, 2017, outstanding purchase orders totaled \$649,219. These were the result of normal operations. As such, City Council has committed \$376,995 and the City Manager has assigned \$272,224 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 recorded at acquisition value at the date of donation.

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

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:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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 \$704.8 thousand as of September 30, 2017. The deficit is due to the unfunded OPEB liability.

The Sugar Land 4B Corporation had deficit net position of \$23 million as of September 30, 2017. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

The Photographic Traffic Enforcement Fund had a deficit fund balance of \$26,513 as of September 30, 2017. The deficit results primarily from a transfer of 50% of net revenues for traffic safety as described in Note 7.

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 82, *Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

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.

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

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

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.

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

	Total Fair Value	
	Primary Government	Discretely Presented Component Units
Cash Deposits	\$ 7,555,620	\$ 874,930
Certificates of Deposit	9,669,073	1,737,032
Temporary Investments:		
Government securities:		
FHLB	28,434,183	1,498,230
FHLMC	57,550,589	2,733,760
FFCB	20,942,457	997,584
FNMA	12,649,742	746,539
Public Funds Investment Pools:		
TexPool	8,604,232	1,350,278
TexSTAR	28,522,416	
	<u>\$ 173,928,312</u>	<u>\$ 9,938,353</u>

At September 30, 2017, the City reported cash deposits in the amount of \$8,430,550 and the bank balance was \$8,298,975. \$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 \$12,696,771 as of September 30, 2017.

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

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

Deposit and Investment Amounts (continued)

Investments' fair value measurements are as follows at September 30, 2017:

<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	\$ 11,406,105	\$ 11,406,105	\$	\$
Government securities:				
FHLB	29,932,413		29,932,413	
FHLMC	60,284,349		60,284,349	
FFCB	21,940,041		21,940,041	
FNMA	13,396,281		13,396,281	
Total	\$ 136,959,189	\$ 11,406,105	\$ 125,553,084	\$

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>Discretely Presented Component Units</u>
Interest income	\$ 1,935,511	\$ 123,923
Unrealized gain (loss) on temporary investments	(547,493)	(32,827)
Investment earnings	<u>\$ 1,388,018</u>	<u>\$ 91,096</u>

Interest Rate Risk

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

	<u>Fair Value</u>		<u>Weighted Average Maturity (days)</u>
	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	
Cash Deposits	\$ 7,555,620	\$ 874,930	1
Certificate of Deposits	9,669,073	1,737,032	344
Temporary Investments:			
Government securities:			
U.S. Agency Securities	119,576,971	5,976,113	389
Public Funds Investment Pools:			
TexPool	8,604,232	1,350,278	34
TexSTAR	28,522,416		29
	<u>\$ 173,928,312</u>	<u>\$ 9,938,353</u>	
Portfolio weighted average maturity (days)	<u>293</u>	<u>299</u>	

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

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

Interest Rate Risk (continued)

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, 2017, 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.

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.

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

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

Local Government Investment Pools (continued)

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.

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

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

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

Concentration of Credit Risk (continued)

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.

Investment Type	Fair Value	Percentage of Total Portfolio
Cash Deposits	\$ 8,430,550	4.6%
Certificates of Deposit	11,406,105	6.2%
Temporary Investments:		
Government securities:		
FHLB	29,932,413	16.3%
FHLMC	60,284,349	32.8%
FFCB	21,940,041	11.9%
FNMA	13,396,281	7.3%
Total government securities	125,553,084	68.3%
Public Funds Investment Pools:		
TexPool	9,954,510	5.4%
TexSTAR	28,522,416	15.5%
	\$ 183,866,665	100.0%

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

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

<u>Restricted Purpose</u>	<u>Cash</u>	<u>Investments</u>
Restricted for Capital Projects	\$ 2,237,780	\$ 32,349,274
Restricted for Debt Service	9,713,841	8,073,759
Restricted for Other Purposes	106,944	996,370
Total	<u>\$ 12,058,565</u>	<u>\$ 41,419,403</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, 2017, consist of the following:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non -Major Governmental Funds</u>	<u>Total</u>
Property taxes, including penalties and interest	\$ 687,634	\$ 220,665	\$	\$	\$ 908,299
Sales and other taxes	6,639,382				6,639,382
Fines and forfeitures	1,463,960			6,738,249	8,202,209
Interest	54,154	14,102	47,979	26,694	142,929
Other	1,126,217			758,686	1,884,903
Due from other governments	241,884		3,662,346	177,553	4,081,783
Allowance for uncollectibles	<u>(1,827,044)</u>			<u>(2,719,365)</u>	<u>(4,546,409)</u>
Total	<u>\$8,386,187</u>	<u>\$ 234,767</u>	<u>\$3,710,325</u>	<u>\$ 4,981,817</u>	<u>\$ 17,313,096</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	\$3,515,889	\$ 181,944	\$ 606,539	\$ 606,067	\$	\$ 4,910,439
Interest	174,738	18,377	99,961		9,709	302,785
Other		50,000		156,731	394,055	600,786
Allowance for uncollectibles	<u>(262,861)</u>	<u>(17,870)</u>	<u>(21,000)</u>	<u>(34,090)</u>		<u>(335,821)</u>
Total	<u>\$3,427,766</u>	<u>\$ 232,451</u>	<u>\$ 685,500</u>	<u>\$ 728,708</u>	<u>\$ 403,764</u>	<u>\$ 5,478,189</u>

Component Units:

	Sugar Land			
	<u>Sugar Land 4B Corporation</u>	<u>Town Square TIRZ #1</u>	<u>Sugar Land TIRZ #4</u>	<u>Total</u>
Sales and other taxes	\$ 991,868	\$ 205	\$ 13,723	\$ 1,005,796
Interest	29,651			29,651
Total	<u>\$ 1,021,519</u>	<u>\$ 205</u>	<u>\$ 13,723</u>	<u>\$ 1,035,447</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, 2017, follows:

	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 83,840,186	\$ 1,714,143	\$	85,554,329
Construction in progress	150,132,379	48,893,849	(138,785,128)	60,241,100
Intangibles	1,998,792	1,672,098		3,670,890
Total capital assets not being depreciated	<u>235,971,357</u>	<u>52,280,090</u>	<u>(138,785,128)</u>	<u>149,466,319</u>
Other capital assets:				
Infrastructure	446,975,344	23,080,592		470,055,936
Buildings and improvements	128,739,404	115,704,536		244,443,940
Equipment and furniture	44,380,430	9,442,889	(1,232,307)	52,591,012
Intangibles	753,750			753,750
Total other capital assets	<u>620,848,928</u>	<u>148,228,017</u>	<u>(1,232,307)</u>	<u>767,844,638</u>
Less accumulated depreciation for:				
Infrastructure	(240,117,038)	(10,244,005)		(250,361,043)
Buildings and improvements	(39,286,714)	(6,054,718)		(45,341,432)
Equipment and furniture	(27,560,036)	(3,028,798)	1,224,488	(29,364,346)
Intangibles	(212,436)	(84,155)		(296,591)
Total accumulated depreciation	<u>(307,176,224)</u>	<u>(19,411,676)</u>	<u>1,224,488</u>	<u>(325,363,412)</u>
Other capital assets, net	313,672,704	128,816,341	(7,819)	442,481,226
Totals	<u>\$ 549,644,061</u>	<u>\$ 181,096,431</u>	<u>\$ (138,792,947)</u>	<u>\$ 591,947,545</u>
	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017
Business-type Activities:				
Capital assets not being depreciated:				
Land	19,974,051	\$ 3,291,896	\$	23,265,947
Construction in progress	42,820,556	19,964,843	(13,873,610)	48,911,789
Intangibles	1,165,107	670,810		1,835,917
Total capital assets not being depreciated	<u>63,959,714</u>	<u>23,927,549</u>	<u>(13,873,610)</u>	<u>74,013,653</u>
Other capital assets:				
Infrastructure	501,372,065	9,365,136		510,737,201
Buildings and improvements	19,482,879	4,508,474		23,991,353
Equipment and furniture	9,407,773	724,349	(50,959)	10,081,163
Intangibles	1,019,012			1,019,012
Total other capital assets	<u>531,281,729</u>	<u>14,597,959</u>	<u>(50,959)</u>	<u>545,828,729</u>
Less accumulated depreciation for:				
Infrastructure	(177,796,714)	(16,756,853)		(194,553,567)
Buildings and improvements	(6,763,854)	(717,126)		(7,480,980)
Equipment and furniture	(5,158,132)	(504,170)	50,959	(5,611,343)
Intangibles	(241,067)	(143,684)		(384,751)
Total accumulated depreciation	<u>(189,959,767)</u>	<u>(18,121,833)</u>	<u>50,959</u>	<u>(208,030,641)</u>
Other capital assets, net	341,321,962	(3,523,874)		337,798,088
Totals	<u>\$ 405,281,676</u>	<u>\$ 20,403,675</u>	<u>\$ (13,873,610)</u>	<u>\$ 411,811,741</u>

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

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$ 677,820
Administrative services	1,104,639
Public works	12,051,584
Parks and recreation	2,103,338
Environmental and neighborhood services	1,022,210
Community development	72,872
Public safety-Police	423,782
Public safety-Fire	837,303
Public safety-EMS	143,494
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>974,634</u>
Total Governmental Activities	<u>\$ 19,411,676</u>
Water and wastewater	\$ 9,623,569
Airport	2,293,967
Surface Water	6,199,869
Solid Waste	<u>4,428</u>
Total Business-Type Activities	<u>\$ 18,121,833</u>

The City has active construction projects as of September 30, 2017. 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	\$ 22,004,277	\$ 3,150,475
Park improvement	13,089,441	1,344,335
Municipal improvements	2,441,630	1,409,491
Street improvement	18,245,556	8,220,508
Traffic improvement	4,460,196	58,085
GW Annexation		14,159
Water and wastewater improvements	27,629,106	4,073,564
Airport improvement	11,477,876	1,657,940
Surface Water	<u>9,804,807</u>	<u>6,363,110</u>
Totals	<u>\$ 109,152,889</u>	<u>\$ 26,291,667</u>

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

Note 5 - Long-Term Debt

A. Governmental Activity Debt

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

The City issued \$7,570,000 of General Obligation Bonds, Series 2016 dated November 1, 2016. This issuance is reported in governmental activities. Proceeds from the sale of the bonds, including a premium of \$241,463, will be used for (i) park and festival site improvements, (ii) hike and bike trails and (iii) to pay the costs associated with the issuance of the Bonds.

The City issued \$21,115,000 of Combination Tax and Revenue Certificates of Obligation, Series 2017 dated May 1, 2017. This issuance is reported in governmental activities and business-type activities in the amounts of \$19,060,000 and \$2,055,000, respectively. Proceeds from the sale of the certificates, including a premium of \$1,972,297, will be used (i) for construction, renovation or acquisition of: (a) street and traffic improvements, including, but not limited to, streets, boulevards and traffic signals, (b) drainage and flood control improvements, (c) animal shelter improvements, (d) airport maintenance building improvements, (e) law enforcement building improvements, and (f) City building office space improvements, including, but not limited to, City Hall and Public Works offices and (ii) to pay the costs associated with the issuance of the Certificates.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2017. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 82,065,000	\$ 7,570,000	\$ (7,540,000)	\$ 82,095,000	\$ 7,345,000
Annexed utility district bonds	2,325,000		(540,000)	1,785,000	535,000
Certificates of obligation	104,245,202	19,060,000	(5,247,601)	118,057,601	6,802,601
Sales tax revenue bonds	50,655,000		(1,790,000)	48,865,000	1,845,000
Tax note	3,964,881		(771,712)	3,193,169	785,743
Issuance premiums/discounts	16,802,933	2,045,464	(1,335,884)	17,512,513	
	<u>260,058,016</u>	<u>28,675,464</u>	<u>(17,225,197)</u>	<u>271,508,283</u>	<u>17,313,344</u>
Other non-current liabilities:					
Net pension liability	27,414,860	2,546,077		29,960,937	
Obligations under capital leases	260,170		(260,170)		
Other Post-Employment Benefit					
Obligation (OPEB)	1,551,384	355,580	(101,055)	1,805,909	
Obligation to State	235,061	634,463	(152,666)	716,858	248,798
Compensated absences	2,803,774	3,658,475	(3,558,100)	2,904,149	75,000
	<u>292,323,265</u>	<u>\$ 35,870,059</u>	<u>\$ (21,297,188)</u>	<u>\$ 306,896,136</u>	<u>\$ 17,637,142</u>
Total Governmental Activities	<u>\$ 292,323,265</u>	<u>\$ 35,870,059</u>	<u>\$ (21,297,188)</u>	<u>\$ 306,896,136</u>	<u>\$ 17,637,142</u>

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

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

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.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2017, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Series 2008 General Obligation Bonds	\$ 6,925,000	2028	4.0-5.0	\$ 325,000
Series 2010 General Obligation & Refunding Bonds	22,290,000	2026	2.0-5.0	9,715,000
Series 2010 General Obligation Bonds	2,435,000	2030	3.0-4.125	755,000
Series 2012 General Obligation & Refunding Bonds	9,440,000	2021	2.0-4.0	1,985,000
Series 2012A General Obligation Refunding Bonds	4,295,000	2025	2.0-4.0	2,925,000
Series 2014 General Obligation Refunding Bonds	21,565,000	2026	2.0-5.0	15,075,000
Series 2015 General Obligation Bonds	13,010,000	2035	2.125-4.0	12,100,000
Series 2015 General Obligation Refunding Bonds	9,375,000	2028	2.0-5.0	9,275,000
Series 2015 General Obligation Refunding Bonds	22,745,000	2029	4.0-5.0	22,745,000
Series 2016 General Obligation Bonds	7,570,000	2036	2.0-4.0	7,195,000
Total General Obligation Bonds				<u>\$ 82,095,000</u>
Certificates of Obligation				
Series 2008 Tax and Revenue Certificates of Obligation	\$ 4,460,000	2028	3.75-5.0	\$ 210,000
Series 2009 Tax and Revenue Certificates of Obligation	17,370,000	2029	2.0-4.5	1,057,601
Series 2010 Tax and Revenue Certificates of Obligation	23,405,000	2030	2.5-4.0	8,335,000
Series 2013 Tax and Revenue Certificates of Obligation	24,440,000	2033	2.5-4.0	20,595,000
Series 2014 Tax and Revenue Certificates of Obligation	9,980,000	2040	3.25-6.0	9,465,000
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	13,975,000
Series 2016 Tax and Revenue Certificates of Obligation	19,190,000	2036	2.0-4.0	18,230,000
Series 2017 Tax and Revenue Certificates of Obligation	19,060,000	2037	3.0-5.0	19,060,000
Total Certificates of Obligation				<u>\$ 118,057,601</u>
Series 2014 Tax Note	\$ 5,700,000	2021	1.81	\$ 3,193,169
Sales Tax Revenue Bonds				
Series 2013 Sales Tax Revenue Bonds	\$ 7,200,000	2038	4.25-4.375	\$ 6,420,000
Series 2014 Sales Tax Revenue Refunding Bonds	7,375,000	2025	2.0-5.0	6,075,000
Series 2014 Sales Tax Revenue Bonds	38,265,000	2040	3.75-6.75	36,370,000
Total Sales Tax Revenue Bonds				<u>\$ 48,865,000</u>
Annexed Utility District Bonds				
<i>Fort Bend County Municipal Utility District No. 21</i>				
Series 2008 Unlimited Tax Refunding	\$ 4,000,000	2024	3.5-4.0	\$ 100,000
Series 2012 Unlimited Tax Refunding	4,045,000	2021	2.0-3.0	1,685,000
Total Annexed Utility District Bonds				<u>\$ 1,785,000</u>

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

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2017, are as follows:

Year Ending	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
Sept. 30				
2018	\$ 7,345,000	\$ 3,242,338	\$ 6,802,601	\$ 4,372,942
2019	6,825,000	2,953,006	5,660,000	4,131,424
2020	6,765,000	2,676,206	5,790,000	3,912,549
2021	8,015,000	2,345,481	4,770,000	3,710,699
2022	8,350,000	2,014,231	4,865,000	3,522,186
2023	8,180,000	1,678,431	4,970,000	3,328,499
2024	8,120,000	1,312,531	4,775,000	3,133,611
2025	6,560,000	990,606	4,845,000	2,939,818
2026	5,190,000	729,997	4,915,000	2,745,202
2027	4,265,000	518,963	4,985,000	2,557,508
2028	2,775,000	361,963	6,690,000	2,345,450
2029	2,005,000	269,838	6,855,000	2,093,307
2030	1,325,000	214,344	7,005,000	1,831,908
2031	1,155,000	176,075	5,260,000	1,604,696
2032	1,175,000	141,125	5,340,000	1,413,237
2033	1,200,000	105,500	5,415,000	1,225,593
2034	1,225,000	68,594	4,275,000	1,061,193
2035	1,245,000	30,469	4,350,000	916,606
2036	375,000	5,625	3,395,000	783,199
2037			2,505,000	675,331
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	34,538
	<u>\$ 82,095,000</u>	<u>\$ 19,835,323</u>	<u>\$ 118,057,601</u>	<u>\$ 51,404,905</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, 2017, are as follows:

Year Ending Sept. 30	Governmental Activities			
	Annexed Utility District Bonds		Tax Note	
	Principal	Interest	Principal	Interest
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>\$ 1,785,000</u>	<u>\$ 101,600</u>	<u>\$ 4,033,169</u>	<u>\$ 159,499</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, 2017, are as follows:

Year Ending Sept. 30	Sugar Land Development Corporation Blended Component Unit Sales Tax Revenue Bonds	
	Principal	Interest
	2018	1,845,000
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>\$ 48,865,000</u>	<u>\$ 26,465,581</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 had no capital leases outstanding as of September 30, 2017.

Obligations to State - Refund of Sales Tax

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

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

Tax Note

In October 2014, the City issued a \$5.7 million tax note to fund the purchase of ambulances and fire trucks. The note was issued for seven years at the rate of 1.81%. 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, 2017 follows:

Description	Call Date	Amount Considered Defeased
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>\$ 59,070,000</u>

B. Business Type Activity Debt

The City issued \$19,780,000 of Waterworks and Sewer System Revenue Bonds, Series 2017 dated April 15, 2017. This issuance is reported in business-type activities. Proceeds from the sale of the bonds, including a premium of \$939,970, will be used (i) for acquiring and constructing property, facilities and improvements to the System, and (ii) to pay the costs incurred in connection with the issuance of the Bonds.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2017.

	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bonds payable:					
Water and wastewater revenue bonds	\$ 91,355,000	\$ 19,780,000	\$ (5,915,000)	\$ 105,220,000	\$ 6,710,000
General obligation bonds	7,660,000		(630,000)	7,030,000	645,000
Certificates of obligation	93,469,798	2,055,000	(2,202,400)	93,322,398	2,352,398
Issuance premiums/discounts	7,756,729	1,108,265	(636,169)	8,228,825	
	<u>200,241,527</u>	<u>22,943,265</u>	<u>(9,383,569)</u>	<u>213,801,223</u>	<u>9,707,398</u>
Other liabilities:					
Net Pension Liability	3,597,776	429,207		4,026,983	
Compensated absences	338,038	457,162	(437,562)	357,638	10,000
Total Business-type Activities	<u>\$ 204,177,341</u>	<u>\$ 23,829,634</u>	<u>\$ (9,821,131)</u>	<u>\$ 218,185,844</u>	<u>\$ 9,717,398</u>

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

Note 5 - Long-Term Debt (continued)

B. Business Type Activity Debt (continued)

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2017 follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Utility and Surface Water Funds				
Series 2008 Waterworks and Sewer System Revenue Bonds	\$ 14,780,000	2028	3.5-5.0	\$ 695,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	655,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	1,315,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	87,500,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	17,795,000
Series 2012A Waterworks and Sewer System Revenue Refunding Bonds	9,025,000	2030	2.0-4.0	5,810,000
Series 2013 Waterworks and Sewer System Revenue Bonds	15,765,000	2033	2.5-4.0	13,285,000
Series 2015 Waterworks and Sewer System Revenue Refunding Bonds	15,750,000	2035	3.0-5.0	14,390,000
Series 2016 Waterworks and Sewer System Revenue Refunding Bonds	31,710,000	2036	2.0-5.0	31,495,000
Series 2016 Tax and Revenue Certificates of Obligation	1,620,000	2036	2.0-4.0	1,575,000
Series 2017 Waterworks and Sewer System Revenue Bonds	19,780,000	2037	3.0-5.0	19,780,000
Total Utility and Surface Water Funds Debt				<u>\$ 194,295,000</u>
Airport Fund				
Series 2010 Combination Tax and Revenue Certificates of Obligation	450,000	2030	2.0-4.5	\$ 27,398
Series 2012A General Obligation Refunding	5,610,000	2025	2.0-4.0	4,190,000
Series 2013 Tax and Revenue Certificates of Obligation	730,000	2033	2.5-4.0	610,000
Series 2015 Tax and Revenue Certificates of Obligation	1,670,000	2035	3.0-4.0	1,555,000
Series 2015 General Obligation Refunding	2,820,000	2028	2.0-5.0	2,615,000
Series 2016 General Obligation Refunding	225,000	2029	4.0-5.0	225,000
Series 2017 Tax and Revenue Certificates of Obligation	2,055,000	2037	3.0-5.0	2,055,000
Total Airport Fund Debt				<u>\$ 11,277,398</u>
Total Enterprise Funds Long-Term Debt				<u>\$ 205,572,398</u>

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

Note 5 - Long-Term Debt (continued)

B. Business Type Activity Debt (continued)

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2017, are as follows:

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds		Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 6,710,000	\$ 3,997,194	\$ 2,352,398	\$ 4,135,342	\$ 645,000	\$ 269,650
2019	6,075,000	3,764,669	2,420,000	4,061,360	690,000	250,550
2020	6,280,000	3,550,069	2,520,000	3,984,848	710,000	227,000
2021	6,200,000	3,335,669	2,620,000	3,902,185	745,000	197,750
2022	6,440,000	3,108,769	2,730,000	3,803,841	775,000	168,600
2023	6,370,000	2,859,069	2,860,000	3,691,748	800,000	138,250
2024	6,655,000	2,581,319	2,985,000	3,574,423	835,000	103,075
2025	6,950,000	2,315,294	3,105,000	3,452,098	870,000	66,375
2026	7,260,000	2,010,806	3,230,000	3,324,801	295,000	40,225
2027	7,225,000	1,690,381	3,365,000	3,177,738	315,000	24,975
2028	7,525,000	1,398,856	3,510,000	3,022,341	330,000	8,950
2029	6,640,000	1,103,144	3,665,000	2,870,013	20,000	400
2030	4,980,000	850,894	3,835,000	2,697,760		
2031	4,915,000	691,894	4,005,000	2,516,343		
2032	3,355,000	527,944	4,195,000	2,336,244		
2033	3,475,000	409,156	4,390,000	2,138,041		
2034	2,480,000	285,044	4,565,000	1,920,906		
2035	2,565,000	199,725	4,795,000	1,693,716		
2036	1,765,000	111,475	4,910,000	1,462,806		
2037	1,355,000	47,425	5,040,000	1,229,772		
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>\$ 105,220,000</u>	<u>\$ 34,838,794</u>	<u>\$ 93,322,398</u>	<u>\$ 61,288,449</u>	<u>\$ 7,030,000</u>	<u>\$ 1,495,800</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, 2017:

	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bonds payable:					
Sales tax revenue bonds	\$ 33,985,000		\$ (1,885,000)	\$ 32,100,000	\$ 1,960,000
Issuance premiums/discounts	(14,859)		2,477	(12,382)	
Other liabilities:					
Obligation to State	21,309	90,638	(20,866)	91,081	34,599
	<u>\$ 33,991,450</u>	<u>\$ 90,638</u>	<u>\$ (1,903,389)</u>	<u>\$ 32,178,699</u>	<u>\$ 1,994,599</u>

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

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt (continued)

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2017 follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 1,970,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	4,320,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	25,810,000
Total Component Unit Long-Term Debt				\$ 32,100,000

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2017, are as follows:

Year Ending Sept. 30	Sugar Land 4B Corporation	
	Revenue Bonds	
	Principal	Interest
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
	\$ 32,100,000	\$ 14,298,517

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 \$2.2 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, 2017 is as follows:

<u>Restricted Fund Balance</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	\$ 5,549,013	Debt Service activities
Capital projects	\$ 18,346,186	Construction & acquisition of capital assets
Non-major governmental funds	\$ 7,738,440	Debt Service
	7,655,992	Economic development activities
	215,855	Public safety
	<u>1,395,355</u>	Tourism & marketing
	\$ 17,005,642	

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 \$23 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, 2017 is as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Utility Fund	\$ 5,000	Operating costs for 311 center position
General Fund	GW Debt Reduction Fund	1,510,457	Annexation preparation
General Fund	NT Debt Reduction Fund	1,510,457	Annexation preparation
General Fund	Photographic Traffic Enforcement Fund	746,553	50% of net revenues for traffic safety
		3,772,467	
Debt Service Fund	Tourism Fund	1,408,697	Reimbursement for Conference Center, Smart Financial Centre & Plaza debt
Debt Service Fund	Utility Fund	2,180,082	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	555,500	Reimbursement for Smart Financial Centre debt
		4,616,779	
Capital Project Fund	SLDC Fund	1,238,411	Reimbursement for Capital Projects
Capital Project Fund	Law Enforcement Grant Fund	109,000	Mobile command post
Capital Project Fund	Solid Waste Fund	300,000	Street rehabilitation
Capital Project Fund	General Fund	956,063	PAYG CIP
		2,603,474	
Tourism Fund	Capital Projects Fund	425,000	Reimburse Visitor Center funding
GW Debt Reduction Fund	General Fund	275,188	Sales Tax collected from Greatwood & Riverpark
NT Debt Reduction Fund	General Fund	150,000	Sales Tax collected from Riverpark
		425,188	
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
		11,192	
Airport Fund	General Fund	79,624	Property tax collected during the year on Airport value
Airport Fund	Debt Service Fund	68,046	Property tax collected during the year on Airport value
Airport Fund	SLDC Fund	50,000	International Marketing
		197,670	
Solid Waste Fund	GW Debt Reduction Fund	22,100	Annexation preparation
Solid Waste Fund	NT Debt Reduction Fund	22,100	Annexation preparation
		44,200	
		\$ 12,095,970	

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 the Sugar Land Development 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>
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>\$ 210,778</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 Airport Fund; 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>
9/30/2017	\$	\$ 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>\$ 61,500</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 872 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.

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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	189
Inactive employees entitled to but not yet receiving benefits	261
Active employees	<u>705</u>
	<u>1,155</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 2017, the City made contributions of 14.71% for the months in 2016 and 14.85% for the months in 2017.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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 2016 valuation.

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

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

Note 9 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

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

<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 (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2015	\$ 197,157,416	\$ 166,144,780	\$ 31,012,636
Changes for the year:			
Service cost	8,454,923		8,454,923
Interest	13,448,410		13,448,410
Difference between expected and actual experience	2,302,226		2,302,226
Contributions - employer		6,863,791	(6,863,791)
Contributions - employee		3,266,250	(3,266,250)
Net investment income		11,233,878	(11,233,878)
Benefit payments, including refunds, of employee contributions	(4,298,333)	(4,298,333)	
Administrative expense		(126,810)	126,810
Other charges		(6,832)	6,832
Net changes	<u>19,907,226</u>	<u>16,931,944</u>	<u>2,975,282</u>
Balance at 12/31/2016	<u>\$ 217,064,642</u>	<u>\$ 183,076,724</u>	<u>\$ 33,987,918</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:

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 68,603,458	\$ 33,987,918	\$ 5,880,410

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$7,843,797.

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$	\$ 433,872
Changes in actuarial assumptions used	4,140,205	1,464,229
Differences between projected and actual investment earnings	7,311,249	
Contributions subsequent to the measurement date	5,667,454	
Total	<u>\$ 17,118,908</u>	<u>\$ 1,898,101</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 \$5,667,453 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the City’s fiscal year 2018 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>
2018	\$ 2,970,825
2019	2,970,825
2020	2,597,179
2021	449,127
2022	438,501
Thereafter	126,896
Total	<u>\$ 9,553,353</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 2016</u>	<u>Plan Year 2017</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 2017, 2016, and 2015 were \$68,992, \$60,135, and \$61,795, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

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

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.01%	0.01%	100%
2016	0.01%	0.01%	100%
2017	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, 2016, 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, 2016, 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, 2017, is as follows:

Determination of Net OPEB Obligation (NOO)	
Annual required contribution	\$ 353,977
Interest on net OPEB obligation	62,055
Adjustment to ARC	<u>(60,452)</u>
Annual OPEB cost	355,580
Less contributions made	<u>(101,055)</u>
Increase in net OPEB obligation	254,525
Net OPEB obligation – beginning of year	<u>1,551,384</u>
Net OPEB obligation – end of year	<u><u>\$ 1,805,909</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, 2017 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>
2017	\$ 355,580	28.4%	\$ 1,805,909
2016	301,829	33.5%	1,551,384
2015	292,903	72.8%	1,330,787

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.

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>2016</u>
Actuarial Accrued Liability (AAL)	\$3,710,853
Actuarial value of plan assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$3,710,853
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$46,660,720
UAAL as a percentage of covered payroll	7.95%

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

Note 9 - Employee Retirement System (continued)

Funded Status and Funding Progress (continued)

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 \$3,710,853 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 7.95%.

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	12/31/2016
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	30-year open amortization
Amortization Method	Level percentage of employee payroll
Discount Rate	4.0% per annum, net of expenses
CPI	3% per annum
Medical Trend	Initial rate of 7.5%, declining to an ultimate rate of 4.25% after 15 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.

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.

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

Note 10 - Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 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, 2017, 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 \$1,102,801 from the participating MUDs for the year ending September 30, 2017, in connection with these 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 \$1,609,200 from these participating MUDs and \$218,500 from Fort Bend County for the year ending September 30, 2017 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.

Sugar Land Baseball, LLC

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1st each lease year. In addition to the base rent, the City will receive participation rent equal to 40% of all gross revenues in excess of \$2.6 million. In 2017 the City received \$0 in addition to the base rent.

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

Note 11 Lease Agreements (continued)

Smart Financial Centre at Sugar Land

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

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

Note 12 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2017. 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, 2017.

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>
2018	\$ 899,000
2019	1,886,000
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
2029	250,000
Totals	<u>\$ 8,920,000</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; pollution; 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 and volunteers through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2017, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

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

Note 13 - Risk Management (continued)

Employee Benefits Fund

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

The City has obtained excess loss insurance which limits the City's claims paid to \$175,000 annually for any individual occurrence and aggregate claims at 120% of expected.

Settled claims did not exceed insurance coverages in fiscal year 2017. Estimates of claims payable and of claims incurred, but not reported at September 30, 2017, 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, 2017. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

Note 14 - Tax Abatements

In May 2016, the Sugar Land City Council approved Resolution No. 16-15, as required by Chapter 312 of the Texas Tax Code, to strengthen minimum guidelines and criteria governing tax abatement agreements in the City of Sugar Land. The City has an ad valorem tax abatement program that abates property taxes on new value created as a result of the proposed project, with possible abatements available from the City, Fort Bend County, and, as applicable, other taxing jurisdictions.

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

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

Note 14 - Tax Abatements (continued)

all property taxes abated under the agreement with interest and penalties to the City should the City have to terminate the agreement due to noncompliance issues. The Office of Economic Development performs an annual assessment of the compliance performance for companies receiving tax abatements.

Currently, the City has 13 active tax abatement agreements under contract for tax year 2016. These companies comprise of approximately \$233 million in real and personal property values. They also provide roughly \$84 million in inventory values not subject to tax abatement exemptions. In tax year 2016, the City abated \$141,315,267 in improvement and personal property value, and the revenue received for real and personal property for companies was \$446,485 for tax year 2016.

Note 15 - Subsequent Events

Annexation of Municipal Utility Districts

On December 12, 2017, the City annexed and dissolved nine municipal utility districts in the City's extraterritorial jurisdiction under Strategic Partnership Agreements entered into in 2007. The City assumed all assets and liabilities of the districts at the time of dissolution. While the City will assume \$34.33 million in outstanding debt, three of the districts have no outstanding debt, and the remaining districts retire their debt between 2018 & 2026. The districts bring into the annexation a combination of their 2017 debt service tax levy and/or debt service fund balance that is sufficient for the City to make their 2018 debt service payments. In FY2019 the City will levy a property tax on the \$2.8 billion in taxable value in the districts that will be added to its 2018 tax roll to repay the outstanding bonds and support the cost of providing services to the annexed areas.

Departments across the City have been preparing for the annexation for several years, with funding for the interim needs coming from Debt Reduction Funds that have been set aside beginning in 2007 through the annexation just for this purpose. Use of the Debt Reduction Funds is restricted to uses authorized in the Strategic Partnership Agreements between the City and the districts. The combined Debt Reduction Funds accumulated \$10.05 million in revenue from sales tax, out of city service charges and interest income through November 2017, which supported funding of \$3.03 million in pre-annexation expenditures for FY17.

On November 15, 2016, City Council approved a FY17 budget amendment to add funding to begin preparation for the annexation. In total, the City added 74.5 full time equivalent positions, 37 vehicles and one ambulance, along with increasing contracts for services to be able to provide services to the annexed area. The City's estimated 2018 population (after the annexation) is 117,869, an increase of approximately 30,000 from the 2017 population estimate.

Refunding Bonds

On December 5, 2017, the City issued General Obligation Refunding Bonds Series 2017 in the par amount of \$78,195,000 through a negotiated transaction that closed on December 28, 2017. The bonds refunded \$80,935,000 par amount of Certificates of Obligation Series 2011 issued by the City to construct a surface water treatment plant, transmission lines and upgrades to groundwater plants to meet the mandated 30% reduction in groundwater usage by the Fort Bend Subsidence District. The refunding transaction yielded net present value savings of 12.96% of the refunded bonds.

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

Note 15 - Subsequent Events (continued)

Hurricane Harvey

Hurricane Harvey impacted the Texas Coast on August 25, 2017. Within days of land fall the City began receiving unprecedented torrential rainfall. As a result of this rainfall many of roadways into the City became impassable, and the City, along with the Houston Metro area, and Fort Bend County, began to take appropriate precautions asking residents to either stay home or evacuate depending on their location. This event caused retail businesses to shut their doors, and as expected the City saw a decline in their August Sales Tax collections, which are received in October. The primary sectors impacted were the Retail, and Food & Entertainment sectors. While Hurricane Harvey has impacted the first month collections of sales tax, this event isn't expected to have much of an impact on property taxes. The City experienced relatively minor localized flooding, compared to the region.

The City did not sustain any significant damage and there was no interruption of water and sewer service. The only flood damage that occurred was from rainfall that occurred once the LIDs closed their outfall structures to the Brazos River after it reached flood stage, with fewer than 250 homes and fewer than 10 commercial properties within the City that experienced flooding or other significant damage. The City requested reappraisal for approximately 250 flood damaged properties. There is no estimated impact to the taxable value at this time. Staff anticipates the impact to FY18 will be less than \$75,000 including tax revenue lost from the pro-rata reductions and the cost of reappraisal.

The City incurred overtime expenses of approximately \$780,000, which is 100% reimbursable. Debris collection is less than \$100,000 and is 90% reimbursable. There was minor damage to City facilities. Damage to City facilities include water damage to some buildings and utility systems, roadway damages from erosion and damage to irrigation systems in city rights of way and parks. Damage estimates are approx. \$3.5 million which should be 75% reimbursed by FEMA. City staff are still obtaining cost estimates and preparing project schedules.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

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, 2017

	<i>General Fund</i>			Variance with Final Budget Positive / (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property taxes	\$ 20,846,700	\$ 20,846,700	\$ 21,127,721	\$ 281,021
Sales tax	38,242,500	36,453,667	35,854,284	(599,383)
Franchise and other taxes	5,873,500	6,166,432	6,160,773	(5,659)
Licenses and permits	3,829,446	3,131,840	3,052,646	(79,194)
Fines and forfeitures	1,888,600	1,536,113	1,550,428	14,315
Charges for services	10,827,395	11,806,782	11,167,633	(639,149)
Investment earnings	220,000	187,280	332,383	145,103
Intergovernmental	569,265	178,610	657,843	479,233
Other	373,317	429,171	423,946	(5,225)
Total Revenues	82,670,723	80,736,595	80,327,657	(408,938)
Expenditures				
Current:				
General government	15,544,297	16,392,478	15,339,082	1,053,396
Administrative services	4,723,168	4,679,703	4,032,334	647,369
Public safety - Police	22,212,740	24,059,396	23,471,122	588,274
Public safety - Fire	13,558,191	13,622,520	12,947,595	674,925
Public safety - EMS	1,676,488	1,812,512	1,711,485	101,027
Public Works	8,547,214	9,684,929	9,510,418	174,511
Parks and recreation	5,017,663	5,070,565	4,911,262	159,303
Community development	5,209,572	5,301,022	5,163,724	137,298
Environmental and neighborhood services	5,206,002	5,332,586	5,099,366	233,220
Total Expenditures	81,695,335	85,955,711	82,186,388	3,769,323
Excess (deficiency) of revenues over expenditures	975,388	(5,219,116)	(1,858,731)	3,360,385
Other Financing Sources (Uses)				
Transfers in	571,002	4,603,145	3,772,467	(830,678)
Transfers (out)	(4,396,766)	(1,504,193)	(1,466,910)	37,283
Sale of capital assets	53,500	19,067	107,275	88,208
Total Other Financing Sources (Uses)	(3,772,264)	3,118,019	2,412,832	(705,187)
Net change in fund balance	(2,796,876)	(2,101,097)	554,101	2,655,198
Fund balance - beginning	28,542,347	28,542,347	28,542,347	
Fund balance - ending	\$ 25,745,471	\$ 26,441,250	\$ 29,096,448	\$ 2,655,198

CITY OF SUGAR LAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
For the Year ended September 30, 2017

Budgetary Compliance

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2017.

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

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

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

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

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Three Measurement Years Ended December 31

	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
Total pension liability:			
Service cost	\$ 8,454,923	\$ 8,049,539	\$ 6,851,489
Interest	13,448,410	12,692,457	11,663,572
Difference between expected and actual experience	2,302,226	3,187,321	(793,047)
Change in assumptions		(2,120,835)	
Benefit payments, including refunds of employee contributions	(4,298,333)	(3,894,213)	(3,351,164)
Net change in total pension liability	19,907,226	17,914,269	14,370,850
Total pension liability - beginning	197,157,416	179,243,147	164,872,297
Total pension liability - ending (a)	<u>\$ 217,064,642</u>	<u>\$ 197,157,416</u>	<u>\$ 179,243,147</u>
Plan fiduciary net position:			
Contributions - employer	\$ 6,863,791	\$ 6,787,295	\$ 6,171,200
Contributions - employee	3,266,250	3,144,351	2,801,455
Net investment income	11,233,878	236,145	8,361,151
Benefit payments, including refunds of employee contributions	(4,298,333)	(3,894,213)	(3,351,164)
Administrative expense	(126,810)	(143,822)	(87,280)
Other	(6,832)	(7,103)	(7,176)
Net change in plan fiduciary net position	16,931,944	6,122,653	13,888,186
Plan fiduciary net position - beginning	166,144,780	160,022,127	146,133,941
Plan fiduciary net position - ending (b)	<u>183,076,724</u>	<u>166,144,780</u>	<u>160,022,127</u>
Net pension liability - ending (a) - (b)	<u>\$ 33,987,918</u>	<u>\$ 31,012,636</u>	<u>\$ 19,221,020</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	84.27%	89.28%
Covered employee payroll	\$ 46,660,720	\$ 44,919,301	\$ 40,020,785
Net pension liability as a percentage of covered employee payroll	72.84%	69.04%	48.03%

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

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

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

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

Schedule of Contributions

Last Ten Fiscal Years Ended September 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 7,371,464	\$ 7,182,639	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329
Contribution in relation of the actuarially determined contribution	\$ 7,371,464	\$ 7,182,639	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 49,279,670	\$ 48,031,610	\$ 43,906,341	\$ 39,133,715	\$ 36,193,853
Contributions as a percentage of covered employee payroll	15.0%	15.0%	15.3%	15.5%	15.6%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 5,577,309	\$ 5,800,525	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213
Contribution in relation of the actuarially determined contribution	\$ 5,577,309	\$ 5,800,525	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 35,535,263	\$ 36,245,839	\$ 32,942,985	\$ 33,298,702	\$ 29,148,534
Contributions as a percentage of covered employee payroll	15.7%	16.0%	17.3%	14.5%	12.7%

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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
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

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

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2016	\$ -	\$ 3,710,853	0%	\$ 3,710,853	\$ 46,660,720	7.95%
2014	-	2,307,149	0%	2,307,149	40,020,785	5.76%
2012	-	2,069,749	0%	2,069,749	35,535,263	5.82%

(This page intentionally left blank.)

OTHER SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

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 Statue.

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 Statue.

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.

Sugar Land Development Corporation Fund – This fund is used to account for the promoting of economic and development activities on behalf of the City. The principal source of revenue for the Sugar Land Development Corporation Fund is sales taxes.

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

(This page intentionally left blank.)

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Tourism Fund	Court Security Fund	Community Development Block Grant Fund
Assets			
Cash and cash equivalents	\$ 208,363	\$ 16,972	\$
Investments	748,196		
Receivables (net of allowance for uncollectibles)	638,806		
Interest receivable	1,309		
Due from other governments			177,553
Prepaid items	6,745		
Restricted cash and cash equivalents			
Restricted investments			
Total Assets	\$ 1,603,419	\$ 16,972	\$ 177,553
Liabilities			
Accounts payable	\$ 197,351	\$	\$ 177,553
Accrued expenditures	3,968	870	
Total Liabilities	201,319	870	177,553
Deferred Inflows of Resources			
Unavailable revenue			
Total Deferred Inflows of Resources			
Fund Balance			
Nonspendable:			
Prepaid expenses	6,745		
Restricted:			
Debt service			
Economic development activities			
Public safety		16,102	
Tourism & marketing	1,395,355		
Unassigned			
Total Fund Balance	1,402,100	16,102	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,603,419	\$ 16,972	\$ 177,553

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Court Technology Fund	Law Enforcement Grant Fund	Photographic Traffic Enforcement Fund
Assets			
Cash and cash equivalents	\$ 24,265	\$ 175,488	\$ 854,064
Investments			
Receivables (net of allowance for uncollectibles)			3,011,851
Interest receivable			
Due from other governments			
Prepaid items			
Restricted cash and cash equivalents			
Restricted investments			
Total Assets	<u>\$ 24,265</u>	<u>\$ 175,488</u>	<u>\$ 3,865,915</u>
Liabilities			
Accounts payable	\$	\$	\$ 880,577
Accrued expenditures			
Total Liabilities			<u>880,577</u>
Deferred Inflows of Resources			
Unavailable revenue			3,011,851
Total Deferred Inflows of Resources			<u>3,011,851</u>
Fund Balance			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Economic development activities			
Public safety	24,265	175,488	
Tourism & marketing			
Unassigned			(26,513)
Total Fund Balance	<u>24,265</u>	<u>175,488</u>	<u>(26,513)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 24,265</u>	<u>\$ 175,488</u>	<u>\$ 3,865,915</u>

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Debt Reduction Funds	Sugar Land Development Corporation Fund	Enclave at River Park PID	Totals
Assets				
Cash and cash equivalents	\$ 806,156	\$ 222,067	\$ 331,803	\$ 2,639,178
Investments	6,468,036	2,484,704		9,700,936
Receivables (net of allowance for uncollectibles)	119,880	991,868	15,165	4,777,570
Interest receivable	12,565	12,820		26,694
Due from other governments				177,553
Prepaid items		4,990		11,735
Restricted cash and cash equivalents		1,972,482		1,972,482
Restricted investments		2,491,236		2,491,236
Total Assets	\$ 7,406,637	\$ 8,180,167	\$ 346,968	\$ 21,797,384
Liabilities				
Accounts payable	\$	\$ 519,185	\$	\$ 1,774,666
Accrued expenditures				4,838
Total Liabilities		519,185		1,779,504
Deferred Inflows of Resources				
Unavailable revenue			15,165	3,027,016
Total Deferred Inflows of Resources			15,165	3,027,016
Fund Balance				
Nonspendable:				
Prepaid expenses		4,990		11,735
Restricted:				
Debt service	7,406,637		331,803	7,738,440
Economic development activities		7,655,992		7,655,992
Public safety				215,855
Tourism & marketing				1,395,355
Unassigned				(26,513)
Total Fund Balance	7,406,637	7,660,982	331,803	16,990,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,406,637	\$ 8,180,167	\$ 346,968	\$ 21,797,384

CITY OF SUGAR LAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Tourism Fund	Court Security Fund	Community Development Block Grant Fund
Revenues			
Sales tax	\$	\$	\$
Franchise and other taxes	2,374,566		
Fines and forfeitures		36,436	
Charges for services			
Investment earnings	2,785	31	
Intergovernmental			461,617
Other			
Total Revenues	<u>2,377,351</u>	<u>36,467</u>	<u>461,617</u>
Expenditures			
Current:			
General government	1,046,116		158,313
Administrative services		44,371	
Public Safety - Police			
Debt Service:			
Principal			
Interest and other charges			
Capital Outlay			303,304
Total Expenditures	<u>1,046,116</u>	<u>44,371</u>	<u>461,617</u>
Excess (deficiency) of revenues over expenditures	<u>1,331,235</u>	<u>(7,904)</u>	
Other Financing Sources (Uses)			
Transfers in	425,000		
Transfers out	<u>(1,408,697)</u>		
Total Other Financing Sources and Uses	<u>(983,697)</u>		
Net change in fund balance	347,538	(7,904)	
Fund balance - beginning	<u>1,054,562</u>	<u>24,006</u>	
Fund balance - ending	<u>\$ 1,402,100</u>	<u>\$ 16,102</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, 2017

	Court Technology Fund	Law Enforcement Grant Fund	Photographic Traffic Enforcement Fund
Revenues			
Sales tax	\$	\$	\$
Franchise and other taxes			
Fines and forfeitures	48,577		2,348,422
Charges for services			
Investment earnings	306	91	797
Intergovernmental			
Other		144,140	
Total Revenues	<u>48,883</u>	<u>144,231</u>	<u>2,349,219</u>
Expenditures			
Current:			
General government			
Administrative services	72,305		
Public Safety - Police			1,645,564
Debt Service:			
Principal			
Interest and other charges			
Capital Outlay			
Total Expenditures	<u>72,305</u>	<u></u>	<u>1,645,564</u>
Excess (deficiency) of revenues over expenditures	<u>(23,422)</u>	<u>144,231</u>	<u>703,655</u>
Other Financing Sources (Uses)			
Transfers in			
Transfers out		(109,000)	(746,553)
Total Other Financing Sources and Uses		<u>(109,000)</u>	<u>(746,553)</u>
Net change in fund balance	(23,422)	35,231	(42,898)
Fund balance - beginning	<u>47,687</u>	<u>140,257</u>	<u>16,385</u>
Fund balance - ending	<u>\$ 24,265</u>	<u>\$ 175,488</u>	<u>\$ (26,513)</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, 2017

	Debt Reduction Funds	Sugar Land Development Corporation Fund	Enclave at River Park PID	Totals
Revenues				
Sales tax	\$	\$ 5,975,714	\$	\$ 5,975,714
Franchise and other taxes				2,374,566
Fines and forfeitures				2,433,435
Charges for services			154,084	154,084
Investment earnings	55,952	67,950	1,199	129,111
Intergovernmental	1,165,288	900,000		2,526,905
Other		388,639		532,779
Total Revenues	<u>1,221,240</u>	<u>7,332,303</u>	<u>155,283</u>	<u>14,126,594</u>
Expenditures				
Current:				
General government		2,897,786		4,102,215
Administrative services		663,134		779,810
Public Safety - Police				1,645,564
Debt Service:				
Principal		1,790,000		1,790,000
Interest and other charges		2,397,290		2,397,290
Capital Outlay		279,771		583,075
Total Expenditures		<u>8,027,981</u>		<u>11,297,954</u>
Excess (deficiency) of revenues over expenditures	<u>1,221,240</u>	<u>(695,678)</u>	<u>155,283</u>	<u>2,828,640</u>
Other Financing Sources (Uses)				
Transfers in	425,188		11,192	861,380
Transfers out	<u>(3,065,114)</u>	<u>(1,843,911)</u>		<u>(7,173,275)</u>
Total Other Financing Sources and Uses	<u>(2,639,926)</u>	<u>(1,843,911)</u>	<u>11,192</u>	<u>(6,311,895)</u>
Net change in fund balance	(1,418,686)	(2,539,589)	166,475	(3,483,255)
Fund balance - beginning	<u>8,825,323</u>	<u>10,200,571</u>	<u>165,328</u>	<u>20,474,119</u>
Fund balance - ending	<u>\$ 7,406,637</u>	<u>\$ 7,660,982</u>	<u>\$ 331,803</u>	<u>\$ 16,990,864</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, 2017
with comparative actual totals for the year ended September 30, 2016

	2017		Variance Positive / (Negative)	2016
	Budget	Actual		
Revenues				
Taxes:				
Property taxes	\$ 17,860,700	\$17,871,342	\$ 10,642	\$17,124,712
Investment earnings	45,300	34,294	(11,006)	43,877
Total Revenues	<u>19,157,521</u>	<u>19,023,739</u>	<u>(133,782)</u>	<u>17,168,589</u>
Expenditures				
Current:				
Administrative services	1,652,450	1,652,432	18	1,606,620
Debt Service:				
Principal	14,359,483	14,359,483		12,820,041
Interest and other charges	7,764,565	7,762,314	2,251	6,800,006
Handling fees & issuance costs				395,962
Total Expenditures	<u>23,776,498</u>	<u>23,774,229</u>	<u>2,269</u>	<u>21,622,629</u>
Excess (deficiency) of revenues over expenditures	(4,618,977)	(4,750,490)	(131,513)	(4,454,040)
Other Financing Sources (Uses)				
Refunding bonds issued				32,120,000
Premium on general obligation debt	6,241	6,241		5,111,195
Payments to refunding escrow agent				(36,935,787)
Transfers in	4,616,779	4,616,779		5,322,516
Transfers (out)	(80,151)	(73,203)	6,948	(53,879)
Total other financing sources (uses)	<u>4,542,869</u>	<u>4,549,817</u>	<u>6,948</u>	<u>5,564,045</u>
Changes in fund balance	(76,108)	(200,673)	(124,565)	1,110,005
Fund balance - beginning	<u>5,749,686</u>	<u>5,749,686</u>		<u>4,639,681</u>
Fund balance - ending	<u>\$ 5,673,578</u>	<u>\$ 5,549,013</u>	<u>\$ (124,565)</u>	<u>\$ 5,749,686</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, 2017
with comparative actual totals for the year ended September 30, 2016

	<u>2017</u>		Variance Positive / (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues				
Charges for services	\$ 647,500	\$ 347,220	\$ (300,280)	\$ 651,000
Intergovernmental	10,119,413	18,423,700	8,304,287	1,628,985
Investment earnings	215,000	307,387	92,387	326,901
Other	12,340,000	2,269,660	(10,070,340)	5,861,597
Total Revenues	<u>23,321,913</u>	<u>21,347,967</u>	<u>(1,973,946)</u>	<u>8,468,483</u>
Expenditures				
Current:				
Administrative services	208,800	343,329	(134,529)	212,350
Public safety - police		25,024	(25,024)	
Public safety - fire		19,050	(19,050)	
Public works	179,550	5,504,444	(5,324,894)	3,562,201
Parks and recreation	50,530	471,827	(421,297)	819,043
Environmental and neighborhood services		13,492	(13,492)	
Handling fees & issuance costs	200,000	355,510	(155,510)	233,277
Capital outlay	<u>89,233,889</u>	<u>50,887,348</u>	<u>38,346,541</u>	<u>67,385,265</u>
Total Expenditures	<u>89,872,769</u>	<u>57,620,024</u>	<u>32,252,745</u>	<u>72,212,136</u>
Excess (deficiency) of revenues over expenditures	(66,550,856)	(36,272,057)	30,278,799	(63,743,653)
Other Financing Sources (Uses)				
Certificates of obligation issued	19,060,000	19,060,000		19,190,000
General obligation bonds issued	7,570,000	7,570,000		
Interfund loan proceeds				6,600,000
Premium on debt issued	2,039,223	2,039,223		1,353,277
Capital leases				1,350,000
Transfers in	3,278,896	2,603,474	(675,422)	11,233,206
Transfers (out)	(897,500)	(897,500)		2,077,500
Total other financing sources (uses)	<u>31,050,619</u>	<u>30,375,197</u>	<u>(675,422)</u>	<u>41,803,983</u>
Changes in fund balance	(35,500,237)	(5,896,860)	29,603,377	(21,939,670)
Fund balance - beginning	<u>38,611,098</u>	<u>38,611,098</u>		<u>60,550,768</u>
Fund balance - ending	<u>\$ 3,110,861</u>	<u>\$ 32,714,238</u>	<u>\$ 29,603,377</u>	<u>\$ 38,611,098</u>

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

CITY OF SUGAR LAND, TEXAS
NOTES TO CAPITAL PROJECTS FUND BUDGETARY SCHEDULE
For the Year Ended September 30, 2017

Budgetary Basis

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

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

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

	<u>Budgetary Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
Total Revenues	\$21,347,967	\$	\$21,347,967
Total Expenditures	<u>57,620,024</u>	<u> </u>	<u>57,620,024</u>
Excess (deficiency) of revenues over expenditures	(36,272,057)		(36,272,057)
Total Other Financing Sources (Uses)	<u>30,375,197</u>	<u> </u>	<u>30,375,197</u>
Changes in fund balance	(5,896,860)		(5,896,860)
Fund balance - beginning	<u>38,611,098</u>	<u>(6,600,000)</u>	<u>32,011,098</u>
Fund balance - ending	<u><u>\$32,714,238</u></u>	<u><u>\$ (6,600,000)</u></u>	<u><u>\$26,114,238</u></u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2017
with comparative actual amounts for the year ended September 30, 2016

	<u>2017</u>		Variance Positive / (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues				
Hotel occupancy tax	\$ 2,220,100	\$ 2,374,566	\$ 154,466	\$ 2,328,186
Investment Income	4,200	2,785	(1,415)	8,529
Total Revenues	<u>2,224,300</u>	<u>2,377,351</u>	<u>153,051</u>	<u>2,336,715</u>
Expenditures				
Current:				
General government	1,250,457	1,046,116	204,341	855,013
Capital Outlay				<u>3,575</u>
Total Expenditures	<u>1,250,457</u>	<u>1,046,116</u>	<u>204,341</u>	<u>858,588</u>
Excess (deficiency) of revenues over expenditures	973,843	1,331,235	357,392	1,478,127
Other Financing Sources (Uses)				
Transfers in	425,000	425,000		
Transfers out	(1,408,697)	(1,408,697)		(3,957,278)
Total Other Financing Sources and Uses	<u>(983,697)</u>	<u>(983,697)</u>		<u>(3,957,278)</u>
Changes in fund balance	(434,854)	347,538	357,392	(2,479,151)
Fund balance - beginning	<u>1,054,562</u>	<u>1,054,562</u>		<u>3,533,713</u>
Fund balance - ending	<u>\$ 619,708</u>	<u>\$ 1,402,100</u>	<u>\$ 357,392</u>	<u>\$ 1,054,562</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, 2017
with comparative actual amounts for the year ended September 30, 2016

	2017			2016
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 38,009	\$ 36,436	\$ (1,573)	\$ 44,727
Investment earnings	31	31		37
Total Revenues	<u>38,040</u>	<u>36,467</u>	<u>(1,573)</u>	<u>44,764</u>
Expenditures				
Current:				
Administrative services	44,505	44,371	134	42,353
Total Expenditures	<u>44,505</u>	<u>44,371</u>	<u>134</u>	<u>42,353</u>
Changes in fund balance	<u>(6,465)</u>	<u>(7,904)</u>	<u>(1,439)</u>	<u>2,411</u>
Fund balance - beginning	<u>24,006</u>	<u>24,006</u>		<u>21,595</u>
Fund balance - ending	<u>\$ 17,541</u>	<u>\$ 16,102</u>	<u>\$ (1,439)</u>	<u>\$ 24,006</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, 2017
with comparative actual amounts for the year ended September 30, 2016

	2017			2016
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Intergovernmental	\$ 481,223	\$ 461,617	\$ (19,606)	\$ 504,354
Total Revenues	<u>481,223</u>	<u>461,617</u>	<u>(19,606)</u>	<u>504,354</u>
Expenditures				
Current:				
General government	171,163	158,313	12,850	168,125
Capital Outlay	<u>310,060</u>	<u>303,304</u>	<u>6,756</u>	<u>336,229</u>
Total Expenditures	<u>481,223</u>	<u>461,617</u>	<u>19,606</u>	<u>504,354</u>
Changes in fund balance	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance - beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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, 2017
with comparative actual amounts for the year ended September 30, 2016

	2017		Variance Positive / (Negative)	2016
	Budget	Actual		
Revenues				
Fines and forfeitures	\$ 50,680	\$ 48,577	\$ (2,103)	\$ 59,636
Investment earnings	232	306	74	148
Total Revenues	50,912	48,883	(2,029)	59,784
Expenditures				
Current:				
Administrative services	87,028	72,305	14,723	63,100
Total Expenditures	87,028	72,305	14,723	63,100
Changes in fund balance	(36,116)	(23,422)	12,694	(3,316)
Fund balance - beginning	47,687	47,687		51,003
Fund balance - ending	\$ 11,571	\$ 24,265	\$ 12,694	\$ 47,687

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, 2017
with comparative actual amounts for the year ended September 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>	
Revenues				
Investment earnings	\$ 43	\$ 91	\$ 48	\$ 197
Other	121,874	144,140	22,266	10,219
Total Revenues	<u>121,917</u>	<u>144,231</u>	<u>22,314</u>	<u>10,416</u>
Expenditures				
Current:				
Public Safety - Police				
Total Expenditures				
Excess (deficiency) of revenues over expenditures	<u>121,917</u>	<u>144,231</u>	<u>22,314</u>	<u>10,416</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>(109,000)</u>	<u>(109,000)</u>		
Changes in fund balance	12,917	35,231	22,314	10,416
Fund balance - beginning	<u>140,257</u>	<u>140,257</u>		<u>129,841</u>
Fund balance - ending	<u>\$ 153,174</u>	<u>\$ 175,488</u>	<u>\$ 22,314</u>	<u>\$ 140,257</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, 2017
with comparative actual amounts for the year ended September 30, 2016

	<u>2017</u>		Variance Positive / (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues				
Fines and forfeitures	\$ 1,930,776	\$ 2,348,422	\$ 417,646	\$ 1,836,288
Investment earnings	736	797	61	1,116
Total Revenues	<u>1,931,512</u>	<u>2,349,219</u>	<u>417,707</u>	<u>1,837,404</u>
Expenditures				
Current:				
Public Safety - Police	<u>1,485,085</u>	<u>1,645,564</u>	<u>(160,479)</u>	<u>1,275,151</u>
Total Expenditures	<u>1,485,085</u>	<u>1,645,564</u>	<u>(160,479)</u>	<u>1,275,151</u>
Excess (deficiency) of revenues over expenditures	446,427	703,655	257,228	562,253
Other Financing Sources (Uses)				
Transfers (out)	<u>(446,425)</u>	<u>(746,553)</u>	<u>(300,128)</u>	<u>(528,434)</u>
Changes in fund balance	2	(42,898)	(42,900)	33,819
Fund balance - beginning	<u>16,385</u>	<u>16,385</u>	<u> </u>	<u>(17,434)</u>
Fund balance - ending	<u>\$ 16,387</u>	<u>\$ (26,513)</u>	<u>\$ (42,900)</u>	<u>\$ 16,385</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, 2017
with comparative actual amounts for the year ended September 30, 2016

	<u>2017</u>		Variance Positive / (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues				
Investment earnings	\$ 68,021	\$ 55,952	\$ (12,069)	\$ 49,979
Intergovernmental	<u>1,079,804</u>	<u>1,165,288</u>	<u>85,484</u>	<u>1,078,354</u>
Total Revenues	<u>1,147,825</u>	<u>1,221,240</u>	<u>73,415</u>	<u>1,128,333</u>
Expenditures				
Current:				
General government				
Total Expenditures				
Excess (deficiency) of revenues over expenditures	1,147,825	1,221,240	73,415	1,128,333
Other Financing Sources (Uses)				
Transfers in	432,716	425,188	(7,528)	444,379
Transfers out	<u>(4,195,920)</u>	<u>(3,065,114)</u>	<u>(1,130,806)</u>	<u>444,379</u>
Total other financing sources (uses)	<u>(3,763,204)</u>	<u>(2,639,926)</u>	<u>(1,138,334)</u>	<u>444,379</u>
Changes in fund balance	(2,615,379)	(1,418,686)	(1,064,919)	1,572,712
Fund balance - beginning	<u>8,825,323</u>	<u>8,825,323</u>		<u>7,252,611</u>
Fund balance - ending	<u>\$ 6,209,944</u>	<u>\$ 7,406,637</u>	<u>\$ (1,064,919)</u>	<u>\$ 8,825,323</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2017
with comparative actual amounts for the year ended September 30, 2016

	2017		Variance Positive / (Negative)	2016
	Budget	Actual		
Revenues				
Sales and use taxes	\$ 6,075,611	\$ 5,975,714	\$ (99,897)	\$ 6,545,997
Investment earnings	46,000	67,950	21,950	133,516
Intergovernmental	900,000	900,000		850,000
Other	388,639	388,639		10
Total Revenues	7,410,250	7,332,303	(77,947)	7,529,523
Expenditures				
Current:				
General government	3,354,407	2,897,786	456,621	1,641,516
Administrative services	663,134	663,134		2,740
Debt Service:				
Principal	1,790,000	1,790,000		1,745,000
Interest and other charges	2,395,890	2,397,290	(1,400)	2,482,746
Capital Outlay	279,771	279,771		21,348,738
Total Expenditures	8,483,202	8,027,981	455,221	27,220,740
Excess (deficiency) of revenues over expenditures	(1,072,952)	(695,678)	377,274	(19,691,217)
Other Financing Sources (Uses)				
Transfers (out)	(2,519,334)	(1,843,911)	675,423	(7,800,705)
Total other financing sources (uses)	(2,519,334)	(1,843,911)	675,423	(7,800,705)
Changes in fund balance	(3,592,286)	(2,539,589)	1,052,697	(27,491,922)
Fund balance - beginning	10,200,571	10,200,571		37,692,493
Fund balance - ending	\$ 6,608,285	\$ 7,660,982	\$ 1,052,697	\$ 10,200,571

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, 2017
with comparative actual amounts for the year ended September 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>	
Revenues				
Charges for services	\$ 128,808	\$ 154,084	\$ 25,276	\$ 153,973
Investment earnings	344	1,199	855	163
Total Revenues	<u>129,152</u>	<u>155,283</u>	<u>26,131</u>	<u>154,136</u>
Other Financing Sources (Uses)				
Transfers in	<u>11,193</u>	<u>11,192</u>	<u>(1)</u>	<u>11,192</u>
Changes in fund balance	140,345	166,475	26,130	165,328
Fund balance - beginning	<u>165,328</u>	<u>165,328</u>		
Fund balance - ending	<u>\$ 305,673</u>	<u>\$ 331,803</u>	<u>\$ 26,130</u>	<u>\$ 165,328</u>

CITY OF SUGAR LAND, TEXAS
INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2017

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 923,268	\$ 258,339	\$ 50,452	\$ 1,232,059
Cash with fiscal agent	488,000			488,000
Investments		1,889,846	1,991,089	3,880,935
Accounts receivable, net of allowance for doubtful accounts	393,935	120		394,055
Interest receivable		3,388	6,321	9,709
Prepaid items	80,905			80,905
Total current assets	1,886,108	2,151,693	2,047,862	6,085,663
Non-current assets:				
Capital assets being depreciated:				
Equipment and furniture		7,734,397	4,202,264	11,936,661
Intangibles			30,354	30,354
Less accumulated depreciation		(4,796,728)	(3,207,564)	(8,004,292)
Total non-current assets		2,937,669	1,025,054	3,962,723
Total Assets	1,886,108	5,089,362	3,072,916	10,048,386
Liabilities				
Current liabilities:				
Accounts payable	137,832	1,934	5,293	145,059
Claims and judgments	647,201			647,201
Total current liabilities	785,033	1,934	5,293	792,260
Non-current liabilities:				
Claims and judgments	1,805,909			1,805,909
Total non-current liabilities	1,805,909			1,805,909
Total Liabilities	2,590,942	1,934	5,293	2,598,169
Net Position				
Investment in capital assets		2,937,669	1,025,054	3,962,723
Unrestricted	(704,834)	2,149,759	2,042,569	3,487,494
Total Net Position	\$ (704,834)	\$ 5,087,428	\$ 3,067,623	\$ 7,450,217

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, 2017

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Revenues				
Charges for services	\$ 10,096,153	\$ 1,320,495	\$ 1,251,525	\$ 12,668,173
Total operating revenues	<u>10,096,153</u>	<u>1,320,495</u>	<u>1,251,525</u>	<u>12,668,173</u>
Operating Expenses				
Personnel services		29,227		29,227
Supplies and materials		153,991	1,068,287	1,222,278
Contractual services	97,512	17,113	41,157	155,782
Repairs and maintenance		5,993	52,609	58,602
Insurance claims	10,114,037			10,114,037
Depreciation		553,613	421,021	974,634
Total operating expenses	<u>10,211,549</u>	<u>759,937</u>	<u>1,583,074</u>	<u>12,554,560</u>
Operating income (loss)	<u>(115,396)</u>	<u>560,558</u>	<u>(331,549)</u>	<u>113,613</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	6,964	6,246	10,520	23,730
Gain (loss) on disposal of capital assets		165,842	(1,463)	164,379
Total non-operating revenue (expenses)	<u>6,964</u>	<u>172,088</u>	<u>9,057</u>	<u>188,109</u>
Change in net position	(108,432)	732,646	(322,492)	301,722
Total net position - beginning	<u>(596,402)</u>	<u>4,354,782</u>	<u>3,390,115</u>	<u>7,148,495</u>
Total net position - ending	<u>\$ (704,834)</u>	<u>\$ 5,087,428</u>	<u>\$ 3,067,623</u>	<u>\$ 7,450,217</u>

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2017

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Cash Flows from Operating Activities:				
Receipts from interfund charges for services	\$ 10,606,935	\$ 1,320,375	\$ 1,258,176	\$ 13,185,486
Disbursed for personnel services		(29,227)		(29,227)
Disbursed for goods and services	(10,838,066)	(336,761)	(1,818,569)	(12,993,396)
Net cash provided (used) by operating activities	(231,131)	954,387	(560,393)	162,863
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment		165,842	556	166,398
Acquisition and construction of capital assets		(987,064)	(128,298)	(1,115,362)
Net cash provided (used) by capital and related financing activities		(821,222)	(127,742)	(948,964)
Cash Flows from Investing Activities				
Purchase of investments		(141,790)	(492,295)	(634,085)
Interest received	6,964	5,106	7,569	19,639
Net cash provided (used) by investing activities	6,964	(136,684)	(484,726)	(614,446)
Net increase/(decrease) in cash and equivalents	(224,167)	(3,519)	(1,172,861)	(1,400,547)
Cash and equivalents, beginning of year	1,147,435	261,858	1,223,313	2,632,606
Cash and equivalents, at end of year	\$ 923,268	\$ 258,339	\$ 50,452	\$ 1,232,059
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (115,396)	\$ 560,558	\$ (331,549)	\$ 113,613
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		553,613	421,021	974,634
(Increase) decrease in accounts receivable	(390,944)	(120)	6,651	(384,413)
(Increase) decrease in prepaid items	(52,759)	2,036		(50,723)
Increase (decrease) in accounts payable	(573,758)	(161,700)	(656,516)	(1,391,974)
Increase (decrease) in claims and judgments	901,726			901,726
Net cash provided (used) by operating activities	\$ (231,131)	\$ 954,387	\$ (560,393)	\$ 162,863

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

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2017

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total
Assets					
Cash and cash equivalents	\$ 161,479	\$ 20,581	\$ 39,588	\$ 1,589,851	\$ 1,811,499
Investments	4,973,763				4,973,763
Accounts receivable, net of allowance for doubtful accounts	991,868	205		13,723	1,005,796
Interest receivable	29,651				29,651
Prepaid items	3,139				3,139
Restricted cash and cash equivalents	383,264		30,445		413,709
Restricted investments	2,739,382				2,739,382
Total Assets	9,282,546	20,786	70,033	1,603,574	10,976,939
Liabilities					
Accounts payable and accrued expenses	16,879		4,306		21,185
Total Liabilities	16,879		4,306		21,185
Fund Balances					
Nonspendable:					
Prepaid items	3,139				3,139
Restricted:					
Debt service	3,122,646				3,122,646
Development activities	6,139,882	20,786	65,727	1,603,574	7,829,969
Total Fund Balances	9,265,667	20,786	65,727	1,603,574	10,955,754
Total Liabilities and Fund Balances	\$ 9,282,546	\$ 20,786	\$ 70,033	\$ 1,603,574	\$ 10,976,939
Reconciliation from Fund Balance to Net Position					
Fund Balance	\$ 9,265,667	\$ 20,786	\$ 65,727	\$ 1,603,574	\$ 10,955,754
Plus deferred outflows of resources	109,712				109,712
Less long-term liabilities	(32,178,698)				(32,178,698)
Less interest payable	(181,936)				(181,936)
Net Position	\$(22,985,255)	\$ 20,786	\$ 65,727	\$ 1,603,574	\$(21,295,168)

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, 2017

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total Component Units
Revenues					
Taxes:					
Property taxes	\$	\$ 1,381,142	\$ 319,132	\$ 591,833	\$ 2,292,107
Sales tax	5,975,714				5,975,714
Intergovernmental	155,403				155,403
Investment earnings	81,886	105	116	8,989	91,096
Other	80,000	16			80,016
Total Revenues	<u>6,293,003</u>	<u>1,381,263</u>	<u>319,248</u>	<u>600,822</u>	<u>8,594,336</u>
Expenditures					
Current:					
General government	5,976,179	1,380,860	356,677	30,368	7,744,084
Debt Service:					
Principal	1,885,000				1,885,000
Interest and fiscal charges	1,459,669				1,459,669
Total Expenditures	<u>9,320,848</u>	<u>1,380,860</u>	<u>356,677</u>	<u>30,368</u>	<u>11,088,753</u>
Revenues over (under) expenditures	(3,027,845)	403	(37,429)	570,454	(2,494,417)
Fund balance - beginning	<u>12,293,512</u>	<u>20,383</u>	<u>103,156</u>	<u>1,033,120</u>	<u>13,450,171</u>
Fund balances - ending	<u>\$ 9,265,667</u>	<u>\$ 20,786</u>	<u>\$ 65,727</u>	<u>\$ 1,603,574</u>	<u>\$ 10,955,754</u>
Reconciliation from changes in fund balance to changes in net position					
Change in fund balance	\$ (3,027,845)	\$ 403	\$ (37,429)	\$ 570,454	\$ (2,494,417)
Add principal payments	1,885,000				1,885,000
Add other changes in long-term assets and liabilities	(85,611)				(85,611)
Changes in Net Position	<u>\$ (1,228,456)</u>	<u>\$ 403</u>	<u>\$ (37,429)</u>	<u>\$ 570,454</u>	<u>\$ (695,028)</u>

(This page intentionally left blank.)

CITY OF SUGAR LAND, TEXAS
UNAUDITED STATISTICAL SECTION

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

	<u>Page</u>
Financial Trends	118
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
Revenue Capacity	128
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
Debt Capacity	137
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	142
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	146
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets	\$ 124,219	\$ 170,519	\$ 161,857	\$ 213,685
Restricted	14,508	18,259	21,535	14,705
Unrestricted	35,199	29,931	28,639	26,882
Total governmental activities net position	\$ 173,926	\$ 218,709	\$ 212,031	\$ 255,272
Business-type Activities				
Net investment in capital assets	\$ 199,679	\$ 210,123	\$ 218,494	\$ 224,092
Restricted	3,464	5,478	6,963	7,475
Unrestricted	7,531	8,613	10,200	15,760
Total business-type net position	\$ 210,674	\$ 224,214	\$ 235,657	\$ 247,327
Primary government				
Net investment in capital assets	\$ 323,898	\$ 380,643	\$ 380,352	\$ 437,777
Restricted	17,972	23,738	28,498	22,180
Unrestricted	42,730	38,543	38,838	42,642
Total primary government net position	\$ 384,600	\$ 442,924	\$ 447,688	\$ 502,599

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 255,293	\$ 280,082	\$ 282,719	\$ 268,582	\$ 304,720	\$ 340,298
18,863	20,305	28,311	51,879	24,902	21,152
27,698	32,551	37,503	24,026	37,413	23,084
<u>\$ 301,854</u>	<u>\$ 332,937</u>	<u>\$ 348,533</u>	<u>\$ 344,487</u>	<u>\$ 367,035</u>	<u>\$ 384,534</u>
\$ 240,741	\$ 231,676	\$ 229,356	\$ 224,544	\$ 225,650	\$ 228,369
7,926	8,068	26,945	27,736	8,549	9,116
9,848	23,675	16,718	22,722	47,766	45,383
<u>\$ 258,515</u>	<u>\$ 263,418</u>	<u>\$ 273,019</u>	<u>\$ 275,002</u>	<u>\$ 281,965</u>	<u>\$ 282,868</u>
\$ 496,034	\$ 511,757	\$ 512,075	\$ 493,126	\$ 530,370	\$ 568,667
26,789	28,372	55,256	79,615	33,451	30,268
37,546	56,226	54,221	46,748	85,179	68,467
<u>\$ 560,369</u>	<u>\$ 596,355</u>	<u>\$ 621,552</u>	<u>\$ 619,489</u>	<u>\$ 649,000</u>	<u>\$ 667,402</u>

CITY OF SUGAR LAND, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General government	\$ 11,839,672	\$ 14,638,050	\$ 11,950,794	\$ 11,969,433
Administrative services	11,145,609	15,469,507	14,617,875	12,721,478
Public safety - Police	15,560,440	16,045,992	17,126,183	18,095,251
Public safety - Fire	11,075,689	14,530,795	10,325,782	10,199,579
Public safety - EMS				
Public works	13,354,211	14,136,657	16,673,481	17,027,897
Parks and recreation	3,515,675	3,944,900	9,159,332	7,264,499
Community development	4,713,084	3,812,432	4,073,334	4,038,545
Environmental and neighborhood services				
Interest on long-term debt	<u>5,365,325</u>	<u>5,490,374</u>	<u>5,394,340</u>	<u>6,555,667</u>
Total governmental activities expenses	<u>76,569,705</u>	<u>88,068,707</u>	<u>89,321,121</u>	<u>87,872,349</u>
Business-Type Activities:				
Utility	19,674,836	21,943,160	22,248,954	26,487,388
Regional airport	12,932,066	9,879,544	11,366,997	14,874,179
Surface Water				
Solid waste management	<u>3,864,419</u>	<u>4,538,631</u>	<u>5,279,327</u>	<u>5,305,970</u>
Total business-type activities expenses	<u>36,471,321</u>	<u>36,361,335</u>	<u>38,895,278</u>	<u>46,667,537</u>
Total primary government expenses	<u>\$ 113,041,026</u>	<u>\$ 124,430,042</u>	<u>\$ 128,216,399</u>	<u>\$ 134,539,886</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
Administrative services	\$ 2,924,426	\$ 3,839,810	\$ 3,352,232	\$ 3,916,555
Public safety - Fire	1,682,088	1,908,129	1,552,253	1,526,340
Public safety - EMS				
Community development	2,564,714	2,364,539	2,188,436	2,404,638
Other	1,705,382	1,967,236	3,608,192	3,534,161
Operating grants and contributions	2,547,348	5,139,071	1,480,490	1,019,323
Capital grants and contributions	<u>4,193,480</u>	<u>42,710,113</u>	<u>8,420,807</u>	<u>42,497,257</u>
Total governmental activities program revenues	<u>15,617,438</u>	<u>57,928,898</u>	<u>20,602,410</u>	<u>54,898,274</u>
Business-Type Activities				
Charges for services:				
Utility	25,166,996	29,085,428	27,593,557	35,625,109
Regional airport	13,076,039	8,843,750	11,084,688	14,355,810
Surface Water				
Solid waste management	3,980,877	4,497,802	4,859,770	5,264,072
Operating grants and contributions	88,595	59,880	216,570	354,865
Capital grants and contributions	<u>7,345,680</u>	<u>12,531,211</u>	<u>12,163,511</u>	<u>8,193,030</u>
Total business-type activities program revenues	<u>49,658,187</u>	<u>55,018,071</u>	<u>55,918,096</u>	<u>63,792,886</u>
Total primary government program revenues	<u>\$ 65,364,092</u>	<u>\$ 112,946,969</u>	<u>\$ 76,520,506</u>	<u>\$ 118,691,160</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 11,463,677	\$ 13,087,580	\$ 15,675,644	\$ 12,886,353	\$ 18,591,072	\$ 23,393,933
9,802,035	10,471,115	7,876,517	9,067,022	6,643,488	5,514,367
18,354,251	18,333,422	19,541,680	21,128,023	22,979,425	26,137,845
10,898,603	10,838,009	12,045,062	13,164,239	14,195,523	14,196,831
			1,916,547	1,722,037	1,803,131
22,311,568	23,481,443	24,894,769	30,122,770	22,827,677	27,074,624
8,504,303	8,177,350	7,916,451	8,286,024	6,215,405	7,870,047
4,855,764	4,667,336	5,188,471	5,672,387	5,484,522	5,563,555
				5,902,886	6,064,691
<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>9,393,095</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>	<u>127,012,119</u>
28,574,352	39,919,147	22,848,223	27,923,518	29,391,413	29,341,563
16,002,860	16,633,872	16,828,870	14,335,885	12,485,217	14,345,583
	6,670,417	12,098,623	16,079,024	17,125,862	16,812,428
<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>6,196,978</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>66,696,552</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>	<u>\$ 193,708,671</u>
\$ 3,663,149	\$ 3,261,324	\$ 2,678,310	\$ 6,906,002	\$ 8,522,761	\$ 6,598,604
2,102,494	2,229,152	2,233,714	2,369,089	2,833,491	3,139,758
			459,223	1,132,847	1,426,438
2,376,127	2,817,871	3,033,205	3,494,806	3,242,529	3,061,505
3,231,665	2,748,396	4,766,369	4,967,637	4,164,196	3,830,309
1,566,549	1,517,342	936,559	2,831,268	1,740,054	1,824,906
<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>29,996,719</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>	<u>49,878,239</u>
40,543,433	42,958,217	31,417,468	29,844,425	32,252,245	28,409,379
15,675,468	16,576,205	16,939,277	13,747,794	11,830,391	13,539,743
	4,184,027	12,884,852	13,192,793	13,888,252	14,049,110
5,068,656	5,007,131	5,030,491	5,770,866	5,950,568	6,475,296
84,271	65,091	73,199	131,567	50,000	50,000
<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>6,675,068</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>69,198,596</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>	<u>\$ 119,076,835</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Net (Expense) Revenue				
Governmental activities	\$ (60,952,267)	\$ (30,139,809)	\$ (68,718,711)	\$ (32,974,075)
Business-type activities	13,186,866	18,656,736	17,022,818	17,125,349
Total primary government net expense	\$ (47,765,401)	\$ (11,483,073)	\$ (51,695,893)	\$ (15,848,726)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property taxes	\$ 22,716,623	\$ 26,207,576	\$ 29,128,113	\$ 27,539,737
Sales tax	34,398,124	34,823,327	33,039,840	35,086,830
Franchise and other taxes	6,135,916	6,377,523	6,611,934	6,751,900
Unrestricted grants and contributions				
Investment earnings	1,999,308	1,194,603	467,715	360,902
Miscellaneous	587,370	729,542	849,701	756,532
Special Item			(13,906,224)	
Transfers	6,112,762	5,590,028	5,849,543	5,718,716
Total governmental activities	71,950,103	74,922,599	62,040,622	76,214,617
Business-Type Activities:				
Investment earnings	661,026	473,837	269,249	263,593
Miscellaneous				
Transfers	(6,112,762)	(5,590,028)	(5,849,543)	(5,718,716)
Total business-type activities	(5,451,736)	(5,116,191)	(5,580,294)	(5,455,123)
Total primary government	\$ 66,498,367	\$ 69,806,408	\$ 56,460,328	\$ 70,759,494
Changes in Net Position:				
Governmental activities	\$ 10,997,836	\$ 44,782,790	\$ (6,678,089)	\$ 43,240,542
Business-type activities	7,735,130	13,540,545	11,442,524	11,670,226
Total primary government	\$ 18,732,966	\$ 58,323,335	\$ 4,764,435	\$ 54,910,768

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ (35,962,169)	\$ (54,519,633)	\$ (76,395,829)	\$ (80,387,411)	\$ (73,651,069)	\$ (77,133,880)
<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>2,502,044</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>	<u>\$ (74,631,836)</u>
\$ 28,282,258	\$ 29,920,274	\$ 31,367,793	\$ 34,205,770	\$ 37,227,640	\$ 39,052,391
38,239,215	39,790,138	43,453,673	45,320,979	45,967,293	41,330,120
7,472,103	8,019,976	8,373,935	8,398,820	8,231,034	8,535,339
250,959	236,117	240,913	1,062,965	1,089,499	826,905
1,054,383	1,328,239	1,393,438	1,297,768	1,507,896	2,645,117
<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>2,243,212</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>	<u>94,633,084</u>
429,350	218,645	117,683	531,396	599,435	561,113
	404,274	580,735	59,565	79,707	83,106
<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>(2,243,212)</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>(1,598,993)</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>	<u>\$ 93,034,091</u>
\$ 46,582,320	\$ 32,063,101	\$ 15,595,704	\$ 8,598,218	\$ 22,548,299	\$ 17,499,204
<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>903,051</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>	<u>\$ 18,402,255</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Nonspendable:				
Inventories	\$ 214,910	\$ 160,160	\$ 170,230	\$ 169,208
Prepaid items	35,264	49,701	48,690	49,727
Committed				
Assigned	3,239,821	877,578	1,259,302	638,523
Unassigned	23,284,240	26,649,204	26,400,935	25,359,638
Total General fund	<u>\$26,774,235</u>	<u>\$27,736,643</u>	<u>\$27,879,157</u>	<u>\$26,217,096</u>
All other governmental funds				
Nonspendable:				
Prepaid items	\$	\$ 2,740	\$ 2,740	\$ 9,740
Restricted:				
Debt service	6,831,645	7,473,977	9,822,105	7,602,464
Capital projects	16,612,280	8,409,874	39,154,554	30,931,980
Economic development activities	7,268,433	9,317,941	9,856,844	4,333,696
Public safety	377,885	676,382	1,053,827	1,488,292
Tourism & marketing	1,490,757	1,937,635	2,348,244	2,681,505
Committed				
Unassigned				
Total all other governmental funds	<u>\$32,581,000</u>	<u>\$27,818,549</u>	<u>\$62,238,314</u>	<u>\$47,047,677</u>

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

Fiscal Year

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 160,635	\$ 209,793	\$ 217,124	\$ 204,263	\$ 195,050	\$ 211,199
43,861	30,008	25,655	18,328	27,701	255,751
	463,599	3,091,704	146,728	411,849	376,995
652,316	219,357	385,205	339,946	332,452	272,224
<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>27,980,279</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>	<u>\$ 29,096,448</u>
\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 18,353	\$ 11,735
7,397,649	9,419,630	11,448,975	11,892,292	18,881,941	13,287,453
15,443,725	3,517,678	23,785,846	60,550,768	14,122,714	18,346,186
7,689,398	7,019,867	11,048,740	37,689,753	5,656,856	7,655,992
1,779,756	230,282	209,920	202,439	228,335	215,855
3,228,805	4,269,302	5,359,797	3,533,713	1,053,237	1,395,355
				18,273,467	7,768,052
			(17,434)		(26,513)
<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>	<u>\$ 48,654,115</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes:				
General property	\$ 22,648,350	\$ 26,145,691	\$ 29,102,845	\$ 27,588,283
Sales and use taxes	36,048,286	36,389,644	34,581,479	36,857,302
Franchise taxes	4,485,754	4,661,287	4,920,376	4,731,821
Licenses and permits	2,398,765	2,160,999	2,163,562	2,371,944
Fines and forfeitures	2,845,153	3,088,489	3,273,032	3,874,845
Charges for services	4,056,076	4,849,709	3,694,519	3,399,457
Investment earnings	1,882,428	1,128,345	461,633	352,469
Intergovernmental	3,883,420	12,865,312	8,183,086	30,102,390
Other	814,787	364,509	308,694	5,345,683
Total Revenues	<u>79,063,019</u>	<u>91,653,985</u>	<u>86,689,226</u>	<u>114,624,194</u>
Expenditures				
General government	14,563,908	9,451,503	10,682,661	10,421,139
Administrative services	5,415,343	14,039,145	12,200,260	10,728,359
Public safety	25,354,202	30,413,697	26,263,330	28,858,550
Public works	6,045,538	6,205,250	9,397,495	10,092,059
Parks and recreation	2,777,315	2,960,890	8,088,715	6,131,140
Community development	3,794,196	3,747,772	3,981,327	3,965,737
Environmental and neighborhood services				
Debt Service:				
Principal	11,139,672	11,104,420	12,458,335	14,744,007
Interest and other charges	5,338,204	5,341,234	6,486,624	6,491,477
Capital outlay	11,185,254	18,745,284	12,099,869	44,225,175
Total Expenditures	<u>85,613,632</u>	<u>102,009,195</u>	<u>101,658,616</u>	<u>135,657,643</u>
Excess of revenues over (under) expenditures	<u>(6,550,613)</u>	<u>(10,355,210)</u>	<u>(14,969,390)</u>	<u>(21,033,449)</u>
Other Financing Sources (Uses)				
Certificates of obligation issued			40,775,000	
General obligation bonds issued	11,385,000		2,435,000	
Revenue bonds issued				
Refunding bonds issued			26,810,000	
Premium (discount) on debt issued			1,707,730	
Payments to refunded bond escrow agent			(28,296,220)	
Proceeds of the sale of capital assets		1,668,756	78,465	125,995
Capital leases		623,300	1,709,042	
Transfers in	11,479,267	10,350,336	10,438,670	17,193,975
Transfers (out)	(7,142,591)	(6,087,227)	(6,126,018)	(13,139,219)
Total other financing sources (uses)	<u>15,721,676</u>	<u>6,555,165</u>	<u>49,531,669</u>	<u>4,180,751</u>
Net change in fund balances	<u>\$ 9,171,063</u>	<u>\$ (3,800,045)</u>	<u>\$ 34,562,279</u>	<u>\$ (16,852,698)</u>
Debt service as a percentage of noncapital expenditures	22.0%	19.1%	21.3%	23.9%

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 28,242,085	\$ 29,874,615	\$ 31,356,582	\$ 34,073,015	\$ 37,310,936	\$ 38,999,063
40,111,821	39,344,519	43,008,054	44,975,136	45,821,869	41,829,998
5,161,877	8,019,976	8,373,935	8,398,820	8,231,034	8,535,339
2,332,393	2,817,871	3,033,205	3,494,806	3,242,529	3,052,646
3,399,284	3,364,798	3,964,053	3,956,657	3,741,662	3,983,863
3,182,908	3,649,563	4,477,416	9,792,915	11,732,687	11,668,937
242,856	230,542	235,034	1,030,032	1,050,958	803,175
29,941,993	4,477,965	14,014,873	4,853,727	4,295,673	21,608,448
<u>1,193,356</u>	<u>1,444,727</u>	<u>1,300,331</u>	<u>4,676,006</u>	<u>6,335,230</u>	<u>4,344,488</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>	<u>134,825,957</u>
10,350,520	12,019,511	13,934,579	13,932,805	17,263,024	19,441,297
6,665,760	7,708,191	7,743,921	9,221,555	7,167,251	6,807,905
27,852,455	27,951,639	29,573,636	38,688,191	36,894,350	39,819,840
15,280,951	14,456,178	13,947,304	17,764,680	12,004,180	15,014,862
7,245,735	6,782,321	6,726,036	5,452,923	5,107,971	5,383,089
4,781,203	4,592,647	4,917,761	5,583,223	5,155,978	5,163,724
				4,892,216	5,112,858
13,643,295	12,529,510	12,216,112	13,339,382	14,565,041	16,149,483
5,769,576	5,261,161	6,040,441	9,729,179	9,911,991	10,515,114
<u>38,821,615</u>	<u>15,262,218</u>	<u>21,672,372</u>	<u>55,311,453</u>	<u>89,073,807</u>	<u>51,470,423</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>	<u>174,878,595</u>
<u>(16,602,537)</u>	<u>(13,338,800)</u>	<u>(7,008,679)</u>	<u>(53,772,277)</u>	<u>(80,273,231)</u>	<u>(40,052,638)</u>
		24,440,000	52,115,000	19,190,000	19,060,000
			13,010,000		7,570,000
		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	2,045,464
(10,328,482)	(4,758,878)		(32,902,683)	(36,935,787)	
90,953	78,516	54,949	54,099	36,987	
			3,510,000	1,350,000	107,275
13,518,223	16,183,645	13,794,353	12,979,491	20,089,727	11,854,100
<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>	<u>(9,610,888)</u>
<u>3,996,766</u>	<u>5,302,376</u>	<u>36,006,206</u>	<u>116,300,550</u>	<u>24,401,678</u>	<u>31,025,951</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>	<u>\$ (9,026,687)</u>
21.4%	19.5%	19.5%	20.9%	21.8%	21.8%

CITY OF SUGAR LAND, TEXAS

TAXABLE SALES

Most Recent Calendar Year and Nine Years Ago

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Retail trade	\$ 1,041,357,085	\$ 845,579,899	\$ 817,695,030	\$ 820,003,254
Accommodation/Food Services	183,194,577	192,532,921	192,249,613	201,788,407
Wholesale trade	126,340,529	145,219,665	180,406,668	178,624,633
Construction	125,525,252	76,785,094	36,651,229	25,341,501
Information	63,304,095	58,277,031	38,724,172	42,562,635
Professional/Scientific/Technical Services	43,007,134	44,337,155	47,152,301	50,418,078
Arts/Entertainment/Recreation	40,367,297	40,622,857	39,254,647	39,319,467
Manufacturing	30,304,881	33,737,478	29,117,441	18,700,212
Other services (except public administration)	23,548,996	25,214,386	26,341,315	25,115,775
Admin/Support/Waste Mgmt/Remediation Services	19,226,638	18,437,657	18,392,831	19,456,520
Real Estate/Rental/Leasing	13,107,901	20,196,130	24,123,822	28,589,598
Utilities	7,257,357	15,208,544	14,793,208	31,999,808
Management of Companies/Enterprises	5,418,090	5,144,574	117,446	60,298
Transportation/Warehousing	1,331,028	1,049,859	1,007,624	958,673
Health Care/Social Assistance	1,255,260	1,645,260	2,604,444	3,180,679
Finance/Insurance	1,207,585	1,673,015	2,060,437	1,690,868
Educational services	918,972	899,505	953,485	884,432
Mining/Quarrying/Oil and Gas Extraction	226,213,432	501,668,924	314,960,195	235,249
Public administration				2,506,111
Agriculture/Forestry/Fishing/Hunting				
Other			17,250	37,492
	<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,623,158</u>	<u>\$ 1,491,473,690</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>

2011	2012	2013	2014	2015	2016
\$ 867,111,564	\$ 929,146,373	\$ 1,013,038,055	\$ 1,079,111,307	\$ 1,112,422,397	\$ 1,078,154,112
218,501,058	250,015,141	266,588,831	291,440,468	306,003,246	310,863,946
187,615,472	187,011,775	223,242,793	322,215,101	264,383,272	203,846,328
19,921,962	32,689,492	34,937,314	31,891,454	32,514,909	34,515,325
55,552,360	55,714,105	58,052,627	65,549,620	77,592,685	90,100,073
56,999,807	55,122,521	50,596,341	70,107,578	73,059,491	70,067,880
42,862,934	50,293,772	50,560,192	47,548,675	49,334,544	48,468,763
20,258,143	29,071,293	33,219,238	52,646,578	33,044,113	35,093,475
25,601,706	27,119,294	28,242,044	30,831,362	30,318,512	26,317,822
23,205,438	23,316,739	26,184,607	30,250,196	26,562,888	28,754,310
27,704,045	25,874,568	18,062,334	25,860,657	44,888,541	68,015,167
58,554,971	41,645,585	32,630,922	42,308,231	50,970,885	54,203,886
616,716	403,809	394,466	470,557	2,196,489	1,579,909
1,154,717	1,007,418	1,721,390	5,214,426	2,306,433	1,836,865
3,974,677	5,304,237	3,994,579	4,539,906	5,201,086	4,606,933
4,640,404	6,248,890	4,575,685	5,420,994	7,515,705	8,103,032
991,469	1,227,275	1,568,185	1,714,360	1,626,077	1,659,343
29,244,015	7,157,655	10,513,820	14,160,548	10,431,168	7,323,000
5,243,483	4,931,239	4,958,782	5,096,682	5,284,355	5,432,006
2,706					1,886
26,574	2,382				
\$ 1,649,784,221	\$ 1,733,303,563	\$ 1,863,082,205	\$ 2,126,378,700	\$ 2,135,656,796	\$ 2,078,944,061

CITY OF SUGAR LAND

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property		Personal Property		Less Tax Exempt Real Property
		Residential Property	Commercial Property	Motor Vehicles	Other	
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
2017	2016	9,356,751,552	5,577,510,842	61,980,101	10,933,960	1,053,008,824

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.

Less Other Exemptions and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 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%
1,334,356,794	12,619,810,837	0.31595	12,619,810,837	100.00%

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

Fiscal Year	2008	2009	2010	2011
Tax Year	2007	2008	2009	2010
Tax Rates				
City of Sugar Land				
Operating tax rate	\$ 0.15000	\$ 0.15575	\$ 0.16000	\$ 0.16500
Debt service tax rate	0.15000	0.14425	0.14000	0.13500
Total tax rate	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>
Fort Bend County	\$ 0.51674	\$ 0.49976	\$ 0.49976	\$ 0.48556
Fort Bend ISD	1.25000	1.27000	1.30500	1.34000
Fort Bend LID 2	0.16500	0.14500	0.13400	0.13400
Fort Bend County MUD No. 21	0.39000	0.39000	0.27000	0.26000
Eldridge Road MUD	0.32000	0.25000	0.22000	0.08000
Fort Bend WCID No. 2	0.18000	0.18000	0.18000	0.18000
First Colony LID No. 2	0.31500	0.29500	0.28500	0.27500
Burney Road MUD	0.30000	0.30000	0.24250	0.26750
First Colony MUD 10	0.75000	0.75000	0.75000	0.49000
Ft. Bend MUD 136	0.63000	0.62000	0.62000	0.57000
Ft. Bend MUD 137	0.63000	0.62000	0.57000	0.57000
Ft. Bend MUD 138	0.63000	0.62000	0.57000	0.57000
Ft. Bend MUD 139				0.57000
Ft. Bend LID 17	0.54000	0.57000	0.58000	0.63000
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.

2012 2011	2013 2012	2014 2013	2015 2014	2016 2015	2017 2016
\$ 0.16635	\$ 0.17285	\$ 0.17285	\$ 0.17035	\$ 0.17035	\$ 0.17035
0.13610	0.13610	0.13610	0.14560	0.14560	0.14560
<u>\$ 0.30245</u>	<u>\$ 0.30895</u>	<u>\$ 0.30895</u>	<u>\$ 0.31595</u>	<u>\$ 0.31595</u>	<u>\$ 0.31595</u>
\$ 0.49976	\$ 0.48076	\$ 0.49976	\$ 0.49476	\$ 0.48600	\$ 0.47400
1.34000	1.34000	1.34000	1.34000	1.34000	1.34000
0.13400	0.12900	0.12900	0.12000	0.11000	0.10670
0.26000	0.24000	-	-	-	-
-	-	-	-	-	-
0.18000	0.18000	0.18000	0.18000	0.18000	0.21250
0.27500	0.27500	0.27500	0.25000	0.25000	0.20000
0.26750	0.26750	0.26000	0.26000	0.25500	0.25000
0.49000	0.49000	0.47000	0.41000	0.25000	0.20000
0.57000	0.54000	0.54000	0.50000	0.43000	0.42000
0.57000	0.54000	0.48000	0.43000	0.42000	0.41500
0.57000	0.54000	0.48000	0.44500	0.43500	0.41500
0.57000	0.54000	0.54000	0.44000	0.41000	0.41000
0.63000	0.65000	0.65000	0.63000	0.61000	0.57000
		1.10000	1.10000	1.10000	1.10000

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

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount	Percent of Levy
2008	2007	\$ 0.30000	\$ 22,945,785	\$ 22,655,023	99.1%
2009	2008	0.30000	25,975,129	25,953,447	99.1%
2010	2009	0.30000	27,471,226	27,567,908	99.5%
2011	2010	0.30000	27,793,049	27,743,159	99.7%
2012	2011	0.30245	28,555,257	28,502,346	99.6%
2013	2012	0.30895	29,940,630	29,998,455	99.6%
2014	2013	0.30895	31,542,918	31,543,063	99.6%
2015	2014	0.31595	34,706,602	34,625,522	99.5%
2016	2015	0.31595	37,968,629	37,856,002	99.6%
2017	2016	0.31595	39,704,494	39,563,094	99.6%

Collections (Refunds) in Subsequent Years	Total Collections to Date	
Amount	Amount	Percent of Levy
\$ 259,423	\$ 22,914,447	99.9%
(3,408)	25,950,039	99.9%
(119,196)	27,448,711	99.9%
30,913	27,774,072	99.9%
33,319	28,535,665	99.9%
(82,347)	29,916,107	99.9%
(38,981)	31,504,082	99.9%
26,212	34,651,734	99.8%
53,816	37,909,818	99.8%
	39,563,094	99.6%

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Tax Year 2016		% of Total Assessed	Tax Year 2007		% of Total Assessed
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Tramontina USA Inc.	\$ 97,491,360	1	0.77%	\$ 98,752,240	2	1.30%
Fairfield Industries	95,818,640	2	0.76%			
LCFRE Sugar Land Town Square LLC	82,378,560	3	0.65%			
Amerisource Bergen Drug Corp.	81,268,740	4	0.64%	54,484,980	6	0.71%
First Colony Mall LLC	81,007,090	5	0.64%	34,963,680	7	0.46%
Schlumberger Tech Corp-SPC & Well Services	79,235,660	6	0.63%	101,650,560	1	1.33%
Lakepointe Assets, LLC	76,547,990	7	0.61%	89,443,550	3	1.17%
Nalco Energy Services	62,539,380	8	0.50%	54,540,750	5	0.72%
Sugar Creek/EPG LLC & Sugar Creek TIC Investors LLC	61,690,920	9	0.49%	32,000,710	8	0.42%
Weingarten Realty Investors & WRI/Post Oak Inc.	59,205,300	10	0.47%	29,571,280	10	0.39%
Sugar Land Telephone Co. (Alltel)				55,643,670	4	0.73%
Inland Western Sugar Land Colony Limited				30,563,620	9	0.40%
	777,183,640		6.2%	581,615,040		7.6%
Other taxpayers	11,842,627,197		93.8%	7,039,989,916		92.4%
Total Assessed Valuation	\$12,619,810,837		100.0%	\$ 7,621,604,956		100.0%

Source - Tax assessor/collector's records

Note - Assessed valuation is net of exemptions

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

Fiscal Year	Tax Year	General Obligation Bonds***	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
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	77,890,000	3,230,208	74,659,792	0.8%	883
2014	2013	75,615,000	4,105,011	71,509,989	0.7%	827
2015	2014	77,540,000	4,639,682	72,900,318	0.7%	838
2016	2015	92,050,000	5,749,686	86,300,314	0.7%	986
2017	2016	90,910,000	5,549,013	85,360,987	0.7%	957

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

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

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

*** Includes general obligation debt of governmental activities and business-type activities

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

Governmental Activities

Fiscal Year	General Obligation Bonds	Annexed MUD Debt	Certificates of Obligation	Capital Leases	Sales Tax Revenue Bonds	Tax Note	Issuance Premiums/ (Discounts)
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
2017	82,095,000	1,785,000	118,057,601		48,865,000	3,193,169	17,512,513

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

Business-Type Activities

Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Issuance Premiums/ (Discounts)	Total Primary Government	Percentage of Personal Income*	Percentage of Actual Taxable Value of Property	Per Capita *
\$ 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
105,220,000	7,030,000	93,322,398	8,228,825	485,309,506	10.9%	3.8%	5,441

*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, 2017

<u>Taxing Jurisdiction</u>	<u>Gross Debt</u>	<u>Overlapping</u>	
		<u>Estimated Percentage *</u>	<u>Amount</u>
Burney Road MUD	\$ 9,445,000	100.00%	\$ 9,445,000
First Colony MUD No. 10	13,575,000	100.00%	13,575,000
Fort Bend County ⁽²⁾	457,498,978	20.72%	94,793,788
Fort Bend County LID No. 2	12,290,000	100.00%	12,290,000
Fort Bend County LID No. 10	13,405,000	95.04%	12,740,112
Fort Bend County LID No. 14	2,985,000	100.00%	2,985,000
Fort Bend County LID No. 17	55,730,000	100.00%	55,730,000
Fort Bend County MUD No. 116	27,170,000	0.25%	67,925
Fort Bend County MUD No. 136	4,225,000	100.00%	4,225,000
Fort Bend County MUD No. 137	29,100,000	100.00%	29,100,000
Fort Bend County MUD No. 138	41,140,000	100.00%	41,140,000
Fort Bend County MUD No. 139	13,570,000	100.00%	13,570,000
Fort Bend County WC&ID No. 2	67,465,000	0.50%	337,325
Fort Bend ISD	963,738,767	39.72%	382,797,038
Imperial Redevelopment District	12,135,000	100.00%	12,135,000
Total Overlapping Debt			<u>\$ 684,931,188</u>
City of Sugar Land	253,995,770	100.00%	<u>253,995,770</u>
Total Direct and Overlapping Debt			<u><u>\$ 938,926,958</u></u>
Ratio of Direct and Overlapping Funded Debt to 2016 Taxable Assessed Valuation			7.44%
Per Capita Debt - Direct and Overlapping			\$ 10,526

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

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

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

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

CITY OF SUGAR LAND, TEXAS

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements (C)			Times Coverage
				Principal	Interest	Total	
Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation							
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
2017	49,199,097	29,015,314	20,183,783	8,870,000	7,968,510	16,838,510	1.20
Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds							
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
2017	13,574,284	11,661,097	1,913,187	837,398	433,676	1,271,074	1.51
Sugar Land Development Corporation - Sales Tax Revenue Bonds							
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
2017	6,432,303		6,432,303	1,845,000	2,304,296	4,149,296	1.55
Sugar Land 4B Corporation - Sales Tax Revenue Bonds							
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
2017	6,137,600		6,137,600	1,960,000	1,388,781	3,348,781	1.83

- (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

Fiscal Year	Population	Personal Income¹ (\$000's)	Per Capita Income¹	Median Age²	Educational¹ Attainment*	Unemployment Rate²
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%
2017	89,203	4,465,681	50,062	42.0	56%	3.9%

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

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment (A)	Employees	Rank	Percentage of Total City Employment (A)
Methodist Sugar Land Hospital	2,300	1	3.55%	1,000	3	2.55%
Schlumberger	2,200	2	3.40%	2,000	2	5.11%
Fluor Enterprises, Inc.	1,980	3	3.06%	5,000	1	12.77%
United Healthcare/UnitedHealth Group	1,289	4	1.99%			0.00%
Nalco Champion, an Ecolab Company	546	5	0.84%	500	4	1.28%
First Data Telecheck	538	6	0.83%			0.00%
Memorial Hermann Sugar Land	497	7	0.77%			0.00%
Tramontina USA, Inc.	419	8	0.65%			0.00%
St. Luke's Hospital Sugar Land	400	9	0.62%			0.00%
AmerisourceBergen	79	10	0.12%			0.00%
National Oilwell Varco				420	5	1.07%
Noble Drilling Services, Inc.				407	6	1.04%
Baker Petrolite Corp.				350	7	0.89%
Healix				350	8	0.89%
Suntron Corp.				331	9	0.85%
Yokogawa				300	10	0.77%
	<u>10,248</u>		<u>16%</u>	<u>10,658</u>		<u>27%</u>

(A) For 2017, estimated total employment was 64,723. For 2008, estimated total employment was 39,995.

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

Function	Full-time Equivalent Employees as of September 30,			
	2008	2009	2010	2011
Governmental Activities:				
General government	65.7	64.7	77.7	80.2
Administrative services	63.0	62.5	58.5	30.2
Public safety - Police	183.5	193.5	190.5	191.8
Public safety - Fire	110.0	112.0	108.0	107.0
**Public safety - EMS				
*Public works	34.9	38.9	41.9	52.5
Parks and recreation	27.3	29.3	34.4	34.4
*Community development	52.5	53.0	54.1	52.0
Environmental & Neighborhood Services				
Business-type activities:				
Utility	55.0	51.5	56.5	55.5
Solid waste management	2.0	2.0	2.0	2.0
Regional Airport	29.5	33.5	33.5	33.5
Total	623.4	640.9	657.1	639.1

Source: Budget Office

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

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

55 positions added in 2017 to prepare for Annexation

Full-time Equivalent Employees as of September 30,

2012	2013	2014	2015	2016	2017
80.2	83.2	78.7	82.0	77.7	95.2
30.2	27.5	34.0	34.0	38.0	39.0
191.8	194.5	198.5	200.5	201.3	230.5
107.0	107.0	108.0	109.0	109.0	109.0
		3.0	13.0	13.0	20.0
52.5	54.9	54.4	53.5	34.0	35.5
34.4	35.9	37.3	31.0	30.4	35.1
55.0	56.0	54.1	61.0	50.1	49.3
				40.5	40.5
55.5	59.5	66.0	67.5	71.5	85.5
2.0	2.0	2.5	2.5	2.5	2.5
33.5	42.0	42.0	41.0	44.0	46.0
<u>642.1</u>	<u>662.5</u>	<u>678.5</u>	<u>695.0</u>	<u>712.0</u>	<u>788.0</u>

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

Function	Fiscal Year			
	2008	2009	2010	2011
City of Sugar Land				
Population	77,982	79,732	84,511	84,511
Square miles	32.2	32.2	33.5	33.5
Acres	20,618	20,618	21,451	21,451
Budgeted full time equivalent employees	623.4	640.9	657.1	642.0
Police				
Physical arrests	2,577	3,044	3,212	3,914
Traffic violations	15,243	22,056	21,370	27,053
Parking violations	158	285	203	615
Calls for service	66,666	66,711	69,298	162,669
Fire				
Number of calls answered	6,296	6,253	6,106	6,293
Parks and recreation				
Special events	7	19	19	15
Water				
New connections	663	527	1,656	448
Water main breaks	117	209	51	357
Annual Rainfall (inches)	35.7	22.3	55.0	17.2
Average daily production (MG)	13.64	16.77	12.99	18.01
Sewer				
Average daily WW treatment (MG)	8.14	7.81	7.81	7.71
Community Development				
Building Permits issued	7,906	8,115	7,982	8,629
Airport				
No. of fuel gallons sold	2,560,240	2,053,874	2,418,443	2,714,881
Fuel Sales	\$11,915,051	\$ 7,437,870	\$ 9,530,961	\$12,766,985
Aircraft served	13,608	12,663	12,309	13,160

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						
2012	2013	2014	2015	2016	2017	
84,511	84,511	86,495	86,972	87,504	89,203	
33.5	35.1	35.2	35.2	36.5	42.5	
21,516	22,475	22,500	22,500	23,341	27,207	
642.0	662.5	678.5	695.0	712.0	722.5	
3,792	3,009	2,899	2,247 *	2,033 *	1,951	
24,157	21,577	20,534	19,364 *	17,117 *	15,433	
652	469	377	313 *	446 *	440	
151,967	155,718	123,450	70,136 *	73,546 *	72,597	
6,419	7,250	7,328	8,248	8,197	8,867	
18	18	18	20	18	12	
432	186	186	194	207	210	
59	211	35 **	45	26	42	
57.1	35.5	48.3	62.6	73.6	92.9	
15.70	15.15	15.47	15.35	15.51	15.99	
8.27	7.28	8.02	8.65	8.59	8.49	
7,583	7,362	7,271	6,798	6,973	6,683	
2,847,905	3,015,916	2,968,546	2,868,330	2,820,170	3,064,106	
\$13,876,503	\$14,616,206	\$14,934,003 ***	\$11,551,592	\$ 9,636,133	\$11,187,372	
18,843	13,353	12,017 ****	11,375 ****	11,648 ****	11,510	

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

Function	Fiscal Year			
	2008	2009	2010	2011
General government				
Municipal buildings	36	36	36	38
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	405	405	432	432
Storm sewers (miles)	242	242	246	246
Traffic signals	74	74	80	78
Parks and recreation				
Parks	22	22	24	23
Community centers	6	6	6	6
Parks acreage				
Developed	507	507	562	562
Undeveloped	569	569	695	695
Water				
Water wells	15	15	17	17
Water mains (miles)	370	370	415	421
Fire hydrants	3,363	3,363	3,610	3,817
Maximum daily demand (MG)				
Groundwater	42.90	42.90	27.20	36.07
Waste water				
Waste water treatment plants	2	2	2	2
Sanitary sewers (miles)	338	338	381	395
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-Addt'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						
2012	2013	2014	2015	2016	2017	
40	40	40	40	40	40	40
1	1	1	1	1	1	1
1	1	1	1	1	1	1
6	6	6	6	6	6	6
1	1	1	1	1	1	1
450	500	500	537	537	538	
338	338	338	350	350	343	
79	81	85	85	85	88	
24	24	24	26	27	27	
6	6	6	6	6	6	
562 *	562 **	571 **	571	924	963	
760 *	760 **	807 **	807	1484	1261	
17	17	16 ***	16	16	16	
431	431	441	452	465	495	
3,993	4,000	4,050	4,134	4,296	4,320	
30.14	29.89	29.97	25.84	31.00	35.70	
2	2	2	2	2	2	
405	405	412	426	424	450	
13.5	13.5	13.5	24.3	18.8 *	44.4	

(This page intentionally left blank.)