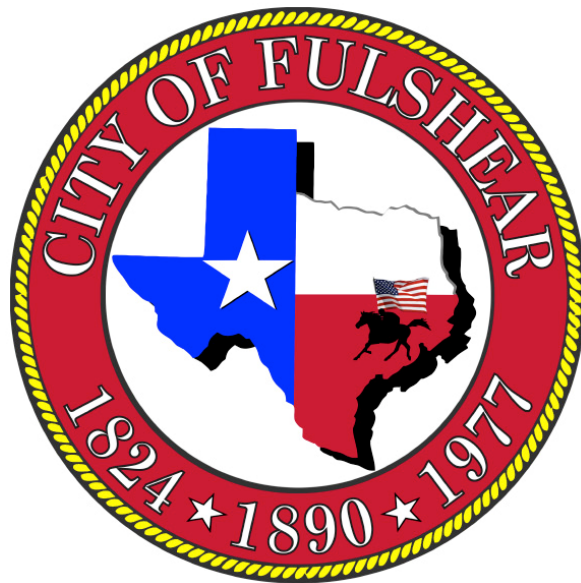


**CITY OF FULSHEAR, TEXAS**

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2017**





**CITY OF FULSHEAR, TEXAS**

**PRINCIPAL OFFICIALS**

*September 30, 2017*

**Governing Body**

Jeff Roberts	Mayor
Tricia Krenek	Mayor Pro-Tem and Council Member
Tommy Kuykendall	Council Member
Stephen Gill	Council Member
Dana Hollingsworth	Council Member
Kaye Kahlich	Council Member

**Other Principal Official**

Jack Harper	City Manager
Kim Kopecky	Interim City Secretary
Wes Vela	Chief Financial Officer
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, 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. 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, 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.

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 4 through 10, budgetary comparison information on pages 44 and 45, and pension system supplementary information on pages 46 and 47 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Whitley Penn LLP*

Houston, Texas  
April 11, 2018



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **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, 2017.

#### **Financial Highlights**

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$114.7 million (*net position*). Of this amount, \$9.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$23.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.2 million, a decrease of \$0.9 million over the prior year mainly due to Regional Park capital outlay expenditures related to purchase of land. Approximately 68% of this total amount, \$3.6 million, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 50% of total general fund expenditures.

#### **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, 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 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

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

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

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.

**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 five (5) 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 five (5) funds with the General Fund and Regional Park considered to be major funds.

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 Cross Creek Ranch 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.

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

**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 41 of this report.

**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 Balance - 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 44 through 47 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Fulshear, assets and deferred outflows exceeded liabilities and deferred inflows by \$114.7 million as of September 30, 2017.

By far the largest portion of the City's net position, 91% 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, 2017 and 2016*

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 5,835,345	\$ 6,740,359	\$ 5,687,350	\$ 5,048,939	\$ 11,522,695	\$ 11,789,298
Capital assets	44,707,835	40,176,704	60,024,809	40,999,464	104,732,644	81,176,168
<b>Total Assets</b>	<u>50,543,180</u>	<u>46,917,063</u>	<u>65,712,159</u>	<u>46,048,403</u>	<u>116,255,339</u>	<u>92,965,466</u>
<b>Deferred Outflows of Resources</b>						
Pension related	179,788	155,234			179,788	155,234
Current and other liabilities	537,986	454,590	870,090	1,193,512	1,408,076	1,648,102
Long-term liabilities	138,046	89,807			138,046	89,807
Net pension liability	218,123	202,236			218,123	202,236
<b>Total Liabilities</b>	<u>894,155</u>	<u>746,633</u>	<u>870,090</u>	<u>1,193,512</u>	<u>1,764,245</u>	<u>1,940,145</u>
<b>Deferred Inflows of Resources</b>						
Pension related	8,507	8,874			8,507	8,874
<b>Net position:</b>						
Net investment in capital assets	44,707,835	40,176,704	60,024,809	40,999,464	104,732,644	81,176,168
Restricted	539,487	1,564,928		727,922	539,487	2,292,850
Unrestricted	4,572,984	4,575,158	4,817,260	3,127,505	9,390,244	7,702,663
<b>Total Net Position</b>	<u>\$ 49,820,306</u>	<u>\$ 46,316,790</u>	<u>\$ 64,842,069</u>	<u>\$ 44,854,891</u>	<u>\$ 114,662,375</u>	<u>\$ 91,171,681</u>

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

An additional 0.5% 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 \$9.4 million may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2017, the City is able to report positive balances in all three categories of net position. The following table provides a summary of the City's operations for the year ended September 30, 2017:

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**

*September 30, 2017 and 2016*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 3,775,779	\$ 3,233,603	\$ 5,203,537	\$ 4,468,483	\$ 8,979,316	\$ 7,702,086
Operating grants and contributions	268,355	220,050			268,355	220,050
Capital grants and contributions	4,791,180	15,565,852	18,860,007	5,642,980	23,651,187	21,208,832
General revenues:						
Property taxes	1,834,115	1,574,219			1,834,115	1,574,219
Sales taxes	827,480	689,508			827,480	689,508
Franchise taxes	514,470	384,885			514,470	384,885
Investment earnings	47,221	21,867	33,319	13,814	80,540	35,681
Other revenues	244,036	115,358			244,036	115,358
<b>Total Revenues</b>	<b>12,302,636</b>	<b>21,805,342</b>	<b>24,096,863</b>	<b>10,125,277</b>	<b>36,399,499</b>	<b>31,930,619</b>
<b>Expenses:</b>						
General government	2,381,636	2,443,400			2,381,636	2,443,400
Permits and inspections	814,579	568,776			814,579	568,776
Public safety	2,156,611	1,741,536			2,156,611	1,741,536
Public works	3,366,308	2,740,764			3,366,308	2,740,764
Interest on long-term debt						
Water and sewer			4,189,671	4,090,921	4,189,671	4,090,921
<b>Total Expenses</b>	<b>8,719,134</b>	<b>7,494,476</b>	<b>4,189,671</b>	<b>4,090,921</b>	<b>12,908,805</b>	<b>11,585,397</b>
Increase in net position before transfers	3,583,502	14,310,866	19,907,192	6,034,356	23,490,694	20,345,222
Transfers	(79,986)	(690,202)	79,986	690,202		
Change in net position	3,503,516	13,620,664	19,987,178	6,724,558	23,490,694	20,345,222
<b>Net Position - beginning</b>	<b>46,316,790</b>	<b>32,696,126</b>	<b>44,854,891</b>	<b>38,130,333</b>	<b>91,171,681</b>	<b>70,826,459</b>
<b>Net Position - ending</b>	<b>\$ 49,820,306</b>	<b>\$ 46,316,790</b>	<b>\$ 64,842,069</b>	<b>\$ 44,854,891</b>	<b>\$ 114,662,375</b>	<b>\$ 91,171,681</b>

**Governmental activities**

For the year ended September 30, 2017, revenues from governmental activities totaled \$12.3 million. Overall, governmental revenues decreased by 44% from the prior year due to reduced levels of developer infrastructure contributions. Charges for services, which are the City's largest revenue source, increased by 17% due to continued growth in residential and commercial building review and permit fees.

For the year ended September 30, 2017, expenses for governmental activities totaled \$8.7 million, which represents an increase of \$1,224,658 from the previous year. Public works expenses increased the most over the prior year by \$625,544, primarily due to increases in depreciation expenses resulting from large contributions of infrastructure from developers. General government expenses decreased \$61,764. The

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

decrease was a result of the City's efforts to reduce spending and develop efficiencies by having adequate staff and service levels. Public safety increased by \$415,075 due to increased salaries and wages, hiring of new personnel, and purchases of small tools and equipment. Permits and inspection expenses increased as a result of increased consultant and engineering services.

**Business-type activities**

Charges for services for business-type activities increased \$735,054 or 16% from the previous year due to an increase in water and sewer taps and the activity due to new development. Water and sewer expenses held steady increasing less than 2% or \$98,750.

**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 \$5.2 million. Of this amount, \$0.39 million is restricted for the City's regional park, \$65,923 is restricted for municipal court, \$1.13 million is committed to capital projects, and \$3.6 million is unassigned. There was a decrease in the combined fund balance of \$0.97 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 \$3.6 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 50% of total general fund expenditures. The general fund balance demonstrated an overall increase of \$373,239 million primarily due to reduced amounts transferred to Capital Projects and Business-type Activities.

*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 decrease in budgeted fund balance in the amount of \$3.1 million in the general fund. However, actual fund balance increased by \$373,239 resulting in a positive variance of \$3,257,346 from budgeted as amended to actual.

Actual general fund revenues were above amended budgeted revenues by \$1,194,351 for 2017. This net positive variance includes positive variances of \$289,127 for licenses and permits and \$324,285 for charges for services along with negative variances for fines and forfeitures and property taxes.

Actual expenditures were less than budgeted amounts by \$957,870 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, 2017, amounted to \$44.71 million and \$60.02 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Governmental Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 3,210,109	\$ 1,978,290
Capital assets net of depreciation		
Buildings and improvements	452,035	493,383
Machinery and equipment	390,283	443,046
Infrastructure	40,655,408	37,261,985
Total capital assets - net of depreciation	<u>\$ 44,707,835</u>	<u>\$ 40,176,704</u>
<b>Business-Type Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 526,082	\$ 526,082
Construction in progress	761,661	3,275,584
Capital assets net of depreciation		
Buildings and improvements	29,999	32,759
Machinery and equipment	22,531	25,485
Water and Sewer System	58,684,536	37,139,554
Total capital assets - net of depreciation	<u>\$ 60,024,809</u>	<u>\$ 40,999,464</u>

Detailed information on capital assets is presented in Note 6 to the financial statements.

**Long-term liabilities**

The City's long-term liabilities consist entirely of accrued compensated absences payable at year end. The City has no outstanding debt instruments. Detailed information on compensated absences is presented in Note 7 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 2018 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2018 fiscal year. The City anticipates an eleven percent (11%) increase in expected total revenues and an eighteen percent (18%) percent increase in expected total expenditures. The main contributor to the revenue increase is from ad valorem tax generated by increased property value through growth. This increased value allowed the City to lower the tax rate from \$0.161631/\$100 to \$0.156901/\$100

Recent legal developments in the City's ability to issue debt for capital projects is promising; therefore, the issuance of debt had been included in the fiscal year 2018 budget.

The increases in expenditures are generated from the addition of police and technology personnel, funding of vehicle/equipment, replacement fund, and pay and benefit adjustments.

The growth in residential and commercial building is expected to continue for the foreseeable future as the City is experiencing phenomenal growth as part of the Houston region. Our population has grown from 916 in 2006 to around 9,000 through 2017. The FM 1463 corridor has exploded with new development ranging from CVS, Starbucks, Aldi's and H.E.B grocery in mid of February 2018. The H.E.B. center will have 98,000 sq. ft. surrounded by 198,000 sq. ft. of retail.

Cross Creek Ranch and Firethorne remain in the top 20 of the top selling developments in the nation. The City is filled with beautiful developments on the ground and in the pipeline of development.

**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 Wes Vela, City Financial Officer, 30603 FM 1093, Fulshear, TX, 77441, telephone 281-346-1796, or for general City information, visit the City's website at [www.fulsheartexas.gov](http://www.fulsheartexas.gov) .



## **BASIC FINANCIAL STATEMENTS**

**CITY OF FULSHEAR, TEXAS**

*STATEMENT OF NET POSITION*

September 30, 2017

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 5,396,785	\$ 4,948,311	\$ 10,345,096
Receivables, net	438,560	739,039	1,177,599
<b>Total Current assets</b>	<b>5,835,345</b>	<b>5,687,350</b>	<b>11,522,695</b>
<b>Capital assets:</b>			
Non-depreciable capital assets	3,210,109	1,287,743	4,497,852
Depreciable capital assets, net	41,497,726	58,737,066	100,234,792
<b>Total Noncurrent assets</b>	<b>44,707,835</b>	<b>60,024,809</b>	<b>104,732,644</b>
<b>Total Assets</b>	<b>50,543,180</b>	<b>65,712,159</b>	<b>116,255,339</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pension related	179,788		179,788
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	508,946	696,281	1,205,227
Customer deposits	29,040	173,809	202,849
<b>Total current liabilities</b>	<b>537,986</b>	<b>870,090</b>	<b>1,408,076</b>
<b>Long-term liabilities:</b>			
Due within one year	13,805		13,805
Due in more than one year	124,241		124,241
Net pension liability	218,123		218,123
<b>Total long-term liabilities</b>	<b>356,169</b>		<b>356,169</b>
<b>Total Liabilities</b>	<b>894,155</b>	<b>870,090</b>	<b>1,764,245</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflow - pension items	8,507		8,507
<b>Net Position</b>			
Investment in capital assets	44,707,835	60,024,809	104,732,644
Restricted for:			
Municipal court	65,923		65,923
Regional park	392,134		392,134
Public Safety	81,430		81,430
Unrestricted	4,572,984	4,817,260	9,390,244
<b>Total Net Position</b>	<b>\$ 49,820,306</b>	<b>\$ 64,842,069</b>	<b>\$ 114,662,375</b>

See Notes To Basic Financial Statements.

**Component Units**

<b>Fulshear Development Corporation</b>	<b>City of Fulshear Development Corporation</b>
\$ 1,154,371	\$ 1,014,566
114,768	112,495
1,269,139	1,127,061
1,269,139	1,127,061
1,200	1,789
1,200	1,789
1,200	1,789
1,267,939	1,125,272
\$ 1,267,939	\$ 1,125,272

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2017*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,381,636	\$	\$ 255,917	\$ 139,150
Permits and Inspections	814,579	2,811,853		
Public safety	2,156,611	216,794	12,438	
Public works	3,366,308	747,132		4,652,030
<b>Total governmental activities</b>	<b>8,719,134</b>	<b>3,775,779</b>	<b>268,355</b>	<b>4,791,180</b>
<b>Business-Type Activities:</b>				
Water and Sewer Operations	4,189,671	5,203,537		18,860,007
<b>Total Primary Government</b>	<b>\$ 12,908,805</b>	<b>\$ 8,979,316</b>	<b>\$ 268,355</b>	<b>\$ 23,651,187</b>
<b>Component Units</b>				
City of Fulshear Development Corporation	\$ 178,113	\$	\$	\$
Fulshear Development Corporation	153,267			
<b>Total component units</b>	<b>\$ 331,380</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**General revenues:**

Taxes:

- Property taxes
- Sales tax
- Franchise taxes
- Investment earnings
- Other revenues

**Transfers**

**Total general revenues and transfers**

Change in net position

**Net Position - beginning**

**Net Position - ending**

*See Notes to Basic Financial Statements.*

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

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Fulshear Development Corporation</b>	<b>City of Fulshear Development Corporation</b>
\$ (1,986,569)	\$	\$ (1,986,569)		
1,997,274		1,997,274		
(1,927,379)		(1,927,379)		
2,032,854		2,032,854		
<u>116,180</u>		<u>116,180</u>		
	<u>19,873,873</u>	<u>19,873,873</u>		
<u>116,180</u>	<u>19,873,873</u>	<u>19,990,053</u>		
			\$ (178,113)	\$
			<u>(178,113)</u>	<u>(153,267)</u>
1,834,115		1,834,115		
827,480		827,480	461,608	461,609
514,470		514,470		
47,221	33,319	80,540	8,355	7,532
244,036		244,036		
(79,986)	79,986			
<u>3,387,336</u>	<u>113,305</u>	<u>3,500,641</u>	<u>469,963</u>	<u>469,141</u>
3,503,516	19,987,178	23,490,694	291,850	315,874
46,316,790	44,854,891	91,171,681	976,089	809,398
<u>\$ 49,820,306</u>	<u>\$ 64,842,069</u>	<u>\$ 114,662,375</u>	<u>\$ 1,267,939</u>	<u>\$ 1,125,272</u>

**CITY OF FULSHEAR, TEXAS****BALANCE SHEET****GOVERNMENTAL FUNDS***September 30, 2017*

	<u>General Fund</u>	<u>Regional Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,731,107	\$ 390,998	\$ 1,274,680	\$ 5,396,785
Receivables, net	437,424	1,136		438,560
<b>Total Assets</b>	<u>\$ 4,168,531</u>	<u>\$ 392,134</u>	<u>\$ 1,274,680</u>	<u>\$ 5,835,345</u>
<b>Liabilities</b>				
Accounts payable	\$ 427,367	\$	\$	\$ 427,367
Accrued expenditures	81,579			81,579
Customer deposits	29,040			29,040
<b>Total Liabilities</b>	<u>537,986</u>			<u>537,986</u>
<b>Deferred Inflows of Resources</b>				
Unavailable taxes	51,302			51,302
<b>Fund balances</b>				
Restricted for:				
Regional Park		392,134		392,134
Municipal Court			65,923	65,923
Public Safety			81,430	81,430
Committed			1,127,327	1,127,327
Unassigned	3,579,243			3,579,243
<b>Total Fund Balances</b>	<u>3,579,243</u>	<u>392,134</u>	<u>1,274,680</u>	<u>5,246,057</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>				
	<u>\$ 4,168,531</u>	<u>\$ 392,134</u>	<u>\$ 1,274,680</u>	<u>\$ 5,835,345</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, 2017**

Total fund balance, governmental funds \$ 5,246,057

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. 44,707,835

Uncollected 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. 51,302

Inflows and Outflows of resources relating to pension plan activity are recognized as expenditures in the governmental fund financial statements when payments are made but are reported as deferred in the governmental activities of the statement of net position.

Deferred outflows- pensions	179,788
Deferred inflows- pensions	(8,507)

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	(138,046)
Net pension liability	<u>(218,123)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 49,820,306

*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, 2017*

	<u>General Fund</u>	<u>Regional Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 1,857,472	\$	\$	\$ 1,857,472
Sales	827,480			827,480
Franchise taxes	514,470			514,470
Public improvement fees	232,276			232,276
Licenses and permits	1,993,927			1,993,927
Intergovernmental	255,917			255,917
Charges for services	1,344,285			1,344,285
Fines and forfeitures	158,479		56,206	214,685
Investment earnings	36,158	4,147	6,200	46,505
Other revenues	242,346	139,150	2,500	383,996
<b>Total Revenues</b>	<u>7,462,810</u>	<u>143,297</u>	<u>64,906</u>	<u>7,671,013</u>
<b>Expenditures</b>				
Current:				
General government	2,425,499	5,418		2,430,917
Permits and Inspections	791,896			791,896
Public safety	2,153,878		3,524	2,157,402
Public works	1,781,326		90,699	1,872,025
Capital Outlay		1,219,454	84,386	1,303,840
<b>Total Expenditures</b>	<u>7,152,599</u>	<u>1,224,872</u>	<u>178,609</u>	<u>8,556,080</u>
Revenues over (under) expenditures	<u>310,211</u>	<u>(1,081,575)</u>	<u>(113,703)</u>	<u>(885,067)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,105,125		35,803	1,140,928
Transfers out	(1,042,097)		(178,817)	(1,220,914)
<b>Total other financing sources (uses)</b>	<u>63,028</u>		<u>(143,014)</u>	<u>(79,986)</u>
Net Changes in Fund Balances	373,239	(1,081,575)	(256,717)	(965,053)
<b>Fund Balances - beginning of year</b>	<u>3,206,004</u>	<u>1,473,709</u>	<u>1,531,397</u>	<u>6,211,110</u>
<b>Fund Balances - end of year</b>	<u>\$ 3,579,243</u>	<u>\$ 392,134</u>	<u>\$ 1,274,680</u>	<u>\$ 5,246,057</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, 2017*

Net change in fund balances - total governmental funds: \$ (965,053)

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 \$1,463,493 was exceeded by depreciation of \$1,584,392 in the current period. (120,899)

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. 4,652,030

Governmental funds do not present revenues (property taxes and franchise fees that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (23,357)

Governmental funds report the payment of pension contributions as an expenditure. In contrast, the statement of activities treats such payments as a reduction in net pension liability. 154,611

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:

Compensated absences (48,239)

Pension expense (145,577)

Change in net position of governmental activities \$ 3,503,516

*See Notes to Basic Financial Statements.*

**CITY OF FULSHEAR, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

September 30, 2017

	<b>Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,727,172	\$ 3,221,139	\$ 4,948,311
Accounts receivable, net	317,635	421,404	739,039
<b>Total current assets</b>	<u>2,044,807</u>	<u>3,642,543</u>	<u>5,687,350</u>
<b>Noncurrent assets:</b>			
Capital assets:			
Land	60,292	465,790	526,082
Construction in progress	761,661		761,661
Infrastructure	8,318,822	38,791,258	47,110,080
Buildings	612,278	17,951,103	18,563,381
Equipment	81,617	25,276	106,893
Less accumulated depreciation	<u>(3,002,868)</u>	<u>(4,040,420)</u>	<u>(7,043,288)</u>
<b>Total noncurrent assets</b>	<u>6,831,802</u>	<u>53,193,007</u>	<u>60,024,809</u>
<b>Total Assets</b>	<u>\$ 8,876,609</u>	<u>\$ 56,835,550</u>	<u>\$ 65,712,159</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 342,805	\$ 353,476	\$ 696,281
Customer deposits	21,470	152,339	173,809
<b>Total Liabilities</b>	<u>364,275</u>	<u>505,815</u>	<u>870,090</u>
<b>Net Position</b>			
Investment in capital assets	6,831,802	53,193,007	60,024,809
Unrestricted	<u>1,680,532</u>	<u>3,136,728</u>	<u>4,817,260</u>
<b>Total Net Position</b>	<u>\$ 8,512,334</u>	<u>\$ 56,329,735</u>	<u>\$ 64,842,069</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, 2017*

	<b>Enterprise Funds</b>		
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>			
Charges for sales and services	\$ 1,229,686	\$ 3,973,851	\$ 5,203,537
<b>Operating Expenses</b>			
Supplies	82	8	90
Contractual services	103,773	36,032	139,805
Other operating	507,285	2,246,055	2,753,340
Capital outlay			
Utilities	66,025	204,138	270,163
Depreciation	74,726	951,547	1,026,273
	<u>751,891</u>	<u>3,437,780</u>	<u>4,189,671</u>
<b>Operating income (loss)</b>	<u>477,795</u>	<u>536,071</u>	<u>1,013,866</u>
<b>Non-Operating Revenues</b>			
Investment earnings	8,663	24,656	33,319
<b>Total Non-Operating Revenues</b>	<u>8,663</u>	<u>24,656</u>	<u>33,319</u>
Income (loss) before transfers and capital contributions	486,458	560,727	1,047,185
Transfers in	1,042,097		1,042,097
Transfers out	(176,411)	(785,700)	(962,111)
Capital contributions	2,779,128	16,080,879	18,860,007
Change in Net Position	4,131,272	15,855,906	19,987,178
<b>Total Net Position - beginning of year</b>	<u>4,381,062</u>	<u>40,473,829</u>	<u>44,854,891</u>
<b>Total Net Position - end of year</b>	<u>\$ 8,512,334</u>	<u>\$ 56,329,735</u>	<u>\$ 64,842,069</u>

*See Notes to Basic Financial Statements.*

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

	<b>Enterprise Funds</b>		
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 1,106,981	\$ 4,039,380	\$ 5,146,361
Payments to suppliers	(719,464)	(2,797,965)	(3,517,429)
<b>Net cash provided by operating activities</b>	<u>387,517</u>	<u>1,241,415</u>	<u>1,628,932</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers from other funds	1,042,097		1,042,097
Transfers to other funds	(169,916)	(765,681)	(935,597)
<b>Net cash provided (used) by noncapital financing activities</b>	872,181	(765,681)	106,500
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of and construction of capital assets	(998,320)	(193,291)	(1,191,611)
<b>Net cash (used) by capital and related financing activities</b>	<u>(998,320)</u>	<u>(193,291)</u>	<u>(1,191,611)</u>
<b>Cash Flows From Investing Activities</b>			
Investment earnings	8,663	24,656	33,319
<b>Net cash provided by investing activities</b>	<u>8,663</u>	<u>24,656</u>	<u>33,319</u>
Net increase (decrease) in cash and cash equivalents	270,041	307,099	577,140
<b>Cash and cash equivalents - beginning of year</b>	<u>1,457,131</u>	<u>2,914,040</u>	<u>4,371,171</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,727,172</u>	<u>\$ 3,221,139</u>	<u>\$ 4,948,311</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating Income	\$ 477,795	\$ 536,071	\$ 1,013,866
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	74,726	951,547	1,026,273
(Increase) decrease in accounts receivable	(125,905)	38,120	(87,785)
Increase (decrease) in accounts payable	(42,299)	(311,732)	(354,031)
Increase (decrease) in customer deposits	3,200	27,409	30,609
<b>Net cash provided by operating activities</b>	<u>\$ 387,517</u>	<u>\$ 1,241,415</u>	<u>\$ 1,628,932</u>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets	<u>\$ 2,779,128</u>	<u>\$ 16,080,879</u>	<u>\$ 18,860,007</u>

See Notes to Basic Financial Statements.

**CITY OF FULSHEAR, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Organization**

The City of Fulshear, Texas (the “City”) was incorporated in 1977 and operated as a “Type A, General Law” city until May 2016; wherein the voters elected to become a “Home-Rule” government. The City operates under a Council-Manager form of government whereas the city council is the principal legislative body of the City, composed of seven council members who serve two year terms. The Mayor presides at the Council meetings. The City Manager is the chief executive officer of the City and is responsible to the City Council for the management of all City affairs placed in the City Manager’s charge by or under the charter.

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, 2017.

**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 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, public safety and public works.

The Regional Park Fund is used to account for revenues collected to build a regional park for the City. It is considered a major fund by the City because its expenditures consisted of over ten percent of governmental spending for fiscal year 2017.

*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)**

The City maintains one proprietary fund type, in the form of two 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 used 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.

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.

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

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, current liabilities and deferred inflows of resources 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.

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 non-operating 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.



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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**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.

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*.

**E. Investments**

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.

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. General Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Fort Bend County Central Appraisal Districts (the "CAD"). Taxes are levied by the City Commission based on the appraised values received from the CAD.

**G. 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)**

**H. 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 acquisition 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	30 to 50 Years

**I. 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.

**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.

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**L. 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported for the City 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, the results of differences between expected and actual actuarial experiences and the differences between projected and actual earnings on pension plan investments. 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 other 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 which is currently 8.6198 years for the City plan. Differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period.

In addition to liabilities, the governmental funds balance sheet 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 two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes 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 differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

**M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS'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.

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**N. Fund Equity**

As of September 30, 2017, 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.

**O. Net Position**

Net position represents the differences between assets, deferred outflows 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 position are available, the City's policy is first to apply restricted net position.

**P. New Accounting Standards**

In the current fiscal year, the City implemented the following new standards:

- GASB Statement No 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. In fiscal year 2017, there are no tax abatement agreements for the City.
- 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.

**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, 2017, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturities (Days)</b>
Certificates of deposit	\$ 1,000,000	365
Municipal and State bonds	1,008,514	685
Texas CLASS public funds investment pool *	8,453,128	78
Total Fair Value	<u>\$ 10,461,642</u>	164

\* 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, 2017, cash deposits and certificate of deposit of the City, the City of Fulshear Development Corporation, and the Fulshear Development Corporation were entirely covered by FDIC insurance and collateralizing securities

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](http://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, 2017, are as follows:

	<u>General Fund</u>	<u>Regional Park Fund</u>	<u>Fulshear Facility</u>	<u>CCR Facility</u>	<u>Total</u>
Property taxes	\$ 72,384	\$	\$ 1,136	\$	\$ 73,520
Other taxes	265,083				265,083
Customer Accounts			322,767	703,784	1,026,551
Other	123,702	1,136			124,838
	<u>461,169</u>	<u>1,136</u>	<u>323,903</u>	<u>703,784</u>	<u>1,489,992</u>
Less: allowance for uncollectibles	<u>(23,745)</u>		<u>(6,268)</u>	<u>(282,380)</u>	<u>(312,393)</u>
	<u>\$ 437,424</u>	<u>\$ 1,136</u>	<u>\$ 317,635</u>	<u>\$ 421,404</u>	<u>\$ 1,177,599</u>

**Note 5 - Interfund Balances and Transfers**

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General	Fulshear Facility	\$ 1,042,097
Capital Projects	General	143,014
Municipal Court	Police Seizure	35,803
Fulshear Facility	General	176,411
Cross Creek Facility	General	785,700
		<u>\$ 2,183,025</u>

Transfers to the Fulshear facility enterprise fund have been made for continuous expansion of water and waste water treatment plants and water meter projects. Transfers to the General Fund and Police Seizure have been made for budgeted administration costs.

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

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<b>Balance 9/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2017</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,978,290	\$ 1,231,819	\$	\$ 3,210,109
<b>Total capital assets, not being depreciated</b>	<u>1,978,290</u>	<u>1,231,819</u>	<u>\$</u>	<u>3,210,109</u>
Other capital assets:				
Buildings and improvements	998,232			998,232
Machinery and equipment	1,062,520	87,339		1,149,859
Infrastructure	42,088,272	4,796,365		46,884,637
<b>Total other capital assets</b>	<u>44,149,024</u>	<u>4,883,704</u>	<u>\$</u>	<u>49,032,728</u>
Less accumulated depreciation for:				
Buildings and improvements	(504,849)	(41,348)		(546,197)
Machinery and equipment	(619,474)	(140,102)		(759,576)
Infrastructure	(4,826,287)	(1,402,942)		(6,229,229)
<b>Total accumulated depreciation</b>	<u>(5,950,610)</u>	<u>(1,584,392)</u>	<u>\$</u>	<u>(7,535,002)</u>
<b>Total other capital assets , net</b>	<u>38,198,414</u>	<u>3,299,312</u>	<u>\$</u>	<u>41,497,726</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 40,176,704</u>	<u>\$ 4,531,131</u>	<u>\$</u>	<u>\$ 44,707,835</u>

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

<b>Governmental Activities</b>	
General government	\$ 88,802
Public safety	61,955
Permits and inspections	22,384
Public works	<u>1,411,251</u>
<b>Total depreciation expense - governmental activities</b>	<u>\$ 1,584,392</u>

Additions to the governmental activities capital assets for the 2017 fiscal year include approximately \$4.8 million of streets and other infrastructure relating to developer contributions. In addition, the City purchased land in the amount of \$1,231,819 and police vehicles for \$87,339.

**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, 2017, is as follows:

	<b>Balance 9/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2017</b>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 526,082	\$	\$	\$ 526,082
Construction in progress	3,275,584	761,661	(3,275,584)	761,661
<b>Total capital assets, not being depreciated</b>	<b>3,801,666</b>	<b>761,661</b>	<b>(3,275,584)</b>	<b>1,287,743</b>
Other capital assets:				
Buildings	110,372			110,372
Machinery and equipment	106,893			106,893
Water and sewer system	42,997,548	22,565,541		65,563,089
<b>Total other capital assets</b>	<b>43,214,813</b>	<b>22,565,541</b>		<b>65,780,354</b>
Less accumulated depreciation for:				
Buildings	(77,613)	(2,760)		(80,373)
Machinery and equipment	(81,408)	(2,954)		(84,362)
Water and sewer system	(5,857,994)	(1,020,559)		(6,878,553)
<b>Total accumulated depreciation</b>	<b>(6,017,015)</b>	<b>(1,026,273)</b>		<b>(7,043,288)</b>
<b>Total other capital assets, net</b>	<b>37,197,798</b>	<b>21,539,268</b>		<b>58,737,066</b>
<b>Total business-type activities</b>	<b>\$ 40,999,464</b>	<b>\$ 22,300,929</b>	<b>\$ (3,275,584)</b>	<b>\$ 60,024,809</b>

Depreciation was charged to business-type functions as follows:

<b>Business-Type Activities</b>	
Fulshear facility fund	\$ 74,726
Cross Creek Ranch facility fund	951,547
<b>Total business-type activities</b>	
<b>depreciation expense</b>	<b>\$ 1,026,273</b>

Construction in progress for various projects as of September 30, 2017, is as follows:

<b>Project Description</b>	<b>Authorized Contracts</b>	<b>Total in Progress</b>	<b>Remaining Commitment</b>
Wastewater Treatment Plant Expansion	\$ 1,091,369	\$ 761,661	\$ 329,708



**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>
<b>Governmental Activities:</b>					
Compensated absences	\$ 89,807	\$ 123,219	\$ (74,980)	\$ 138,046	\$ 13,805
<b>Governmental Activities</b>	<u>\$ 89,807</u>	<u>\$ 123,219</u>	<u>\$ (74,980)</u>	<u>\$ 138,046</u>	<u>\$ 13,805</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.

**Note 8 - 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 TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

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

Beginning in 2014, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account

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

**Note 8 - Employee Retirement System (continued)**

earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

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

Employee deposit rate	5%
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	0%
Annuity Increase to retirees	0% of CPI

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>43</u>
	<u>61</u>

**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 5% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 4.93% for the months in 2016 and 5.46% 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
Salary Increases	3.5% to 10.5% including inflation per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

**Note 8 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

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.

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>Long-Term Expected Real Rate of Return (Arithmetic)</u>
U.S. Equities	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-core fixed Income	20.0%	4.15%
Real Return	10.0%	4.75%
Real Estate	10.0%	4.15%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
	<u>100%</u>	

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

**Note 8 - Employee Retirement System (continued)**

**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.

**Sensitivity of the net pension liability to changes in the discount rate –**

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

	<b>1% Decrease 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
Total Pension Liability	\$ 1,090,903	\$ 923,834	\$ 788,807
Plan Fiduciary Net Position	705,711	705,711	705,711
Net Pension Liability	<u>\$ 385,192</u>	<u>\$ 218,123</u>	<u>\$ 83,096</u>

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Beginning Balance	\$ 648,746	\$ 446,510	\$ 202,236
Service Cost	231,217		231,217
Interest (on the Total Pension Liability)	51,368		51,368
Difference between expected and actual experience	(795)		(795)
Contributions – employer		117,152	(117,152)
Contributions – employee		118,817	(118,817)
Net investment income		30,293	(30,293)
Administrative Expense		(341)	341
Other		(18)	18
Benefit payments, including refunds of employee contributions	(6,702)	(6,702)	
Ending Balance	<u>\$ 923,834</u>	<u>\$ 705,711</u>	<u>\$ 218,123</u>

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

**Note 8 - Employee Retirement System (continued)**

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$145,577.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,069	\$ 8,507
Difference in assumption changes	20,286	
Difference between projected and actual earnings	12,861	
Pension contributions made after measurement date	<u>115,572</u>	
	<u>\$ 179,788</u>	<u>\$ 8,507</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of December 31, 2016 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 financial statements September 30, 2018). 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	\$ 11,589
2019	11,588
2020	11,161
2021	7,119
2022	7,149
Thereafter	<u>7,103</u>
Total	<u>\$ 55,709</u>

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

**Note 9 - Supplemental Death Benefits**

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.

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

The City's contributions to the TMRS SDBF for the fiscal year 2017 was \$2,912 which equaled the required contribution amount.

**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.

Similar agreements were signed with TMI, Inc., Fulshear Land Investment Partners, LTD., and Tamarron, L.P., excluding the five year utilization clause. During the year ended September 30, 2017, the City received \$139,150 in regional park fees. Since the inception of the agreements, the City has received \$1,793,133. During the year ended September 30, 2017, the City expended \$5,418 of regional park contributions received on park maintenance and beautification and \$1.22 million for the purchase of land. As of September 30, 2017, the City has restricted net position of \$392,134 related to regional park fees.

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

**Note 12 - Developer Agreement**

The City's development agreements with two master planned communities state that the city rebate all but \$0.10 of the ad valorem tax rate without the clarification between maintenance and operation tax rate and the interest and sinking tax rate. During the current fiscal year, the City's rebate totaled \$554,020.

Because these communities represents approximately 95% of the total valuation of the city it was important for the city to issue debt without having to rebate the interest and sinking tax rate amount. Subsequent to year end, the City proceeded through legal channels to issue debt with the debt service to be paid with interest and sinking taxes. As a result of the courts approving the city's position, the City has included the issuance of Certificates of Obligation for transportation projects in the fiscal year 2018 Budget.

**Note 13 - Strategic Partnership Agreement**

Effective June 21, 2016, the City and Waller County Road Improvement District No. 1 (the "District") entered into a Strategic Partnership Agreement (the "Agreement") under which the City annexed a tract of land within the boundaries of the District for the limited purposes of levying a sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a road improvement district as provided by law with respect to the tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit a portion of the sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agreed to continue to develop, own, and to operate a water, wastewater, and drainage system within the District. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is through December 31, 2046. During the current year, the City remitted \$111,059 in sales tax revenues related to the Agreement.

**Note 14 - Subsequent Event**

On August 25, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall on the Texas coast before stalling over Houston-Galveston region (the "Region") and producing significant flooding. Many residences and commercial properties in the Region sustained damage.

City staff continues to work with FEMA representatives in finalizing the City's claim. The City also received Utility Fund insurance claim in the amount of \$61,650 related to Hurricane Harvey after fiscal year end. The event did not have significant impact on the City.

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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, 2017*

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 1,863,193	\$ 1,863,193	\$ 1,857,472	\$ (5,721)
Sales	696,996	696,996	827,480	130,484
Franchise	321,500	321,500	514,470	192,970
Public improvement fees	220,000	220,000	232,276	12,276
Intergovernmental	244,118	244,118	255,917	11,799
Licenses and permits	1,704,800	1,704,800	1,993,927	289,127
Charges for services	1,020,000	1,020,000	1,344,285	324,285
Fines and forfeitures	191,700	191,700	158,479	(33,221)
Investment earnings	6,152	6,152	36,158	30,006
Other revenues	214,675		242,346	242,346
<b>Total Revenues</b>	<u>6,483,134</u>	<u>6,268,459</u>	<u>7,462,810</u>	<u>1,194,351</u>
<b>Expenditures</b>				
Current:				
General government	3,267,922	2,879,189	2,425,499	453,690
Permits and inspections	730,071	1,226,465	791,896	434,569
Public works	1,898,676	1,792,395	1,781,326	11,069
Public safety	2,172,600	2,212,420	2,153,878	58,542
<b>Total Expenditures</b>	<u>8,069,269</u>	<u>8,110,469</u>	<u>7,152,599</u>	<u>957,870</u>
<b>Revenues over (under)     expenditures</b>	(1,586,135)	(1,842,010)	310,211	2,152,221
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,105,125		1,105,125	1,105,125
Transfers out	(1,042,097)	(1,042,097)	(1,042,097)	
<b>Total other financing sources (uses)</b>	<u>63,028</u>	<u>(1,042,097)</u>	<u>63,028</u>	<u>1,105,125</u>
Changes in fund balance	(1,523,107)	(2,884,107)	373,239	3,257,346
<b>Fund Balance - Beginning of Year</b>	<u>3,206,004</u>	<u>3,206,004</u>	<u>3,206,004</u>	
<b>Fund Balance - End of Year</b>	<u>\$ 1,682,897</u>	<u>\$ 321,897</u>	<u>\$ 3,579,243</u>	<u>\$ 3,257,346</u>

**CITY OF FULSHEAR, TEXAS**  
***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***  
***For the year ended September 30, 2017***

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.

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Last Three Measurement Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability			
Service Cost	\$ 231,217	\$ 156,945	\$ 93,711
Interest (on the Total Pension Liability)	51,368	36,771	23,662
Difference between expected and actual experience	(795)	(9,944)	47,654
Changes of assumptions		25,851	
Benefit payments, including refunds of employee contributions	(6,702)	(15,416)	(3,334)
Net change in total pension liability	275,088	194,207	161,693
Total pension liability – beginning	648,746	454,539	292,846
Total pension liability – ending	<u>\$ 923,834</u>	<u>\$ 648,746</u>	<u>\$ 454,539</u>
Plan fiduciary net position			
Contributions – employer	\$ 117,152	\$ 80,804	\$ 51,713
Contributions – employee	118,817	85,950	68,767
Net investment income	30,293	436	9,644
Benefit payments, including refunds of employee contributions	(6,702)	(15,416)	(3,334)
Administrative Expense	(341)	(265)	(101)
Other	(18)	(13)	(8)
Net change in plan fiduciary net position	259,201	151,496	126,681
Plan fiduciary net position – beginning	446,510	295,014	168,333
Plan fiduciary net position – ending	<u>\$ 705,711</u>	<u>\$ 446,510</u>	<u>\$ 295,014</u>
Net pension Liability	\$ 218,123	\$ 202,236	\$ 159,525
Net plan fiduciary net position as a percentage of total pension liability	76%	69%	65%
Total covered employee payroll	\$ 2,376,331	\$ 1,718,999	\$ 1,375,366
Net pension liability as a percentage of total covered employee payroll	9%	12%	12%

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.

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Last Seven Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarial determined contribution	\$ 148,255	\$ 105,268	\$ 69,687	\$ 39,619	\$ 8,826
Contribution in relation to the actuarial determined contribution	<u>148,255</u>	<u>105,268</u>	<u>69,687</u>	<u>39,619</u>	<u>8,826</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll (fiscal year)	\$ 2,779,644	\$ 2,155,862	\$ 1,568,017	\$ 870,232	\$ 703,095
Contributions as a percentage of covered employee payroll	5.33%	4.88%	4.44%	4.55%	1.26%
	<u>2012</u>	<u>2011</u>			
Actuarial determined contribution	\$ 11,801	\$ 22,882			
Contribution in relation to the actuarial determined contribution	<u>11,801</u>	<u>22,882</u>			
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>			
Covered employee payroll (fiscal year)	\$ 583,368	\$ 85,673			
Contributions as a percentage of covered employee payroll	2.02%	26.71%			

The City began participating in TMRS in fiscal year 2011, therefore no information is available prior to that date.

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**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF FULSHEAR, TEXAS****BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2017

	<b>Capital Projects</b>	<b>Municipal Court</b>	<b>Police Seizure and Donation</b>	<b>Total Nonmajor Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,127,327	\$ 65,923	\$ 81,430	\$ 1,274,680
<b>Total Assets</b>	<u>\$ 1,127,327</u>	<u>\$ 65,923</u>	<u>\$ 81,430</u>	<u>\$ 1,274,680</u>
<b>Liabilities</b>				
Accounts payable	\$	\$	\$	\$
<b>Total Liabilities</b>				
<b>Fund balances</b>				
Restricted for:				
Municipal Court		65,923		65,923
Public Safety			81,430	81,430
Committed	1,127,327			1,127,327
<b>Total Fund Balances</b>	<u>1,127,327</u>	<u>65,923</u>	<u>81,430</u>	<u>1,274,680</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,127,327</u>	<u>\$ 65,923</u>	<u>\$ 81,430</u>	<u>\$ 1,274,680</u>



**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2017**

	<b>Capital Projects</b>	<b>Municipal Court</b>	<b>Police Seizure and Donation</b>	<b>Total Nonmajor Funds</b>
<b>Revenues</b>				
Fines and forfeitures	\$	\$ 11,292	\$ 44,914	\$ 56,206
Investment earnings	5,248	515	437	6,200
Other revenues			2,500	2,500
<b>Total Revenues</b>	<u>5,248</u>	<u>11,807</u>	<u>47,851</u>	<u>64,906</u>
<b>Expenditures</b>				
Current:				
Public safety		1,300	2,224	3,524
Public works	90,699			90,699
Capital Outlay	84,386			84,386
<b>Total Expenditures</b>	<u>175,085</u>	<u>1,300</u>	<u>2,224</u>	<u>178,609</u>
Revenues over (under) expenditures	<u>(169,837)</u>	<u>10,507</u>	<u>45,627</u>	<u>(113,703)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in			35,803	35,803
Transfers out	(143,014)	(35,803)		(178,817)
<b>Total other financing sources (uses)</b>	<u>(143,014)</u>	<u>(35,803)</u>	<u>35,803</u>	<u>(143,014)</u>
Net Changes in Fund Balances	(312,851)	(25,296)	81,430	(256,717)
<b>Fund Balances - beginning of year</b>	<u>1,440,178</u>	<u>91,219</u>		<u>1,531,397</u>
<b>Fund Balances - end of year</b>	<u>\$ 1,127,327</u>	<u>\$ 65,923</u>	<u>\$ 81,430</u>	<u>\$ 1,274,680</u>

**CITY OF FULSHEAR, TEXAS****BALANCE SHEET AND STATEMENT OF NET POSITION****DISCRETELY PRESETNED COMPONENT UNITS**

September 30, 2017

	<b>Fulshear Development Corporation</b>		
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 928,719	\$ 225,652	\$ 1,154,371
Investments	2,273		2,273
Receivables, net	112,495		112,495
<b>Total Assets</b>	<b>\$ 1,043,487</b>	<b>\$ 225,652</b>	<b>\$ 1,269,139</b>
<b>Liabilities</b>			
Accounts payable	\$	\$ 1,200	\$ 1,200
<b>Total Liabilities</b>		<b>1,200</b>	<b>1,200</b>
<b>Fund balances</b>			
Restricted for:			
Economic Development	1,043,487	224,452	1,267,939
<b>Total Fund Balances</b>	<b>1,043,487</b>	<b>224,452</b>	<b>1,267,939</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,043,487</b>	<b>\$ 225,652</b>	<b>\$ 1,269,139</b>
<b>Net position of component units</b>			<b>\$ 1,267,939</b>

**City of Fulshear Development Corporation**

<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 760,718	\$ 253,848	\$ 1,014,566
<u>112,495</u>		<u>112,495</u>
<u>\$ 873,213</u>	<u>\$ 253,848</u>	<u>\$ 1,127,061</u>
<u>\$ 589</u>	<u>\$ 1,200</u>	<u>\$ 1,789</u>
<u>589</u>	<u>1,200</u>	<u>1,789</u>
<u>872,624</u>	<u>252,648</u>	<u>1,125,272</u>
<u>872,624</u>	<u>252,648</u>	<u>1,125,272</u>
<u>\$ 873,213</u>	<u>\$ 253,848</u>	<u>\$ 1,127,061</u>
		<u>\$ 1,125,272</u>

**CITY OF FULSHEAR, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES AND NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended September 30, 2017**

	<b>Fulshear Development Corporation</b>		
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes:			
Sales	\$ 461,608	\$	\$ 461,608
Investment earnings	7,262	1,093	8,355
<b>Total Revenues</b>	<u>468,870</u>	<u>1,093</u>	<u>469,963</u>
<b>Expenditures</b>			
Current:			
General administration	96,262	81,851	178,113
<b>Total Expenditures</b>	<u>96,262</u>	<u>81,851</u>	<u>178,113</u>
Revenues over (under) expenditures	<u>372,608</u>	<u>(80,758)</u>	<u>291,850</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in		155,200	155,200
Transfers out	(155,200)		(155,200)
<b>Total other financing sources (uses)</b>	<u>(155,200)</u>	<u>155,200</u>	
Net Changes in Fund Balances	217,408	74,442	291,850
<b>Fund Balances - beginning of year</b>	<u>826,079</u>	<u>150,010</u>	<u>976,089</u>
<b>Fund Balances - end of year</b>	<u>\$ 1,043,487</u>	<u>\$ 224,452</u>	<u>\$ 1,267,939</u>
<b>Changes in Net Position of Component Units</b>			<u>\$ 291,850</u>

**City of Fulshear Development Corporation**

<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 461,609	\$	\$ 461,609
6,380	1,152	7,532
<u>467,989</u>	<u>1,152</u>	<u>469,141</u>
99,553	53,714	153,267
<u>99,553</u>	<u>53,714</u>	<u>153,267</u>
368,436	(52,562)	315,874
	155,200	155,200
(155,200)		(155,200)
<u>(155,200)</u>	<u>155,200</u>	
213,236	102,638	315,874
659,388	150,010	809,398
<u>659,388</u>	<u>150,010</u>	<u>809,398</u>
\$ 872,624	\$ 252,648	\$ 1,125,272
		<u>\$ 315,874</u>