

CITY OF FULSHEAR, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2014



CITY OF FULSHEAR, TEXAS
PRINCIPAL OFFICIALS

Governing Body

Honorable Tommy Kuykendall	Mayor
Stephen Gill	Mayor Pro-Tem and Alderman
J.B. Collins Jr.	Alderman
Tricia Krenek	Alderman
Tajana Mesic	Alderman
Jeff Roberts	Alderman

Other Principal Official

C.J. Snipes	City Administrator
D. Gordon Offord	City Secretary
Kristina J. Brashear	City Finance Director
J. Grady Randle	City Attorney

CITY OF FULSHEAR, TEXAS
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REPORT OF INDEPENDENT AUDITORS

To The Honorable Mayor and
City Council Members of the
City of Fulshear, Texas

Report on 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 the City of Fulshear, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2014, 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.

To The Honorable Mayor and
City Council Members of the
City of Fulshear, Texas

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 3 through 9, budgetary comparison information on pages 42 and 43, and pension system supplementary information on page 44 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 combining nonmajor fund financial statements and the discretely presented component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Houston, Texas
April 21, 2015

CITY OF FULSHEAR, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fulshear (the "City"), we offer 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, 2014.

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 are comprised of 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 themselves.

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 and liabilities, with the difference between the two 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 to the change occurs, *regardless of 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 the future fiscal periods (e.g. municipal court fines).

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, permits and inspections, public safety, and public works. The business-type activities of the City include water distribution, wastewater collection/treatment, and solid waste operating funds.

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 two discretely presented component units consist of the following: Fulshear Development Corporation and The City of Fulshear Development Corporation.

The government-wide financial statements can be found on pages 12 through 15 of this report.

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

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, like other state and local governments, 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four (4) 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 each of the four (4) funds with the General Fund considered to be a major fund.

The governmental funds financial statements can be found on pages 16 through 19 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as the business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for its water distribution, wastewater collection/treatment, and solid waste operations.

Proprietary fund financial statements 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 Fulshear Facility Fund and CCR Facility Fund that are considered to be major funds of the City.

The basic enterprise fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 39 of this report.

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* -- Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 42 through 44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Fulshear, assets exceeded liabilities by \$64.5 million as of September 30, 2014.

By far the largest portion of the City's net position, 84% percent reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently these assets are *not* available for future spending. 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.

CONDENSED SCHEDULE OF NET POSITION

September 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013	2014	2013
Current and other assets	\$ 5,995,345	4,129,182	\$ 4,735,971	\$ 1,883,340	\$ 10,731,316	\$ 6,012,522
Capital assets	23,797,616	18,268,678	30,581,919	23,563,837	54,379,535	41,832,515
Total Assets	<u>29,792,961</u>	<u>22,397,860</u>	<u>35,317,890</u>	<u>25,447,177</u>	<u>65,110,851</u>	<u>47,845,037</u>
Current and other liabilities	240,827	134,941	288,911	479,702	529,738	614,643
Long-term liabilities	37,203	35,388			37,203	35,388
Total Liabilities	<u>278,030</u>	<u>170,329</u>	<u>288,911</u>	<u>479,702</u>	<u>566,941</u>	<u>650,031</u>
Net position:						
Net investment in capital assets	23,797,616	18,260,633	30,581,919	23,563,837	54,379,535	41,824,470
Restricted	1,156,792	709,984	1,755,008	326,961	2,911,800	1,036,945
Unrestricted	4,560,523	3,256,914	2,692,052	1,076,677	7,252,575	4,333,591
Total Net Position	<u>\$ 29,514,931</u>	<u>\$ 22,227,531</u>	<u>\$ 35,028,979</u>	<u>\$ 24,967,475</u>	<u>\$ 64,543,910</u>	<u>\$ 47,195,006</u>

* as restated

An additional 5% percent portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7.3 million may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2014, the City is able to report positive balances in all three categories of net position.

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

The following table provides a summary of the City's operations for the year ended September 30, 2014:

CONDENSED SCHEDULE OF CHANGES IN NET POSITION

September 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013*</u>
Revenues						
Program revenue:						
Charges for services	\$ 2,639,713	2,253,899	\$ 3,271,568	2,242,322	\$ 5,911,281	\$ 4,496,221
Operating grants and contributions	30,259	5,000			30,259	5,000
Capital grants and contributions	6,595,732	1,745,415	9,085,540	3,741,326	15,681,272	5,486,741
General revenues:						
Property taxes	943,721	732,475			943,721	732,475
Sales taxes	522,563	404,418		897	522,563	405,315
Franchise taxes	197,620	173,011			197,620	173,011
Investment earnings	7,993	7,112	3,044	1,334	11,037	8,446
Other revenues	184,860	41,914	16,970		201,830	41,914
Total Revenues	<u>11,122,461</u>	<u>5,363,244</u>	<u>12,377,122</u>	<u>5,985,879</u>	<u>23,499,583</u>	<u>11,349,123</u>
Expenses:						
General government	1,256,952	550,662			1,256,952	550,662
Permits and inspections	376,897	187,965			376,897	187,965
Public safety	941,346	672,355			941,346	672,355
Public works	1,001,930	1,366,526			1,001,930	1,366,526
Interest on long-term debt	292	1,674			292	1,674
Water and sewer			2,573,262	2,254,075	2,573,262	2,254,075
Total Expenses	<u>3,577,417</u>	<u>2,779,182</u>	<u>2,573,262</u>	<u>2,254,075</u>	<u>6,150,679</u>	<u>5,033,257</u>
Increase in net position before transfers	7,545,044	2,584,062	9,803,860	3,731,804	17,348,904	6,315,866
Transfers	(257,644)		257,644			
Change in net position	7,287,400	2,584,062	10,061,504	3,731,804	17,348,904	6,315,866
Net Position - beginning *	<u>22,227,531</u>	<u>19,643,469</u>	<u>24,967,475</u>	<u>21,235,671</u>	<u>47,195,006</u>	<u>40,879,140</u>
Net Position - ending	<u>\$ 29,514,931</u>	<u>\$ 22,227,531</u>	<u>\$ 35,028,979</u>	<u>\$ 24,967,475</u>	<u>\$ 64,543,910</u>	<u>\$ 47,195,006</u>

* as restated

Governmental activities

For the year ended September 30, 2014, revenues from governmental activities totaled \$11.1 million. Overall, governmental revenues increased by 107% from the prior year due to capital assets contributed by developers. Charges for services, which are the City's largest revenue source, increased by 17% due to an increase in permit and inspection revenues related to an increase in new development.

For the year ended September 30, 2014, expenses for governmental activities totaled \$3.6 million, which represents an increase of \$798,235 from the previous year. General government expenses had the largest increase of \$706,290. The increase is a result of increased activity due to growth in the area.

CITY OF FULSHEAR, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities (cont.)

Charges for services for business-type activities increased \$1,029,246 or 46% from the previous year due to an increase in water and sewer taps and the activity in the Cross Creek Ranch facility, which was contributed to the City in August 2008 as part of the development agreement for Cross Creek Ranch. Water and sewer expenses have increased by \$319,187. The increase is primarily due to increases in water pumpage and tapping fees as well as repair and maintenance related to the expansion of Cross Creek Ranch.

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 on 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 year.

The City's governmental funds reflect a combined fund balance of \$5.7 million. Of this amount, \$1,110,044 is restricted for the City's regional park, \$270,908 is committed to capital projects, and \$4.3 million is unassigned. There was an increase in the combined fund balance of \$1.8 million from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4.3 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 151% of total general fund expenditures. The general fund demonstrated an overall increase of \$1.21 million primarily due to an increase in the license and permits, property taxes, and charges for services.

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

General Fund Budgetary Highlights

There had been a planned increase in budgeted fund balance in the amount of \$641,077 in the general fund. However, actual fund balance increased by \$1,208,435 resulting in a positive variance of \$567,358 from budgeted as amended to actual.

Actual general fund revenues were below amended budgeted revenues by \$105,607 for 2014. This net negative variance includes positive variances of \$104,540 for charges for services and \$16,670 for fines and forfeitures.

Actual expenditures were less than budgeted amounts by \$525,265 for the fiscal year. The greatest positive variance was in general government.

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

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounted to \$23.8 million and \$30.6 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The following table shows the balances at September 30, 2013 and 2014:

	<u>2014</u>	<u>2013</u>
Governmental Activities		
Capital assets, not being depreciated:		
Land	\$ 711,640	\$ 343,890
Capital assets net of depreciation		
Buildings and improvements	561,431	421,389
Machinery and equipment	337,475	340,587
Infrastructure	<u>22,187,070</u>	<u>17,162,812</u>
Total capital assets - net of depreciation	<u>\$ 23,797,616</u>	<u>\$ 18,268,678</u>
Business-Type Activities		
Capital assets, not being depreciated:		
Land	\$ 526,082	\$ 526,082
Capital assets net of depreciation		
Buildings and improvements	38,278	41,037
Machinery and equipment	18,690	15,469
Infrastructure	<u>29,998,870</u>	<u>22,981,250</u>
Total capital assets - net of depreciation	<u>\$ 30,581,920</u>	<u>\$ 23,563,838</u>

Long-term liabilities

Detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

CITY OF FULSHEAR, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

The City Council has adopted the City's 2015 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2015 fiscal year. The City anticipates a 4 percent increase in expected total revenues and a 40 percent increase in expected total expenditures. The City's water, sewer, and garbage rates are reviewed by the City Council and adjusted based on current operating costs, customer demand and usage, and other pertinent factors affecting operations.

The dynamic growth within the City and local area provides the City with distinct challenges in regards to prognosticating revenues and expenditures on an annual basis leading the City to make adjustments in the course of the year as dictated by the operational needs of the City. That flexibility while utilitarian also may lead to confusion by the public, Council and staff when it comes to budget process and implementation. It is the goal of the City to reduce the number of adjustments and focus on making such adjustments proactively. Furthermore, as it gains more experience the City hopes to more accurately project its incoming resources and outgoing needs for future growth.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Kristina Brashear, City Finance Director, 30603 FM 1093, Fulshear, TX, 77441, telephone 281-346-1796, or for general City information, visit the City's website at www.fulsheartexas.gov .

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BASIC FINANCIAL STATEMENTS

CITY OF FULSHEAR, TEXAS

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,822,366	\$ 2,414,172	\$ 8,236,538
Receivables, net	172,979	566,791	739,770
Restricted:			
Cash and cash equivalents		1,755,008	1,755,008
Total Current assets	5,995,345	4,735,971	10,731,316
Capital assets:			
Non-depreciable capital assets	711,640	526,082	1,237,722
Depreciable capital assets, net	23,085,976	30,055,837	53,141,813
Total Noncurrent assets	23,797,616	30,581,919	54,379,535
Total Assets	29,792,961	35,317,890	65,110,851
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	240,752	203,534	444,286
Customer deposits	75	85,377	85,452
Total current liabilities	240,827	288,911	529,738
Long-term liabilities:			
Due within one year	12,541		12,541
Due in more than one year	24,662		24,662
Total long-term liabilities	37,203		37,203
Total Liabilities	278,030	288,911	566,941
Net Position			
Investment in capital assets	23,797,616	30,581,919	54,379,535
Restricted for:			
Regional park	1,156,792		1,156,792
Water and sewer construction		1,755,008	1,755,008
Unrestricted	4,560,523	2,692,052	7,252,575
Total Net Position	\$ 29,514,931	\$ 35,028,979	\$ 64,543,910

See Notes To Basic Financial Statements.

Component Units

Fulshear Development Corporation	City of Fulshear Development Corporation
\$ 487,981	\$ 680,588
48,930	48,930
536,911	729,518
536,911	729,518
450	
450	
	26,034
	352,927
	378,961
450	378,961
536,461	350,557
\$ 536,461	\$ 350,557

CITY OF FULSHEAR, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 1,256,952	\$	\$ 1,340	\$ 501,163
Permits and Inspections	376,897	2,418,323		
Public safety	941,346	149,468	28,919	
Public works	1,001,930	71,922		6,094,569
Interest on long-term debt	292			
Total governmental activities	<u>3,577,417</u>	<u>2,639,713</u>	<u>30,259</u>	<u>6,595,732</u>
Business-Type Activities:				
Water and Sewer Operations	<u>2,573,262</u>	<u>3,271,568</u>		<u>9,085,540</u>
Total Primary Government	<u>\$ 6,150,679</u>	<u>\$ 5,911,281</u>	<u>\$ 30,259</u>	<u>\$ 15,681,272</u>
Component Units				
City of Fulshear Development Corporation	\$ 200,337	\$	\$	\$
Fulshear Development Corporation	<u>71,247</u>			
Total component units	<u>\$ 271,584</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

General revenues:

Taxes:

Property taxes
Sales tax
Franchise taxes
Investment earnings
Other revenues

Transfers

Total general revenues

Change in net position

Net Position - beginning, as restated

Net Position - ending

See Notes to Basic Financial Statements.

Net Revenue (Expense) and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Fulshear Development Corporation	City of Fulshear Development Corporation
\$ (754,449)		\$ (754,449)		
2,041,426		2,041,426		
(762,959)		(762,959)		
5,164,561		5,164,561		
(292)		(292)		
<u>5,688,287</u>		<u>5,688,287</u>		
	9,783,846	9,783,846		
<u>5,688,287</u>	<u>9,783,846</u>	<u>15,472,133</u>		
			\$ (200,337)	\$ (71,247)
			<u>(200,337)</u>	<u>(71,247)</u>
943,721		943,721		
522,563		522,563	245,155	245,155
197,620		197,620		
7,993	3,044	11,037	856	1,148
184,860	16,970	201,830		
(257,644)	257,644	-		
<u>1,599,113</u>	<u>277,658</u>	<u>1,876,771</u>	<u>246,011</u>	<u>246,303</u>
7,287,400	10,061,504	17,348,904	45,674	175,056
22,227,531	24,967,475	47,195,006	490,787	175,501
<u>\$ 29,514,931</u>	<u>\$ 35,028,979</u>	<u>\$ 64,543,910</u>	<u>\$ 536,461</u>	<u>\$ 350,557</u>

CITY OF FULSHEAR, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General Fund	Nonmajor Funds	Total Funds
Assets			
Cash and cash equivalents	\$ 4,417,008	\$ 1,185,174	\$ 5,602,182
Investments	107,844	112,340	220,184
Receivables, net	172,979		172,979
Due from other funds	1,547		1,547
Total Assets	<u>\$ 4,699,378</u>	<u>\$ 1,297,514</u>	<u>\$ 5,996,892</u>
Liabilities			
Accounts payable	\$ 240,752	\$	\$ 240,752
Due to other funds		1,547	1,547
Customer deposits	75		75
Total Liabilities	<u>240,827</u>	<u>1,547</u>	<u>242,374</u>
Deferred Inflows of Resources			
Unavailable property taxes	23,733		23,733
Total Deferred Inflows of Resources	<u>23,733</u>		<u>23,733</u>
Fund balances			
Restricted for:			
Regional Park	131,733	978,311	1,110,044
Municipal Court		46,748	46,748
Committed		270,908	270,908
Unassigned	4,303,085		4,303,085
Total Fund Balances	<u>4,434,818</u>	<u>1,295,967</u>	<u>5,730,785</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 4,699,378</u>	<u>\$ 1,297,514</u>	<u>\$ 5,996,892</u>

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2014**

Total fund balance, governmental funds \$ 5,730,785

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. 23,797,616

Uncollected fines and forfeitures and other long-term receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 23,733

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Accrued compensated absences (37,203)

Net Position of Governmental Activities in the Statement of Net Position \$ 29,514,931

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Funds</u>
Revenues			
Taxes:			
Property	\$ 966,619	\$	\$ 966,619
Sales	522,563		522,563
Franchise taxes	197,620		197,620
Public improvement fees	531,303		531,303
Licenses and permits	1,401,279		1,401,279
Charges for services	574,811		574,811
Fines and forfeitures	138,395	20,714	159,109
Investment earnings	6,073	1,920	7,993
Other revenues	3,855	604,393	608,248
Total Revenues	<u>4,342,518</u>	<u>627,027</u>	<u>4,969,545</u>
Expenditures			
Current:			
General administration	1,198,266	16,881	1,215,147
Permits and Inspections	406,484		406,484
Public safety	878,187	2,499	880,686
Public works	341,709		341,709
Capital Outlay	19,888	56,475	76,363
Debt Service:			
Principal	8,045		8,045
Interest	642		642
Total Expenditures	<u>2,853,221</u>	<u>75,855</u>	<u>2,929,076</u>
Revenues over (under) expenditures	<u>1,489,297</u>	<u>551,172</u>	<u>2,040,469</u>
Other Financing Sources (Uses)			
Transfers in		23,218	23,218
Transfers out	(280,862)		(280,862)
Total other financing sources (uses)	<u>(280,862)</u>	<u>23,218</u>	<u>(257,644)</u>
Net Changes in Fund Balances	1,208,435	574,390	1,782,825
Fund Balances - beginning of year, as restated	<u>3,226,383</u>	<u>721,577</u>	<u>3,947,960</u>
Fund Balances - end of year	<u>\$ 4,434,818</u>	<u>\$ 1,295,967</u>	<u>\$ 5,730,785</u>

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, 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, 2014

Net change in fund balances - total governmental funds: \$ 1,782,825

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 capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$122,352 was exceeded by depreciation of \$773,396 in the current period. (651,044)

Contributions of capital assets by developers are not reported in the governmental fund financial statements as they do not represent a flow of current resources. 6,179,982

Governmental funds do not present revenues (property taxes) that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (22,898)

Governmental funds report repayment of capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 8,045

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:

Accrued interest not reflected in Governmental funds 350
Compensated absences (9,859)

Change in net position of governmental activities \$ 7,287,401

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS**STATEMENT OF NET POSITION****PROPRIETARY FUNDS**

September 30, 2014

	Enterprise Funds		
	Fulshear Facility	CCR Facility	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 139,640	\$ 2,274,532	\$ 2,414,172
Accounts receivable, net	79,616	487,175	566,791
Restricted assets:			
Cash and cash equivalents	1,755,008		1,755,008
Total current assets	<u>1,974,264</u>	<u>2,761,707</u>	<u>4,735,971</u>
Noncurrent assets:			
Capital assets:			
Land	60,292	465,790	526,082
Infrastructure	2,878,053	27,346,396	30,224,449
Buildings	612,278	3,385,775	3,998,053
Equipment	81,617	6,696	88,313
Less accumulated depreciation	(2,076,173)	(2,178,805)	(4,254,978)
Total noncurrent assets	<u>1,556,067</u>	<u>29,025,852</u>	<u>30,581,919</u>
Total Assets	<u>\$ 3,530,331</u>	<u>\$ 31,787,559</u>	<u>\$ 35,317,890</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 41,177	\$ 162,357	\$ 203,534
Customer deposits	14,776	70,601	85,377
Due to other funds			
Total Liabilities	<u>55,953</u>	<u>232,958</u>	<u>288,911</u>
Net Position			
Investment in capital assets	1,556,067	29,025,852	30,581,919
Restricted for:			
Water and sewer construction	1,755,008		1,755,008
Unrestricted	163,303	2,528,749	2,692,052
Total Net Position	<u>\$ 3,474,378</u>	<u>\$ 31,554,601</u>	<u>\$ 35,028,979</u>

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Enterprise Funds		
	Fulshear Facility	CCR Facility	Total Enterprise Funds
Operating Revenues			
Charges for sales and services	\$ 442,764	\$ 2,793,701	\$ 3,236,465
Other revenue		52,073	52,073
Total Operating Revenues	<u>442,764</u>	<u>2,845,774</u>	<u>3,288,538</u>
Operating Expenses			
Contractual services	157,343	291,420	448,763
Other operating	172,677	1,136,957	1,309,634
Utilities	27,619	123,175	150,794
Bad debt expense	1,801	3,055	4,856
Depreciation	552,759	106,456	659,215
	<u>912,199</u>	<u>1,661,063</u>	<u>2,573,262</u>
Operating income (loss)	<u>(469,435)</u>	<u>1,184,711</u>	<u>715,276</u>
Non-Operating Revenues			
Investment earnings	1,039	2,005	3,044
Total Non-Operating Revenues	<u>1,039</u>	<u>2,005</u>	<u>3,044</u>
Income (loss) before transfers and capital contributions	(468,396)	1,186,716	718,320
Transfers in	257,644		257,644
Capital contributions	1,419,200	7,666,340	9,085,540
Change in Net Position	1,208,448	8,853,056	10,061,504
Total Net Position - beginning of year	<u>2,265,930</u>	<u>22,701,545</u>	<u>24,967,475</u>
Total Net Position - end of year	<u>\$ 3,474,378</u>	<u>\$ 31,554,601</u>	<u>\$ 35,028,979</u>

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Enterprise Funds		
	Fulshear Facility	CCR Facility	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 412,643	\$ 2,582,939	\$ 2,995,582
Payments to suppliers	(411,927)	(1,709,563)	(2,121,490)
Net cash provided by operating activities	<u>716</u>	<u>873,376</u>	<u>874,092</u>
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	(18,447)	18,886	439
Cash Flows from Capital and Related Financing Activities			
Capital grants	1,419,200		1,419,200
Acquisition of and construction of capital assets	(4,261)	(6,696)	(10,957)
	<u>1,414,939</u>	<u>(6,696)</u>	<u>1,408,243</u>
Cash Flows From Investing Activities			
Investment earnings	1,039	2,005	3,044
Net cash used by investing activities	<u>1,039</u>	<u>2,005</u>	<u>3,044</u>
Net increase (decrease) in cash and cash equivalents	1,398,247	887,571	2,285,818
Cash and cash equivalents - beginning of year	<u>496,401</u>	<u>1,386,961</u>	<u>1,883,362</u>
Cash and cash equivalents - end of year	<u>\$ 1,894,648</u>	<u>\$ 2,274,532</u>	<u>\$ 4,169,180</u>
Unrestricted cash and cash equivalents	\$ 139,640	\$ 2,274,532	\$ 2,414,172
Restricted cash and cash equivalents	1,755,008		1,755,008
Total cash and cash equivalents	<u>\$ 1,894,648</u>	<u>\$ 2,274,532</u>	<u>\$ 4,169,180</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating Income	\$ (469,435)	\$ 1,184,711	\$ 715,276
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	552,759	106,456	659,215
(Increase) decrease in accounts receivable	(31,669)	(277,939)	(309,608)
Increase (decrease) in accounts payable	(54,288)	(158,011)	(212,299)
Increase (decrease) in customer deposits	3,349	18,159	21,508
Net cash provided by operating activities	<u>\$ 716</u>	<u>\$ 873,376</u>	<u>\$ 874,092</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets		<u>\$ 7,666,340</u>	<u>\$ 7,666,340</u>

See Notes to Basic Financial Statements.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Organization

The City of Fulshear, Texas, (the "City") was incorporated in 1977. The City Council is the principal legislative body of the City and is composed of five council members who serve two year terms. The mayor presides at the Council meetings. All powers of the City are vested in the City Council.

The City provides the following services: public safety to include police services, municipal court, streets, drainage, water and sewer services, solid waste collection and disposal, community development, and general administration.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. 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 generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The City of Fulshear Development Corporation and the Fulshear Development Corporation, although legally separate, are considered discretely presented component units and are part of the reporting entity. 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 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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units

City of Fulshear Development Corporation

After voter approval on August 29, 2007, the City formed the City of Fulshear Development Corporation (CDC), a 4A development corporation. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for budgets and bonded debt issuances. The CDC was created to manage and supervise the programs and activities with revenues from their portion (one half percent) of the sales tax increase of one percent, allowed by State of Texas law and approved by voters on August 29, 2007. The revenues are limited to manufacturing and industrial development.

Fulshear Development Corporation

After voter approval on August 29, 2007, the City formed the Fulshear Development Corporation (FDC), a 4B development corporation. The Board of Directors are appointed by and serve at the discretion of the City Council. City Council approval is required for budgets and bonded debt issuances. The FDC was created to manage and supervise the programs and activities with revenues from their portion (one half percent) of the sales tax increase of one percent, allowed by State of Texas law and approved by voters on August 29, 2007. The revenues are limited to quality of life improvements, including economic development that will attract and retain primary employers.

The component units are reported in separate columns to emphasize that they are legally separate from the City. In the event of dissolution, net position of the CDC and the FDC shall be conveyed back to the City. The operations of these component units are presented as governmental fund types and cover the year ended September 30, 2014.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of net position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 support.

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 operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the internal service fund are reported as separate columns in the fund financial statements. 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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements and proprietary fund statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes and franchise fees are recognized as revenues in the year that gives rise to the transaction. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Sales taxes, franchise fees, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the City's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

The proprietary fund types used by the City include the following:

Enterprise Funds

The enterprise funds are used to account for the operations that provide water and wastewater collection, wastewater treatment operations and solid waste collection and disposal. 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. The Fulshear facility fund is utilized to supply the City and surrounding developments with water, sewer, and sanitation services. The Cross Creek Ranch facility fund is utilized to supply the Cross Creek Ranch development with water, sewer, and sanitation services. The Fulshear facility and Cross Creek Ranch facility funds are considered major funds for reporting purposes.

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

The government-wide Statements of Net Position and Statements of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Government-wide and proprietary fund equity consists of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means 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 available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and other taxes 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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits 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.

E. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Direct obligations of the State of Texas
- Collateralized certificates of deposit
- Statewide investment pools
- Repurchase agreements, reverse repurchase agreements, bankers' acceptances, and commercial paper
- Related no-load money market mutual funds

F. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as "due from other funds" or "due to other funds" in the fund financial statements.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Description</u>	
Buildings	20 to 50 Years
Improvements other than buildings	5 to 50 Years
Machinery and equipment	5 to 10 Years
Water and sewer system	20 to 50 Years
Infrastructure	40 to 50 Years

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation, sick, and personal time. Vacation, sick, and personal time earned during the year is to be used in the following year. Unused vacation, sick leave, and personal time will expire within one year of the accrual. However, the Mayor has the authority to approve unused vacation time for compensation.

I. Deferred Inflows of Resources

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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

J. Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

L. Fund Equity

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained for specific purposes as determined by the City itself, using the 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.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

M. Net Position

Net position represents the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more.

At September 30, 2014, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Days)
Certificates of deposit	\$ 220,184	155
Texas CLASS public funds investment pool *	3,392,039	60
Total Fair Value	<u>\$ 3,612,223</u>	66

* Credit rating of AAAM by Standard & Poors

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. At September 30, 2014, the carrying amount of the City's cash, savings, and time deposits were as follows:

	Collateralized	Uncollateralized
Primary Government	\$ 6,379,323	\$ -
City of Fulshear Development Corporation	250,000	430,588
Fulshear Development Corporation	250,000	237,981
	<u>\$ 6,879,323</u>	<u>\$ 668,569</u>

Management does not expect any losses as a result of the under collateralization of deposits in the name of the development corporations.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments (continued)

The Texas Cooperative Liquid Assets Securities System Trust - Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). CLASS is created under an Amended and Restated Trust Agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in the pool (the "Participants"), Cutwater Investor Services Corporation as Program Administrator, and Wells Fargo Bank Texas, NA as Custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained from CLASS' website at www.texasclass.com.

Note 4 - Receivables

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2014, are as follows:

	<u>General Fund</u>	<u>Fulshear Facility</u>	<u>CCR Facility</u>	<u>Total</u>
Property taxes	\$ 72,763	\$	\$	\$ 72,763
Other taxes	127,216			127,216
Accounts		84,259	487,175	571,434
Other	5,471			5,471
	<u>205,450</u>	<u>84,259</u>	<u>487,175</u>	<u>776,884</u>
Less: allowance for uncollectibles	<u>(32,471)</u>	<u>(4,643)</u>		<u>(37,114)</u>
	<u>\$ 172,979</u>	<u>\$ 79,616</u>	<u>\$ 487,175</u>	<u>\$ 739,770</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Interfund Balances and Transfers

Interfund balances at September 30, 2014, were as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>
	<u>General Fund</u>
Regional Park Fund	\$ 41
Municipal Court	1,506
	<u>\$ 1,547</u>

Amounts reported as “due to/from” are considered to be temporary loans and will be repaid during the following fiscal year.

Transfers between the primary government funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General fund	Fulshear Facility	\$ 257,644
	Regional Park	23,218
		<u>\$ 280,862</u>

The general fund made transfers to the regional park funds to reimburse the funds for amounts deposited into the general fund in previous years.

Transfers to the Fulshear facility enterprise fund have been made to recognize previous advances to the fund which are not likely to be paid back in the near future.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 9/30/2013	Additions	Deletions	Balance 9/30/2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 343,890	\$ 367,750	\$	\$ 711,640
Total capital assets, not being depreciated	343,890	367,750		711,640
Other capital assets:				
Buildings and improvements	811,222	172,394		983,616
Machinery and equipment	661,771	85,373		747,144
Infrastructure	19,576,797	5,676,817		25,253,614
Total other capital assets	21,049,790	5,934,584		26,984,374
Less accumulated depreciation for:				
Buildings and improvements	(389,833)	(32,352)		(422,185)
Machinery and equipment	(321,184)	(88,485)		(409,669)
Infrastructure	(2,413,985)	(652,559)		(3,066,544)
Total accumulated depreciation	(3,125,002)	(773,396)		(3,898,398)
Total other capital assets , net	17,924,788	5,161,188		23,085,976
Governmental Activities				
Capital Assets, Net	\$ 18,268,678	\$ 5,528,938	\$	\$ 23,797,616

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 54,668
Public safety	45,898
Permits	3,127
Public works	669,703
Total depreciation expense - governmental activities	\$ 773,396

Additions to the governmental activities capital assets for the 2014 fiscal year include approximately \$6.1 million of streets and other infrastructure relating to developer contributions.

Capital assets (monument signs) previously reported in the Fulshear Development Corporation with a value of \$85,000 have been transferred to the Governmental Activities for reporting purposes during the 2014 fiscal year. Currently, the Fulshear Development Corporation will continue to maintain the assets in the foreseeable future.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

A summary of changes in capital assets for business-type activities as of September 30, 2014, is as follows:

	Balance 9/30/2013	Additions	Deletions	Balance 9/30/2014
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 526,082	\$	\$	\$ 526,082
Total capital assets, not being depreciated	526,082			526,082
Other capital assets:				
Buildings	110,372			110,372
Machinery and equipment	77,356	10,957		88,313
Water and sewer system	26,445,791	7,666,339		34,112,130
Total other capital assets	26,633,519	7,677,296		34,310,815
Less accumulated depreciation for:				
Buildings	(69,335)	(2,759)		(72,094)
Machinery and equipment	(61,887)	(7,736)		(69,623)
Water and sewer system	(3,464,541)	(648,720)		(4,113,261)
Total accumulated depreciation	(3,595,763)	(659,215)		(4,254,978)
Total other capital assets , net	23,037,756	7,018,081		30,055,837
Total business-type activities	\$ 23,563,838	\$ 7,018,081	\$	\$ 30,581,919

Depreciation was charged to business-type functions as follows:

Business-Type Activities	
Fulshear facility fund	\$ 552,759
Cross Creek Ranch facility fund	106,456
Total business-type activities	
depreciation expense	\$ 659,215

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the general fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 8,045	\$	\$ (8,045)	\$	
Other Liabilities:					
Compensated absences	27,343	19,078	(9,218)	37,203	12,541
Governmental Activities	<u>\$ 35,388</u>	<u>\$ 19,078</u>	<u>\$ (17,263)</u>	<u>\$ 37,203</u>	<u>\$ 12,541</u>

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

Component Units

The component unit, City of Fulshear Development Corporation, obtained a loan in 2011 for \$450,000 with an interest rate of 3.25 percent from the Office of the Governor, Economic Development and Tourism Division.

Long-term debt for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan payable	\$ 404,164	\$	\$ (25,203)	\$ 378,961	\$ 26,034
Governmental Activities	<u>\$ 404,164</u>	<u>\$</u>	<u>\$ (25,203)</u>	<u>\$ 378,961</u>	<u>\$ 26,034</u>

Future debt requirements on the outstanding loan are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 26,034	\$ 11,931	\$ 37,965
2016	26,892	11,072	37,964
2017	27,780	10,185	37,965
2018	28,696	9,268	37,964
2019	29,643	8,322	37,965
2020-2024	163,542	26,279	189,821
2025-2027	76,374	2,719	79,093
Total	<u>\$ 378,961</u>	<u>\$ 79,776</u>	<u>\$ 458,737</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. The report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	100%, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Trend information for the annual pension cost (APC) is as follows:

Fiscal Year Ending	Three-Year Trend Information			Net Pension Obligation
	Annual Pension Cost (APC)	Actual Contribution Made	% of APC Contributed	
	2012	\$ 11,801	\$ 11,801	
2013	8,826	8,826	100.0%	-
2014	39,619	39,619	100.0%	-

Funding Policy

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012, actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2013, as follows:

Valuation date	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Early Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	23.0 years; closed period	22.0 years; closed period	24.3 years; closed period
Amortization period for new gains/losses	21 years	22 years	21 years
Asset valuation method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial valuation date	December 31, 2013
Actuarial value of assets	\$163,162
Actuarial accrued liability (AAL)	292,846
Funded Ratio	55.7%
Unfunded Actuarial Accrued Liability (UAAL)	\$129,684
Covered payroll	870,232
UAAL as a percentage of covered payroll	14.9%

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

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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Other Post Employment Benefit

TMRS Supplemental Death Benefits Funds

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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 post-employment benefit," or OPEB. As of September 30, 2014, the City offered supplemental death benefits to both active and retired employees.

Contributions

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 the employees' entire careers.

Note 10 - 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; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Note 11 - Regional Park Fund

During 2004, the City entered into an agreement with Firethorne LTD, (the "Developer") whereby the Developer would pay a regional park fee for every lot per plat the Developer finalized. The terms of the agreement state that the regional park fees, plus interest earned, must be utilized in the development of a regional park within five years from the date the fees are paid to the City.

Otherwise, the funds must be returned to the lot owner of record at the five year anniversary date. Similar agreements were signed with TMI, Inc., Fulshear Land Investment Partners, LTD., and Taman-on Lakes, L.P., excluding the five year utilization clause. During the year ended September 30, 2014, the City received \$415,750 in regional park fees. Since the inception of the agreements, the City has received \$1,084,733. During the year ended September 30, 2014, the City expended \$376,842 of regional park contributions received on park maintenance and beautification. As of September 30, 2014, the City has restricted net position of \$978,311 related to regional park fees.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Developer Contributions Business-type Activities

The City receives funds under an agreement with the Fulshear Creek Crossing (FCC) developer whereby \$2,560 per final platted lot is remitted to the City. The contributions and interest earned are restricted for improvements to the City's water and sewer system as necessary to provide adequate water and sewer services to the FCC development. The contributions are recorded in the City's Fulshear facility enterprise fund.

Additionally, Lamar Consolidated Independent School District contributed \$920,000 for additional capacity needed at city facilities due to pending school construction.

At September 30, 2014, the Fulshear enterprise fund had restricted net position of \$1,755,008 from these contributions.

Note 13 – Restated Net Position and Fund Balance

The City has restated beginning net position of the Governmental Activities and Capital Projects Fund to correct an overstatement of retainage payable. The effect of this restatement of beginning net position is as follows:

	Capital Projects Fund	Governmental Activities
	<u> </u>	<u> </u>
Fund Balance/Net Position as of September 30, 2013	\$ 33,084	\$ 22,149,955
Correction of an error - overstatement of retainage payable	<u>77,576</u>	<u>77,576</u>
Fund Balance/Net Position as of September 30, 2013, as restated	<u><u>\$ 110,660</u></u>	<u><u>\$ 22,227,531</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FULSHEAR, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Positive (Negative)
Revenues				
Taxes:				
Property	762,812	966,617	966,619	\$ 2
Sales	487,973	583,066	522,563	(60,503)
Franchise	122,500	204,916	197,620	(7,296)
Public improvement fees	145,000	531,302	531,303	1
Licenses and permits	1,529,353	1,541,121	1,401,279	(139,842)
Charges for services	444,900	470,271	574,811	104,540
Fines and forfeitures	98,170	121,725	138,395	16,670
Investment earnings	5,300	5,300	6,073	773
Other revenues	16,826	23,807	3,855	(19,952)
Total Revenues	<u>3,612,834</u>	<u>4,448,125</u>	<u>4,342,518</u>	<u>(105,607)</u>
Expenditures				
Current:				
General government	1,409,805	1,470,838	1,198,266	272,572
Permits and inspections	347,913	427,799	406,484	21,315
Public works	390,633	473,320	341,709	131,611
Public safety	904,188	977,953	878,187	99,766
Capital Outlay		19,888	19,888	
Debt Service:				
Principal		8,046	8,045	1
Interest and fiscal agent fees		642	642	
Total Expenditures	<u>3,052,539</u>	<u>3,378,486</u>	<u>2,853,221</u>	<u>525,265</u>
Revenues over (under) expenditures	560,295	1,069,639	1,489,297	419,658
Other Financing Sources (Uses)				
Transfers in		131,733		(131,733)
Transfers out	(560,295)	(560,295)	(280,862)	279,433
Total other financing sources (uses)	<u>(560,295)</u>	<u>(428,562)</u>	<u>(280,862)</u>	<u>147,700</u>
Changes in fund balance		641,077	1,208,435	567,358
Fund Balance - Beginning of Year	<u>3,226,383</u>	<u>3,226,383</u>	<u>3,226,383</u>	
Fund Balance - End of Year	<u>\$ 3,226,383</u>	<u>\$ 3,867,460</u>	<u>\$ 4,434,818</u>	<u>\$ 567,358</u>

CITY OF FULSHEAR, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended September 30, 2014

Annual budgets are adopted on a modified accrual basis of accounting for all of the City's funds. Annual appropriations lapse at fiscal year-end.

The Finance department is responsible for producing, monitoring, and reporting the City's annual operating budget. The City of Fulshear operates a fiscal year beginning October 1 through September 30 annually.

Each spring, the staff begins the annual process to determine the needs of the city. The requests are based on the programs and priorities that the city council has discussed or committed to in the past. A recommended budget is formed based on the projected revenue and submitted to the citizens and the city council. After input from the public and the staff the council has the opportunity to revise the budget to conform to its objectives.

Public hearings regarding the budget and tax rate are held in August/September and are open to the public. The city budget contains several different funds with the largest being the general fund which is used for general government services that do not need to be accounted for separately. Examples of general government services include public safety, street maintenance, and administrative activities.

Once adopted, the budget takes effect on the first of the fiscal year (October 1) and any major changes must be approved by the city council.

CITY OF FULSHEAR, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
For the Year Ended September 30, 2014

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll ((b-a)/c)
2011	\$ 63,431	\$ 135,947	\$ 72,516	46.7%	\$ 583,368	12.4%
2012	111,079	183,036	71,957	60.7%	703,095	10.2%
2013	163,162	292,846	129,684	55.7%	870,232	14.9%

OTHER SUPPLEMENTAL INFORMATION

CITY OF FULSHEAR, TEXAS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Capital Projects Fund	Regional Park	Municipal Court	Total Nonmajor Funds
Assets				
Cash and cash equivalents	\$ 270,908	\$ 866,012	\$ 48,254	\$ 1,185,174
Investments		112,340		112,340
Total Assets	\$ 270,908	\$ 978,352	\$ 48,254	\$ 1,297,514
Liabilities				
Due to other funds		41	1,506	1,547
Total Liabilities		41	1,506	1,547
Fund balances				
Restricted for:				
Regional Park		978,311		978,311
Municipal Court			46,748	46,748
Committed	270,908			270,908
Total Fund Balances	270,908	978,311	46,748	1,295,967
Total Liabilities, Deferred Inflows, and Fund Balances				
	\$ 270,908	\$ 978,352	\$ 48,254	\$ 1,297,514

CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Capital Projects Fund	Regional Park	Municipal Court	Total Nonmajor Funds
Revenues				
Fines and forfeitures	\$	\$	\$ 20,714	\$ 20,714
Investment earnings	248	1,645	27	1,920
Other revenues	180,000	417,078	7,315	604,393
Total Revenues	180,248	418,723	28,056	627,027
Expenditures				
Current:				
General administration		16,881		16,881
Public safety			2,499	2,499
Capital Outlay	20,000	25,000	11,475	56,475
Total Expenditures	20,000	41,881	13,974	75,855
Revenues over (under) expenditures	160,248	376,842	14,082	551,172
Other Financing Sources (Uses)				
Transfers in		23,218		23,218
Total other financing sources (uses)		23,218		23,218
Net Changes in Fund Balances	160,248	400,060	14,082	574,390
Fund Balances - beginning of year, as restated	110,660	578,251	32,666	721,577
Fund Balances - end of year	\$ 270,908	\$ 978,311	\$ 46,748	\$ 1,295,967

CITY OF FULSHEAR, TEXAS

BALANCE SHEET

DISCRETELY PRESETNED COMPONENT UNITS

September 30, 2014

	Fulshear Development Corporation	City of Fulshear Development Corporation
Assets		
Cash and cash equivalents	\$ 487,981	\$ 680,588
Receivables, net	48,930	48,930
Total Assets	\$ 536,911	\$ 729,518
Liabilities		
Accounts payable	\$ 450	\$
Total Liabilities	450	
Fund balances		
Restricted for:		
Economic Development	536,461	729,518
Total Fund Balances	536,461	729,518
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 536,911	\$ 729,518
Total Fund Balance - Component Units	\$ 536,461	\$ 729,518
Amounts reported for the comopnent unit in the Statement of Net Position are different because:		
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the Statement of Net Position.		
Long-term debt		(378,961)
Net position of component units	\$ 536,461	\$ 350,557

CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Fulshear Development Corporation	City of Fulshear Development Corporation
Revenues		
Taxes:		
Sales	\$ 245,155	\$ 245,149
Investment earnings	856	1,154
Total Revenues	<u>246,011</u>	<u>246,303</u>
Expenditures		
Current:		
General administration	114,924	58,491
Debt Service:		
Principal		25,203
Interest		12,756
Total Expenditures	<u>114,924</u>	<u>96,450</u>
Net Changes in Fund Balances	131,087	149,853
Fund Balances - beginning of year, as restated	<u>405,374</u>	<u>579,665</u>
Fund Balances - end of year	<u>\$ 536,461</u>	<u>\$ 729,518</u>
Net Change in Fund Balances - component units	\$ 131,087	\$ 149,853
<p>Amounts reported for the component unit in the Statement of Activities are different because:</p> <p>The component unit fund reports repayment of bond principal as an expenditures. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.</p> <p>Repayment of principal on long-term debt 25,203</p> <p>Transfer of capital assets previously reported in the component unit financial statements to the primary government do not represent use of current resources and therefore is not reported in the fund based financial statements. (85,413)</p>		
Changes in Net Position of Component Units	<u>\$ 45,674</u>	<u>\$ 175,056</u>