

CITY OF FULSHEAR, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2019



***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF FULSHEAR, TEXAS

For the Year Ended
September 30, 2019

Prepared by
Finance Department

Jack Harper, City Manager

Wes Vela, Chief Financial Officer

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CITY OF FULSHEAR, TEXAS

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INTRODUCTORY SECTION

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CITY OF FULSHEAR

PO Box 279 /
Fulshear, Texas 77441
www.fulsheartexas.gov

February 28, 2020

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

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Fulshear, Texas (the “City”) for the fiscal year ended September 30, 2019. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City’s organizational chart, and a list of principal officials, elected and appointed. The Financial Section includes Management’s Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements and Schedules, as well as the independent auditors’ report. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

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

Profile of the Government

The City, incorporated on November 7, 1977, is located in northern Fort Bend County west of Houston, Texas, in a rapidly growing area of the County. The City currently occupies a land area of 12 square miles and serves an estimated population of 16,187. The City of Fulshear is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

The City has operated under the Council-manager form of government since December 2015. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and seven (7) Council members, two (2) of which shall be elected at large by majority vote, and five (5) of which shall be elected by majority vote of a single-member district in which they must reside. The governing council is responsible for, among other things, passing ordinances; adopting the budget; appointing committees; and hiring the City Manager, City Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City provides a full range of services, including police protection, public improvements, sanitation, repair and maintenance of infrastructure, recreation, and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and seven (7) Council members, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds for which the City, as the primary government, is accountable.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Chief Financial Officer. These requests serve as a starting point for developing a proposed budget. The Chief Financial Officer provides the information to the City Manager who then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments also require the approval of the City Manager while transfer of appropriations between funds require the approval of the Council. The legal level of control is the fund level. Budget-to-actual comparisons, by function, are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on Page 71 as part of required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on Page 85.

Factors Affecting Financial Condition

The information presented in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which the City of Fulshear operates.

Local Economy

The first hill west of Houston is located in the heart of Fulshear, the fastest growing city in Texas according to 2016 population estimates. Fulshear has a highly educated, affluent demographic, with nearly 64% of the population holding a bachelor's degree or higher and earning a median household income of \$167,700.

Taxable values for Fiscal Year (FY) 2020 reflect an increase of 20.93 percent to \$1.87 billion. This property value increase is the result of continued development within the City including both residential and commercial construction.

Sales tax revenues increased 11.7 percent during fiscal year 2019. At this writing, for fiscal year 2020, sales taxes are 16 percent higher than the first four months of fiscal year 2019. New residential and commercial development continues to increase through the City and the surrounding area.

Economic Outlook

The largest revenue sources in the General Fund are property tax, sales tax, and building fees. These are all driven and sustained by continued growth of commercial and residential construction. The City has experienced significant commercial and retail growth over the last several years and expects the growth to continue based on preliminary development plans presented by various developers.

In the first three months of FY2020, building permits, building inspections, and plan reviews have seen an increase of \$232,000 or 72 percent compared to the first three month of FY2019.

Within the next 12 months, we will see new residential development activity to the west and north of downtown Fulshear. In addition, new sections in Polo Ranch, Fulshear Run, Fulbrook on Fulshear Creek, Cross Creek Ranch, Jordan Ranch, and Tamarron will be coming online. Commercial construction activity continues to rapidly pick up with a new business park at Rogers Road., multiple day-cares, Brazos Valley School Credit Union, Bank of America, and more. Shopping centers such as the Marcel Town Center, Shoppes at Cross Creek Ranch, and Market at Cross Creek Ranch, are under construction right now and have already brought forth tenants such as Shipley's Donuts, Molina's Mexican Kitchen, Local Table, Main Squeeze Juice Company, a dental office and doctor's office, and much more. Downtown Fulshear continues to draw varied development and redevelopment interest on the heels of the approved Livable Center Study. A large development is on the horizon as well for the area just east of downtown, with plans for a walkable, commercial district with high-density residential housing. In the Multi-Family sector, the pace of growth is quickening, as well with Parklane at Fulshear being completed, the Tamarron Multi-Family project

under construction now, and two more multi-family projects already slated in Cross Creek Ranch, one of which is to be age restricted.

Financial Information

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the controls should not exceed the benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgments to be made by management.

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Fund (excluding the State Seizure Fund), Utility Funds, and the Internal Service Fund are included in the annual operating budget. The City of Fulshear Development Corporation and the Fulshear Development Corporation, component units of the City, are budgeted separately but approved by the City Council as a component of the Annual Budget. A capital improvement plan is approved each year by the City Council and funded through a separate Capital Projects Fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Debt Administration

Currently, the City has issued no General Obligation Bonds or Certificates of Obligation. The City may issue General Obligation Bonds that are approved by voters in a capital improvements plan.

Lapse of Appropriations

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

Awards

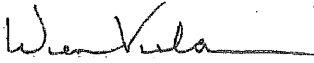
The City will be submitting this report to the Government Finance Officers' Association (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only.

The City received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2016 and 2017. The City has submitted the annual budget for fiscal year beginning October 1, 2019 to the GFOA for consideration of award for the third year. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget document must be of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the administrative staff of the City and the members of the Finance Department. We also would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fulshear's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Wes Vela", with a long horizontal flourish extending to the right.

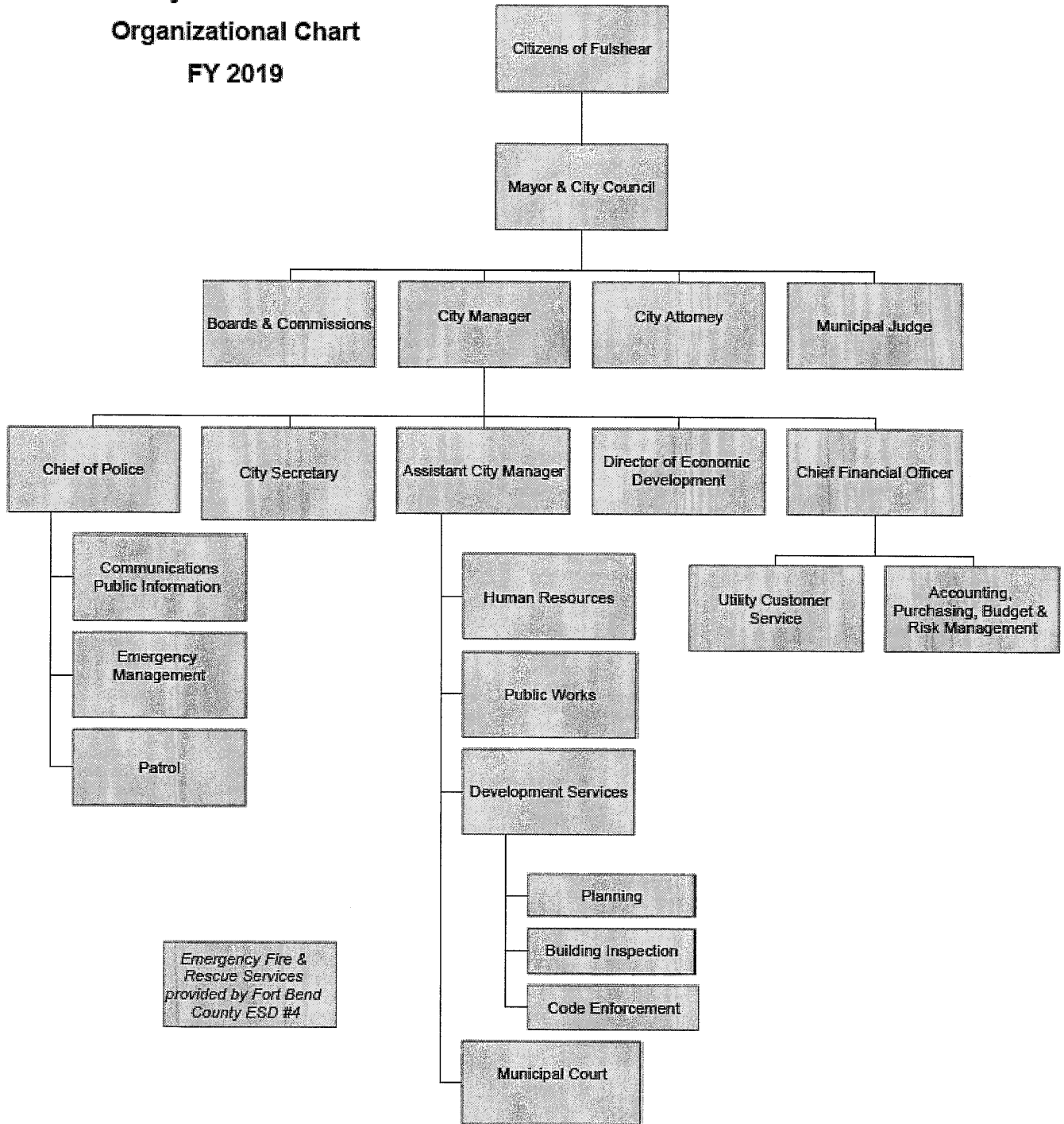
Wes Vela, CPA, CPM
Chief Financial Officer

CITY OF FULSHEAR, TEXAS

ORGANIZATIONAL CHART

September 30, 2019

City of Fulshear Organizational Chart FY 2019



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CITY OF FULSHER, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2019

Elected Officials	Position
Aaron Groff	Mayor
Kaye Kahlich	Mayor Pro-Tem and Council Member
Kent Pool	Council Member
John Kelly	Council Member
Kevin White	Council Member
Debra Cates	Council Member
Lisa Kettler Martin	Council Member
Joel M. Patterson	Council Member

Principal Officials	Position
Jack Harper	City Manager
Kim Kopecky	City Secretary
Wes Vela	Chief Financial Officer
J. Grandy Randle	City Attorney

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2019, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements.

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 28, 2020

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

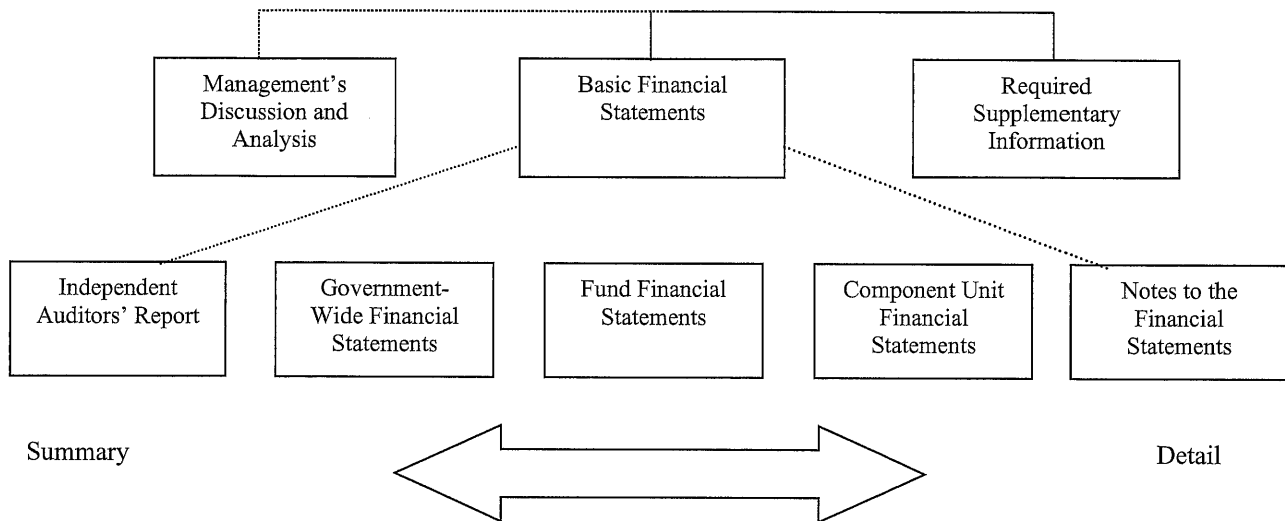
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CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Fulshear, Texas (the "City") for the year ending September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police and emergency management (public safety), sanitation and recycling, streets, drainage (public works), community services, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, public improvement fees, sanitation and recycling fees, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporations for which the City is financially accountable. Financial information for these 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 Fulshear Development Corporation and The City of Fulshear Development Corporation.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is always considered to be a major fund for reporting purposes.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

The City adopts an annual appropriated budget for its general fund, Regional Park fund, Fort Bend County Assistant District #7 fund, municipal court technology fund, municipal court building security fund, judicial efficiency fund, child safety fund, police department donation fund, federal seizure fund, and capital project fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and wastewater collection/treatment operations. The proprietary fund financial statements provide separate information for the City of Fulshear Facility and the Cross Creek Ranch Facility. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to collect and allocate costs for vehicle and equipment replacement. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities by \$130,391,753 as of September 30, 2019 for the primary government. This compares with \$121,881,876 from the prior fiscal year. The largest portion of the City's net position, 86 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,505,278	\$ 9,117,817	\$ 8,642,985	\$ 6,216,618	\$ 20,148,263	\$ 15,334,435
Capital assets, net	50,990,452	47,690,398	61,497,793	61,057,346	112,488,245	108,747,744
Total Assets	<u>62,495,730</u>	<u>56,808,215</u>	<u>70,140,778</u>	<u>67,273,964</u>	<u>132,636,508</u>	<u>124,082,179</u>
Deferred outflows - pensions	337,778	258,431	-	-	337,778	258,431
Long-term liabilities	457,494	424,576	-	-	457,494	424,576
Other liabilities	946,484	841,184	1,071,041	1,145,092	2,017,525	1,986,276
Total Liabilities	<u>1,403,978</u>	<u>1,265,760</u>	<u>1,071,041</u>	<u>1,145,092</u>	<u>2,475,019</u>	<u>2,410,852</u>
Deferred inflows - pensions	107,514	47,882	-	-	107,514	47,882
Net Position:						
Net investment in capital assets	50,990,452	47,690,398	61,497,793	61,057,346	112,488,245	108,747,744
Restricted	1,725,467	927,779	4,482,831	-	6,208,298	927,779
Unrestricted	8,606,097	7,134,827	3,089,113	5,071,526	11,695,210	12,206,353
Total Net Position	<u>\$ 61,322,016</u>	<u>\$ 55,753,004</u>	<u>\$ 69,069,737</u>	<u>\$ 66,128,872</u>	<u>\$ 130,391,753</u>	<u>\$ 121,881,876</u>

A portion of the primary government's net position, \$6,208,298 or 5 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$11,695,210 or 9 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$8,509,877 during the current fiscal year, an increase of seven percent in comparison to the prior year net position. Total current and other assets increased \$4,813,828 as a result of operating surpluses in both the governmental and enterprise funds. Explanations for the increases in revenues are noted in subsequent paragraphs. Liabilities were comparable to the prior year increasing \$64,167 due to an increase in outstanding invoices at fiscal year-end related to various projects, an increase in the net pension liability, and an increase in unused vacation and compensatory time (i.e. compensated absences). Capital assets increased \$3,740,501 primarily due to the purchase of police vehicles and infrastructure contributions received from developers.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 5,318,362	\$ 5,217,135	\$ 8,407,022	\$ 7,115,884	\$ 13,725,384	\$ 12,333,019
Operating grants and contributions	500,238	267,975	60,235	-	560,473	267,975
Capital grants and contributions	5,253,705	4,469,274	2,181,719	1,481,332	7,435,424	5,950,606
General revenues:						
Ad valorem taxes	2,452,597	2,155,867	-	-	2,452,597	2,155,867
Sales taxes	2,068,489	1,552,395	-	-	2,068,489	1,552,395
Franchise fees	706,927	647,039	-	-	706,927	647,039
Investment earnings	217,509	107,636	158,651	77,531	376,160	185,167
Other revenues	525,421	532,474	66,205	138,496	591,626	670,970
Total Revenues	17,043,248	14,949,795	10,873,832	8,813,243	27,917,080	23,763,038
Expenses						
General government	3,450,668	2,605,264	-	-	3,450,668	2,605,264
Permits and inspections	929,161	957,063	-	-	929,161	957,063
Public safety	2,550,149	2,688,730	-	-	2,550,149	2,688,730
Public works	5,145,507	3,547,933	-	-	5,145,507	3,547,933
Planning and development	276,116	401,682	-	-	276,116	401,682
Water and sewer	-	-	7,055,602	6,193,256	7,055,602	6,193,256
Total Expenses	12,351,601	10,200,672	7,055,602	6,193,256	19,407,203	16,393,928
Increase in Net Position Before Transfers	4,691,647	4,749,123	3,818,230	2,619,987	8,509,877	7,369,110
Transfers	877,365	1,183,575	(877,365)	(1,183,575)	-	-
Change in Net Position	5,569,012	5,932,698	2,940,865	1,436,412	8,509,877	7,369,110
Beginning net position	55,753,004	49,820,306	66,128,872	64,692,460	121,881,876	114,512,766
Ending Net Position	\$ 61,322,016	\$ 55,753,004	\$ 69,069,737	\$ 66,128,872	\$ 130,391,753	\$ 121,881,876

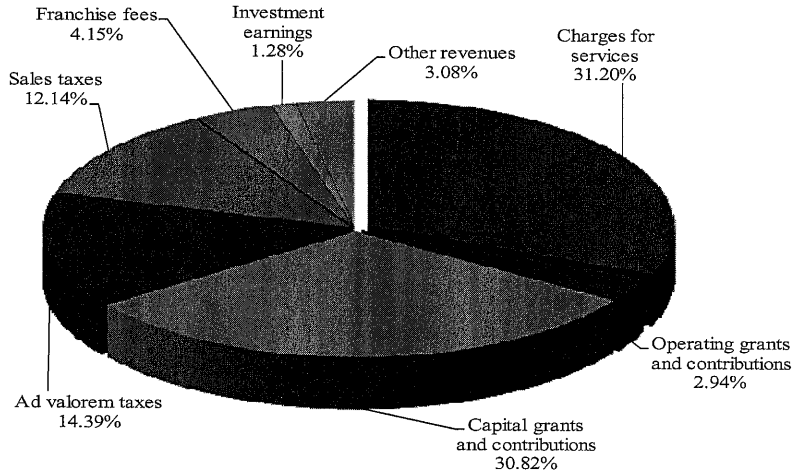
For the year ended September 30, 2019, revenues from governmental activities totaled \$17,043,248, an increase of \$2,093,453, compared to the prior year. Operating grants and contributions mainly increased from proceeds received for a Federal Emergency Management Agency grant relating to reimbursement for Hurricane Harvey expenses. Capital grants contributions increased due to contributions received from developers for street and storm sewer additions. Property tax revenue increased compared to the prior year as a result of an increase in the assessed value of properties and property tax rate. Sales tax revenue increased compared to the prior year due to an increase in economic activity and growth within the City. Charges for services increased related to an increase in customers. Investment earnings increased from an increase in both funds invested and interest rates.

For the year ended September 30, 2019, expenses from governmental activities totaled \$12,351,601, an increase of \$2,150,929, compared to the prior year. General government expenses increased largely due to an increase in personnel-related expenses and an increase property tax rebates paid to developers per a contract agreement. The increase in property tax rebates can be contributed to the increase in assessed property values and property tax rate. Public works expenses increased primarily due to an increase in depreciation expense, an increase in contracted sanitation services, small equipment purchases, an increase in utilities, and the purchase of an asset and work management software.

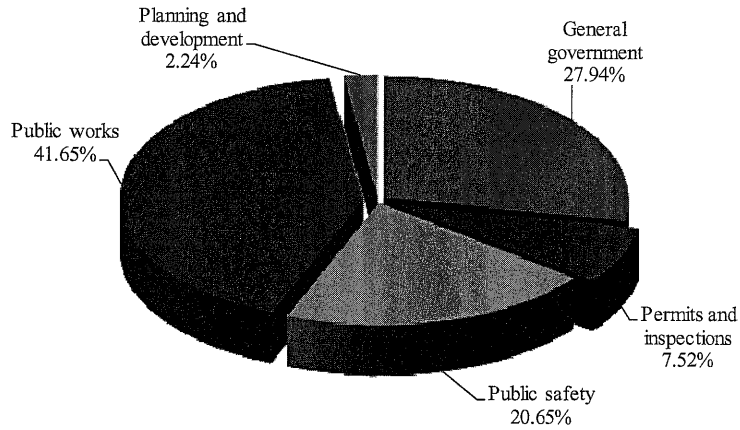
CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

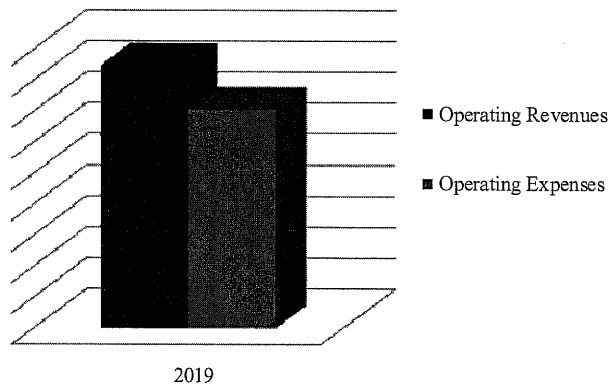
Governmental Revenues



Governmental Expenses



Business-Type Activities



CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

For the year ended September 30, 2019, revenues from business-type activities totaled \$10,873,832, an increase of \$2,060,589, compared to the prior year. Charges for services increased as a result of increased water and sewer consumption. Capital grants and contributions increased due to contributions from developers for additions to water and sewer system.

For the year ended September 30, 2019, expenses from business-type activities totaled \$7,055,602, an increase of \$862,346, compared to the prior year. Water and sewer expenses increased in depreciation, water pumpage and tapping fees, and water and sewer system maintenance.

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 \$10,256,046. Of this, \$1,725,467 is restricted, \$676,915 is assigned, and \$7,853,664 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached \$7,854,216. Of this, \$552 is restricted for public, education, and governmental (PEG) fees and \$7,853,664 is unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80 percent of total general fund expenditures.

There was an increase in the combined fund balance of \$2,148,089 over the prior year. Fund balance in the general fund increased by \$1,532,950. Revenues increased \$1,045,969 compared to the prior year largely due to increases in property tax revenues from an increase in both the tax rate and assessed values of properties, sales tax revenues from an increase in taxable sales within the City, contracted public improvement fees collected, charges for services related to an increase in sanitation and recycling customers, and intergovernmental revenues. Expenditures increased \$1,523,832 compared to the prior year primarily due to increases in personnel-related expenditures, sanitation contract service rates, utilities, and property tax rebates paid to developers. The remainder of the increase in governmental fund balances stemmed from the positive net change in fund balances for the nonmajor funds.

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

The City passed a balanced budget planning for no changes in fund balance in the general fund. The net change in fund balance increased \$1,532,950, resulting in a positive variance of \$1,238,492.

Actual general fund revenues were greater than the amended budgeted revenues by \$1,666,688 during the fiscal year. The largest positive variances were from sales tax revenue, public improvement fees revenue, and charges for services. Actual expenditures were less than the amended budget by \$147,229. The largest positive variances were in the public safety and planning and development functions.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

CAPITAL ASSETS

At the end of fiscal year 2019, the City's governmental and business-type activities had invested \$112,488,245 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$3,740,501.

Major capital asset events during the year included the following:

- Developer contributions of infrastructure in the amount of \$5,253,705 for governmental activities and \$2,181,719 for business-type activities.
- Two police vehicles for the police department in the amount of \$86,036
- A boom mower to the public works department in the amount of \$28,802

More detailed information about the City's capital assets is presented in note III. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City reported long-term liabilities that consisted of \$161,254 in compensated absences and \$296,240 in net pension liability.

More detailed information about the City's long-term liabilities is presented in note III. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council has adopted the City's 2020 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2020 fiscal year. The City anticipates a 13 percent increase in expected total revenues and a 31 percent increase in expected total expenditures. The main contributor to the revenue increase is from ad valorem tax and sales tax generated by increased property value and commercial business through growth.

The increases in expenditures are generated from the addition of police and purchasing personnel, and the funding of capital improvement projects.

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. The City's population has grown from 916 to around 16,000 in 2019. The FM 1093 corridor continues to grow with new development in Polo Ranch, and other tracts west of downtown Fulshear. In addition, new sections in Fulshear Run, Fulbrook on Fulshear Creek, Cross Creek Ranch, Jordan Ranch and Tamarron are coming online. Commercial business activity continues with new restaurants; two banks; and a junior high school, a middle school, and a high school are near completion; and give positive strong indications of future growth. The City's sales tax is growing and is expected to continue to climb because of the new residential and apartment units being constructed. Texas and the U.S. economy are healthy and are also indicators of a vibrant and healthy future for our community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. 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.

BASIC FINANCIAL STATEMENTS

CITY OF FULSHEAR, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and equity in pooled cash	\$ 10,023,710	\$ 3,209,401	\$ 13,233,111
Investments	772,467	-	772,467
Receivables, net	684,801	712,231	1,397,032
Restricted cash and equity in pooled cash	24,300	4,721,353	4,745,653
Capital assets:			
Nondepreciable	3,210,109	526,082	3,736,191
Net depreciable capital assets	47,780,343	60,971,711	108,752,054
Total Assets	62,495,730	70,140,778	132,636,508
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	337,778	-	337,778
<u>Liabilities</u>			
Accounts payable and accrued liabilities	922,184	832,519	1,754,703
Customer deposits	24,300	238,522	262,822
Noncurrent liabilities:			
Due within one year	145,130	-	145,130
Due in more than one year	312,364	-	312,364
Total Liabilities	1,403,978	1,071,041	2,475,019
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	107,514	-	107,514
<u>Net Position</u>			
Net investment in capital assets	50,990,452	61,497,793	112,488,245
Restricted for:			
Regional Park	989,770	-	989,770
County Assistance District #7	503,216	-	503,216
Enabling legislation	106,609	-	106,609
Public safety	125,320	-	125,320
PEG fees	552	-	552
Economic development	-	-	-
Capital projects	-	4,482,831	4,482,831
Unrestricted	8,606,097	3,089,113	11,695,210
Total Net Position	\$ 61,322,016	\$ 69,069,737	\$ 130,391,753

See Notes to Financial Statements.

Component Units

Fulshear Development Corporation	City of Fulshear Development Corporation
\$ 2,404,411	\$ 2,297,209
-	-
181,967	179,856
-	-
-	-
2,586,378	2,477,065
-	-
2,969	1,491
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
2,583,409	2,475,574
-	-
-	-
\$ 2,583,409	\$ 2,475,574

CITY OF FULSHEAR, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,450,668	\$ -	\$ 386,486	\$ -
Permits and inspections	929,161	4,302,675	-	-
Public safety	2,550,149	349,532	113,752	-
Public works	5,145,507	666,155	-	5,253,705
Planning and development	276,116	-	-	-
Total Governmental Activities	12,351,601	5,318,362	500,238	5,253,705
Business-Type Activities				
Water and sewer	7,055,602	8,407,022	60,235	2,181,719
Total Business-Type Activities	7,055,602	8,407,022	60,235	2,181,719
Total Primary Government	\$ 19,407,203	\$ 13,725,384	\$ 560,473	\$ 7,435,424
Component Units				
Fulshear Development Corporation	\$ 281,107	\$ -	\$ -	\$ -
City of Fulshear Development Corporation	258,894	-	-	-
Total Component Units	\$ 540,001	\$ -	\$ -	\$ -

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Fulshear Development Corporation	City of Fulshear Development Corporation
\$ (3,064,182)	\$ -	\$ (3,064,182)	\$ -	\$ -
3,373,514	-	3,373,514	-	-
(2,086,865)	-	(2,086,865)	-	-
774,353	-	774,353	-	-
(276,116)	-	(276,116)	-	-
<u>(1,279,296)</u>	<u>-</u>	<u>(1,279,296)</u>	<u>-</u>	<u>-</u>
-	3,593,374	3,593,374	-	-
-	3,593,374	3,593,374	-	-
<u>(1,279,296)</u>	<u>3,593,374</u>	<u>2,314,078</u>	<u>-</u>	<u>-</u>
-	-	-	(281,107)	-
-	-	-	-	(258,894)
-	-	-	<u>(281,107)</u>	<u>(258,894)</u>
2,452,597	-	2,452,597	-	-
2,068,489	-	2,068,489	887,937	887,937
706,927	-	706,927	-	-
217,509	158,651	376,160	49,481	47,015
525,421	66,205	591,626	-	-
877,365	(877,365)	-	-	-
<u>6,848,308</u>	<u>(652,509)</u>	<u>6,195,799</u>	<u>937,418</u>	<u>934,952</u>
5,569,012	2,940,865	8,509,877	656,311	676,058
55,753,004	66,128,872	121,881,876	1,927,098	1,799,516
<u>\$ 61,322,016</u>	<u>\$ 69,069,737</u>	<u>\$ 130,391,753</u>	<u>\$ 2,583,409</u>	<u>\$ 2,475,574</u>

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CITY OF FULSHEAR, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and equity in pooled cash	\$ 7,354,761	\$ 2,394,001	\$ 9,748,762
Investments	772,467	-	772,467
Receivables, net	605,563	79,238	684,801
Restricted cash and equity in pooled cash	24,300	-	24,300
Total Assets	\$ 8,757,091	\$ 2,473,239	\$ 11,230,330
<u>Liabilities</u>			
Accounts payable	\$ 700,454	\$ 71,409	\$ 771,863
Accrued expenditures	150,321	-	150,321
Customer deposits	24,300	-	24,300
Total Liabilities	875,075	71,409	946,484
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	27,800	-	27,800
<u>Fund Balances</u>			
Restricted for:			
Regional Park	-	989,770	989,770
County Assistance District #7	-	503,216	503,216
Enabling legislation	-	106,609	106,609
Public safety	-	125,320	125,320
PEG fees	552	-	552
Assigned to:			
Capital projects	-	676,915	676,915
Unassigned	7,853,664	-	7,853,664
Total Fund Balances	7,854,216	2,401,830	10,256,046
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,757,091	\$ 2,473,239	\$ 11,230,330

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2019

Total fund balances for governmental funds		\$ 10,256,046
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, not reported in the governmental funds.		
Capital assets - nondepreciable	3,210,109	
Capital assets - depreciable	47,780,343	
		50,990,452
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		27,800
Long-term liabilities and deferred outflows and deferred inflows related to the net pension liability are deferred in the governmental funds.		
Net pension liability	(296,240)	
Deferred outflows - pensions	337,778	
Deferred inflows - pensions	(107,514)	
		(65,976)
An internal service fund is used by management to account for the cost of vehicle and equipment replacement. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position		
Internal service fund net position	352,438	
Capital assets accounted for in capital assets used in governmental activities.	(77,490)	
		274,948
Some liabilities, such as compensated absences, are not reported as liabilities in the governmental funds.		
Noncurrent liabilities due in one year	(145,130)	
Noncurrent liabilities due in more than one year	(16,124)	
		(161,254)
Net Position of Governmental Activities		\$ 61,322,016

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 2,494,667	\$ -	\$ 2,494,667
Sales taxes	1,794,257	274,232	2,068,489
Franchise fees	706,927	-	706,927
Public improvement fees	519,551	-	519,551
Licenses and permits	2,201,606	-	2,201,606
Fines and forfeitures	325,190	24,342	349,532
Charges for services	2,071,531	-	2,071,531
Investment earnings	172,802	44,707	217,509
Intergovernmental	500,238	44,975	545,213
Other revenue	7,296	473,150	480,446
Total Revenues	10,794,065	861,406	11,655,471
Expenditures			
Current:			
General government	3,177,750	-	3,177,750
Permit and inspections	830,779	-	830,779
Public safety	2,524,209	21,641	2,545,850
Public works	2,791,761	-	2,791,761
Planning and development	276,522	-	276,522
Capital Outlay	212,459	549,626	762,085
Total Expenditures	9,813,480	571,267	10,384,747
Excess of Revenues Over Expenditures	980,585	290,139	1,270,724
Other Financing Sources (Uses)			
Transfers in	877,365	325,000	1,202,365
Transfers (out)	(325,000)	-	(325,000)
Total Other Financing Sources	552,365	325,000	877,365
Net Change in Fund Balances	1,532,950	615,139	2,148,089
Beginning fund balances	6,321,266	1,786,691	8,107,957
Ending Fund Balances	\$ 7,854,216	\$ 2,401,830	\$ 10,256,046

See Notes to Financial Statements.

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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, 2019

Net changes in fund balances - total governmental funds	\$ 2,148,089
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(2,001,803)
Capital outlay, net of disposals	67,524
Capital contributions by developers are not recorded in governmental funds as the contributions do not represent current financial resources.	
	5,253,705
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	(42,070)
Governmental funds report the payment of pension contributions as an expenditure; whereas, these payments are treated as reduction in the net pension liability on the Statement of Activities.	
Change in net pension liability	(8,591)
Change in deferred outflows - pensions	127,229
Change in deferred inflows - pensions	(107,514)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(24,327)
An internal service fund is used by management to account for the cost of vehicle and equipment replacement. The net revenue is reported with governmental activities.	
	156,770
Change in Net Position of Governmental Activities	\$ 5,569,012

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2019

	Business-Type Activities			Governmental Activities
	City of Fulshear Facility	Cross Creek Ranch Facility	Total	Vehicle Replacement
Assets				
Current assets:				
Cash and equity in pooled cash	\$ 2,273,692	\$ 935,709	\$ 3,209,401	\$ 274,948
Receivables, net	226,984	485,247	712,231	-
Restricted cash and equity in pooled cash	34,993	4,686,360	4,721,353	-
Total Current Assets	2,535,669	6,107,316	8,642,985	274,948
Noncurrent assets:				
Capital assets:				
Land	60,292	465,790	526,082	-
Buildings	110,372	-	110,372	-
Utility system	11,614,302	59,359,115	70,973,417	-
Machinery and equipment	237,617	25,276	262,893	96,862
Less accumulated depreciation	(2,382,937)	(7,992,034)	(10,374,971)	(19,372)
Total Capital Assets,				
Net of Accumulated Depreciation	9,639,646	51,858,147	61,497,793	77,490
Total Noncurrent Assets	9,639,646	51,858,147	61,497,793	77,490
Total Assets	12,175,315	57,965,463	70,140,778	352,438
Liabilities				
Current liabilities:				
Accounts payable	190,226	642,293	832,519	-
Customer deposits	34,993	203,529	238,522	-
Total Current Liabilities	225,219	845,822	1,071,041	-
Total Liabilities	225,219	845,822	1,071,041	-
Net Position				
Net investment in capital assets	9,639,646	51,858,147	61,497,793	77,490
Restricted for capital projects	-	4,482,831	4,482,831	-
Unrestricted	2,310,450	778,663	3,089,113	274,948
Total Net Position	\$ 11,950,096	\$ 57,119,641	\$ 69,069,737	\$ 352,438

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CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	Business-Type Activities			Governmental Activities
	City of Fulshear Facility	Cross Creek Ranch Facility	Total	Vehicle Replacement
<u>Operating Revenues</u>				
Charges for services	\$ 3,088,603	\$ 5,318,419	\$ 8,407,022	\$ 158,967
Other revenues	19,925	46,280	66,205	-
Total Operating Revenues	3,108,528	5,364,699	8,473,227	158,967
<u>Operating Expenses</u>				
Supplies	7,493	37,146	44,639	-
Contractual services	274,225	975,459	1,249,684	-
Utilities	76,227	264,935	341,162	-
Repairs and maintenance	642,046	511,379	1,153,425	-
Other operating expenses	663,439	1,861,983	2,525,422	-
Depreciation	278,651	1,462,619	1,741,270	19,372
Total Operating Expenses	1,942,081	5,113,521	7,055,602	19,372
Operating Income	1,166,447	251,178	1,417,625	139,595
<u>Nonoperating Revenues</u>				
Investment earnings	35,104	123,547	158,651	3,825
Sale of capital asset	-	-	-	13,350
Intergovernmental	-	60,235	60,235	-
Total Nonoperating Revenues	35,104	183,782	218,886	17,175
Income Before Contributions and Transfers	1,201,551	434,960	1,636,511	156,770
<u>Contributions and Transfers</u>				
Capital contributions	697,500	1,484,219	2,181,719	-
Transfers in	170,000	-	170,000	-
Transfers (out)	(131,600)	(915,765)	(1,047,365)	-
Total Contributions and Transfers	735,900	568,454	1,304,354	-
Change in Net Position	1,937,451	1,003,414	2,940,865	156,770
Beginning net position	10,012,645	56,116,227	66,128,872	195,668
Ending Net Position	\$ 11,950,096	\$ 57,119,641	\$ 69,069,737	\$ 352,438

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2019

	Business-Type Activities			Governmental Activities
	City of Fulshear Facility	Cross Creek Ranch Facility	Total Enterprise Funds	Vehicle Replacement
<u>Cash Flows from Operating Activities</u>				
Receipts from customers and users	\$ 3,029,078	\$ 5,339,739	\$ 8,368,817	\$ 158,967
Payments to suppliers	(1,736,007)	(3,694,981)	(5,430,988)	-
Net Cash Provided by Operating Activities	1,293,071	1,644,758	2,937,829	158,967
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers in	170,000	-	170,000	-
Transfers (out)	(131,600)	(915,765)	(1,047,365)	-
Net Cash Provided (Used) for Financing Activities	38,400	(915,765)	(877,365)	-
<u>Cash Flows from Capital and Related Financing Activities</u>				
Intergovernmental grant	-	60,235	60,235	-
Sales of capital assets	-	-	-	13,350
Net Cash Provided by Capital and Related Financing Activities	-	60,235	60,235	13,350
<u>Cash Flows from Investing Activities</u>				
Interest on investments	35,104	123,547	158,651	3,825
Net Cash Provided by Investing Activities	35,104	123,547	158,651	3,825
Net Increase in Cash and Cash Equivalents	1,366,575	912,775	2,279,350	176,142
Beginning cash and cash equivalents	942,110	4,709,294	5,651,404	98,806
Ending Cash and Cash Equivalents	\$ 2,308,685	\$ 5,622,069	\$ 7,930,754	\$ 274,948
Unrestricted cash and equity in pooled cash	\$ 2,273,692	935,709	3,209,401	\$ 274,948
Restricted cash and equity in pooled cash	34,993	4,686,360	4,721,353	-
Total Cash and Equity in Pooled Cash	\$ 2,308,685	\$ 5,622,069	\$ 7,930,754	\$ 274,948

CITY OF FULSHEAR, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2019

	Business-Type Activities			Governmental Activities
	City of Fulshear Facility	Cross Creek Ranch Facility	Total Enterprise Funds	Vehicle Replacement
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income	\$ 1,166,447	\$ 251,178	\$ 1,417,625	\$ 139,595
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	278,651	1,462,619	1,741,270	19,372
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(89,270)	(57,747)	(147,017)	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	(72,577)	(44,079)	(116,656)	-
Customer deposits	9,820	32,787	42,607	-
Net Cash Provided by Operating Activities	<u>\$ 1,293,071</u>	<u>\$ 1,644,758</u>	<u>\$ 2,937,829</u>	<u>\$ 158,967</u>
Noncash Capital Activities:				
Capital assets contributed during the year	<u>\$ 697,500</u>	<u>\$ 1,484,219</u>	<u>\$ 2,181,719</u>	<u>\$ -</u>

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 Charter”, which provided for 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 City 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.

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 component units listed below 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.

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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 in the government-wide financial statements 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. Separate financial statements are not available for the CDC and FDC.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds.. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The City reports the following 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 taxes and franchise fees, public improvement fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, permits and inspections, public safety, public works, and planning and development. The general fund is always considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated for capital improvement projects. The capital projects fund is considered a nonmajor fund for reporting purposes.

The City reports the following enterprise fund:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection and wastewater treatment operations. 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 City maintains two enterprise funds for water and wastewater services. The City of Fulshear Facility fund is utilized to supply the City and surrounding developments with water and wastewater services. The Cross Creek Ranch Facility fund is used to supply water and wastewater services to the Cross Creek Ranch development. Both funds are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

Internal service funds account for services provided to other departments of the primary government on a cost reimbursement basis. The City's internal service fund is used to account for vehicle and equipment replacement.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and the internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 when 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools, 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 maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

2. Investments

Investments, except for certain investment pools and money market funds are reported at fair value based on quoted market prices. The City categorizes fair value measurements of its investments based on the hierarchy established by GAAP. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

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
- Fully collateralized certificates of deposit
- Statewide investment pools
- Repurchase agreements, reverse purchase agreements, bankers' acceptances, and commercial paper
- Related no-load money market mutual funds

3. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	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

5. 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the average of the expected service lives of pension, except for the net differences between the projected and actual investment earnings on the pension plan assets, which are amortized over a period of five years.
- For employer pension plan contributions that were made subsequent to the measurement date through the end of the City’s fiscal year, the amount is deferred and recognized as a reduction to the net pension during the measurement period in which the contributions were made.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory, and sick pay benefits. Vacation and compensatory amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. Vacation and compensatory pay is accrued in the Statement of Net Position when incurred in governmental activities. A liability for those amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement. Vacation can be accumulated up to 240 hours. Sick leave, which can accrue up to 480 hours, and personal time must be taken within the fiscal year.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

7. Long-Term Obligations

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

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

11. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For the 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' 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.

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the fund level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 757,863	1.14
Money market funds	11,914,777	0.00
Texas CLASS	11,301,246	0.00
Total Fair Value	\$ 23,973,886	
Portfolio weighted average maturity		0.04

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.

Credit risk. The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. As of September 30, 2019, the City’s investments in Texas CLASS were rated ‘AAAm’ by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2019, fair market values of pledged securities and FDIC coverage exceeded bank balances for both the City and the discretely presented component units.

Custodial credit risk – investments. For an investment, this is the risk that 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 in the event of the failure of the counterparty. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades,

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Texas CLASS

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. 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 CLASS (the “Participants”), with 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 CLASS may be obtained from CLASS’ website at www.texasclass.com.

CLASS is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, CLASS must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within CLASS. CLASS transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. The City’s balance is considered the fair value of their investment in CLASS.

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the nonmajor governmental funds in the aggregate, the enterprise funds, and the discretely presented component units including the applicable allowances for uncollectible accounts:

	General	Nonmajor Funds	City of Fulshear Facility	Cross Creek Ranch Facility	Total
Property taxes	\$ 27,800	\$ -	\$ -	\$ -	\$ 27,800
Other taxes	364,341	78,102	-	-	442,443
Accounts	216,898	-	233,252	767,628	1,217,778
Other	-	1,136	-	-	1,136
Less allowance	(3,476)	-	(6268.00)	(282380.00)	(292,124)
	<u>\$ 605,563</u>	<u>\$ 79,238</u>	<u>\$ 226,984</u>	<u>\$ 485,248</u>	<u>\$ 1,397,033</u>

	Fulshear Development Corporation	City of Fulshear Development Corporation
Other taxes	\$ 179,694	\$ 179,694
Other	2,273	162
	<u>\$ 181,967</u>	<u>\$ 179,856</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

C. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year end:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Reclassifications (Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,210,109	\$ -	\$ -	\$ 3,210,109
Total capital assets not being depreciated	<u>3,210,109</u>	<u>-</u>	<u>-</u>	<u>3,210,109</u>
Other capital assets				
Infrastructure	51,353,911	5,253,705	-	56,607,616
Buildings and improvements	998,232	-	-	998,232
Machinery and equipment	1,275,289	130,774	(63,250)	1,342,813
Total other capital assets	<u>53,627,432</u>	<u>5,384,479</u>	<u>(63,250)</u>	<u>58,948,661</u>
Less accumulated depreciation for:				
Infrastructure	(7,787,239)	(1,882,109)	-	(9,669,348)
Buildings and improvements	(582,722)	(28,289)	-	(611,011)
Machinery and equipment	(777,182)	(174,027)	63,250	(887,959)
Total accumulated depreciation	<u>(9,147,143)</u>	<u>(2,084,425)</u>	<u>63,250</u>	<u>(11,168,318)</u>
Other capital assets, net	<u>44,480,289</u>	<u>3,300,054</u>	<u>-</u>	<u>47,780,343</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,690,398</u>	<u>\$ 3,300,054</u>	<u>\$ -</u>	<u>50,990,452</u>
			Net Investment in Capital Assets	<u>\$ 50,990,452</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 69,633
Permits and inspections	95,650
Public safety	22,384
Public works	1,896,758
Total Governmental Activities Depreciation Expense	<u>\$ 2,084,425</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 526,082	\$ -	\$ -	\$ 526,082
Total capital assets not being depreciated	<u>526,082</u>	<u>-</u>	<u>-</u>	<u>526,082</u>
Other capital assets				
Water and sewer system	68,791,699	2,181,718	-	70,973,417
Buildings and improvements	110,372	-	-	110,372
Machinery and equipment	262,893	-	-	262,893
Total other capital assets	<u>69,164,964</u>	<u>2,181,718</u>	<u>-</u>	<u>71,346,682</u>
Less accumulated depreciation for:				
Water and sewer system	(8,463,252)	(1,719,958)	-	(10,183,210)
Buildings and improvements	(83,132)	(2,759)	-	(85,891)
Machinery and equipment	(87,316)	(18,554)	-	(105,870)
Total accumulated depreciation	<u>(8,633,700)</u>	<u>(1,741,271)</u>	<u>-</u>	<u>(10,374,971)</u>
Other capital assets, net	<u>60,531,264</u>	<u>440,447</u>	<u>-</u>	<u>60,971,711</u>
Business-Type Activities Capital Assets, Net	<u>\$ 61,057,346</u>	<u>\$ 440,447</u>	<u>\$ -</u>	<u>61,497,793</u>
			Net Investment in Capital Assets	<u>\$ 61,497,793</u>

Depreciation was charged to business-type functions as follows:

City of Fulshear Facility fund	\$ 278,651
Cross Creek Ranch Facility fund	1,462,620
Total Business-Type Activities Depreciation Expense	<u>\$ 1,741,271</u>

D. Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year end:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 136,927	\$ 133,965	\$ (109,638)	\$ 161,254	\$ 145,130
Net pension liability	287,649	8,591	-	296,240	-
Total Governmental Activities	<u>\$ 424,576</u>	<u>\$ 142,556</u>	<u>\$ (109,638)</u>	<u>\$ 457,494</u>	<u>\$ 145,130</u>
				Long-term debt due in more than one year	<u>\$ 312,364</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 and net pension liability are liquidated by the general fund.

E. Interfund Receivables, Payables, 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	Nonmajor governmental	\$ 325,000
City of Fulshear Facility	General	131,600
Cross Creek Ranch Facility	General	745,765
Cross Creek Ranch Facility	City of Fulshear Facility	170,000
		<u>\$ 1,372,365</u>

The general fund made transfers to nonmajor governmental funds to provide financing for miscellaneous capital projects. The City of Fulshear Facility and Cross Creek Ranch Facility provided monies to the general fund for reimbursement of administrative costs related to the support of the water and wastewater system. The Cross Creek Ranch Facility provided monies to the City of Fulshear Facility for costs related to various projects.

F. Restricted Assets

The balances of the restricted cash accounts recognized by the City are as follows:

	<u>General</u>	<u>City of Fulshear Facility</u>	<u>Cross Creek Ranch Facility</u>
Restricted for:			
Customer deposits	\$ 24,300	\$ 34,993	\$ 203,529
Contractual capital reserve	-	-	4,482,831
Total Restricted Assets	<u>\$ 24,300</u>	<u>\$ 34,993</u>	<u>\$ 4,686,360</u>

G. Fund Equity

As of September 30, 2019, \$106,609 of the City's total fund balance/net position is restricted by enabling legislation.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

H. Restatement of Net Position and Fund Balance

The City has restated beginning net position for the City of Fulshear Facility and Cross Creek Ranch facility to correct beginning balances for accumulated depreciation. The City restated beginning net position for the City of Fulshear Facility to correct accounts payable and customer receivables. The City has also restated beginning net position for governmental activities and fund balance for Fort Bend County Assistance District #7 for the prior year recognition of September's sales tax revenue.

	City of Fulshear Facility	Cross Creek Ranch Facility	Business-Type Activities
Beginning net position as reported	\$ 8,978,538	\$ 57,208,022	\$ 66,186,560
Restate accumulated depreciation	1,091,795	(1,091,795)	-
Restate accounts payable	91,921	-	91,921
Restate customer receivables	(149,609)	-	(149,609)
Restated Beginning Net Position	\$ 10,012,645	\$ 56,116,227	\$ 66,128,872
	Fort Bend County Assistance District #7	Governmental Activities	
Beginning fund balance/net position as reported	\$ 196,651	\$ 55,727,607	
Restate accounts receivable	25,397	25,397	
Restated Beginning Fund Balance/Net Position	\$ 222,048	\$ 55,753,004	

IV. OTHER INFORMATION

A. 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.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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 (the "Board"). 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 that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

	<u>2019</u>	<u>2018</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving, benefits	21
Active employees	46
Total	69

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, 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 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 seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.93 percent and 7.62 percent in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$270,698, which were greater than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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 Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00 percent to 6.75 percent. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return 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>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 426,439	\$ -	\$ 426,439
Interest	104,412	-	104,412
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(115,830)	-	(115,830)
Changes in assumptions	-	-	-
Contributions - employer	-	229,320	(229,320)
Contributions - employee	-	210,661	(210,661)
Net investment income	-	(32,888)	32,888
Benefit payments, including refunds of employee contributions	(90,991)	(90,991)	-
Administrative expense	-	(632)	632
Other changes	-	(31)	31
Net Changes	324,030	315,439	8,591
Balance at December 31, 2017	1,379,123	1,091,474	287,649
Balance at December 31, 2018	\$ 1,703,153	\$ 1,406,913	\$ 296,240

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 587,388	\$ 296,240	\$ 57,974

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$261,394.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 55,598	\$ 107,514
Changes in actuarial assumptions	14,720	-
Difference between projected and actual investment earnings	58,898	-
Contributions subsequent to the measurement date	208,562	-
Total	\$ 337,778	\$ 107,514

\$208,562 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2020	\$ 13,787
2021	9,744
2022	9,774
2023	17,784
2024	(6,955)
Thereafter	(22,432)
Total	\$ 21,702

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The City’s contributions to the OPEB plan for the fiscal year 2019 was \$263, which equaled the required contribution amount.

Based on the net position effect of \$38,751 (total OPEB liability of \$35,449 as of the measurement date of December 31, 2018), management has determined the effects of GASB 75 are not material to the financial statements and the amounts have not been recorded in the government-wide financial statements.

E. Developer Agreement/Municipal Utility District Contracts

The City has entered into multiple developer agreements and related utility agreements with several Municipal Utility Districts (MUD’s), MUD’s created by the developers, whose boundaries overlap the boundaries of the City. The MUD’s construct water, sanitary sewer, public streets, and drainage facilities to serve the areas within the MUD’s and issue bonds to finance such facilities. The MUD’s release their security interests in the facilities to the City, and the City operates and maintains the systems via contracted third parties. The City’s original agreement with these MUD’s state that the City is to rebate all property tax revenue collected but \$0.10 per \$100 valuation of the property tax rate. On July 16, 2019 all agreements for tax rebate payments were amended to a percentage of the property tax rate. The rebate percentage is as follows:

<u>Property Tax Rate Per \$200 of Assessed Value</u>	<u>Tax Rebate Percentage</u>
\$0.219999 or less	0.62510%
\$0.22 - \$0.239999	0.07%
\$0.24 - \$0.259999	0.08%
\$0.26 - \$0.279999	0.09%
\$0.28 - \$0.299999	0.10%
\$0.30 or higher	0.11%

As part of the agreements, the City had to deposit \$4,716,250 into a “CCR Reserve Account”. The funds will be used solely to pay each work item that exceeds \$5,000 for repair, replacement, or rehabilitation of City water, sanitary sewer, storm sewer, and street facilities located within the “project” per the agreements. Funds may only be payable to independent contractors of the City and shall not be used for City costs of overhead, administration, or employee salaries or benefits. The City is not required to deposit any funds into the CCR Reserve Account, and all interest and investment earnings accrued on the funds in the CCR Reserve Account shall solely be used for the permitted costs noted above. As of September 30, 2019, the CCR Reserve Account had a balance of \$4,482,831.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Per Article 11, Section 5, of the Texas Constitution and Section 26.012(7) of the Texas Tax Code the annual payments constitute a “debt” of the City. Beginning with tax year 2019, fiscal year 2020, the City agreed to adopt and levy an interest and sinking tax rate sufficient to make annual payments.

The schedule below shows the MUD’s with active utility agreements currently receiving rebates from the City along with the final year each agreement term ends:

<u>Entity</u>	<u>Final Year of Agreement Term*</u>	<u>Fiscal Year 2019 Expenditures</u>
Fulshear MUD No. 1	2048	\$ 77,269
Fort Bend County MUD No. 170	2045	87,439
Fort Bend County MUD No. 171	2040	188,689
Fort Bend County MUD No. 172	2044	307,672
Fort Bend County MUD No. 173	2047	143,025
		<u>\$ 804,094</u>

* The City shall not be required to pay the annual payment to the District once the District no longer owes any District debt service.

F. Regional Park Fund

During 2004, the City entered into an agreement with Firethorne LTD. (the “Developer”) whereby the Developer would pay 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 fiscal year ended September 30, 2019, the City received \$473,150 in regional park fees.

G. 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 purpose 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 sales tax payments by the City and 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 \$239,839 in sales tax revenue related to the Agreement.

H. Chapter 380 Economic Incentive Agreements

Highland Homes - - Houston, Ltd.

On April 1, 2015 the City entered into an economic development incentive agreement (the “Agreement”) with Highland Homes - - Houston, Ltd. (the “Company”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the agreement is 10 years ending on March

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

31, 2025. The City has agreed to rebate 100% of the sales and use tax collections generated by the Company on a semi-annual basis. The Company will be engaged in the business of purchasing building materials for its use within the City. The Company will purchase items using a Texas Direct Payment Permit and generate local use tax revenue for the City. During fiscal year 2019, the City recognized expenditures of \$17,361 related to this agreement.

Perry Homes, LLC

On January 1, 2018 the City entered into an economic development incentive agreement (the “Agreement”) with Perry Homes, LLC (the “Company”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the agreement is 10 years ending on December 31, 2028. The City has agreed to rebate 100% of the sales and use tax collections generated by the Company on a semi-annual basis. The Company will be engaged in the business of purchasing building materials for its use within the City. The Company will purchase items using a Texas Direct Payment Permit and generate local use tax revenue for the City. During fiscal year 2019, the City recognized expenditures of \$48,975 related to this agreement.

I. Subsequent Events

Chapter 380 Economic Incentive Agreements

Thomas Blackburn

In November 2019, the City approved an economic development incentive agreement (the “Agreement”) with Thomas Blackburn (the “Landowner”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 30 years. The Landowner proposed to develop a mixed-use office space and commercial property that will include mixed use, retail space, and/or restaurants. The Landowner will convey land to the City for the purposes of the realignment and construction of Huggins Drive and parking and public access. In return the City has agreed to make annual “grant” payments and provide a fee credit not to exceed a combined maximum reimbursement amount of \$1,350,000. The fee credit, up to a maximum amount of \$75,000, may be used by the Landlord to cover capital recovery fees and standard tap fees associated with initial development for new construction. The initial “grant” payment will be \$278,348 and is due within 45 calendar days of the effective date of the Agreement.

The minimum annual “grant” payment will be equal to the greater of i) \$20,000 or ii) the combined total of the annual sales and use tax payment and the annual property tax increment payment each according to the schedule below:

<u>Calendar Year</u>	<u>Percentage Amount</u>
2020	50%
2021	50%
2022	70%
2023	70%
2024	70%
2025-2050	85%

The City also agrees that if the roadway paving and appurtenant utilities are not installed and open to the public between FM359 and Katy Fulshear Road within 48 months of the effective date of the Agreement, then interest in and to the roadway property shall automatically revert back to the Landowner; provided however, that the Agreement shall continue in full force and effect; provided,

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

however, that if the roadway property reverts back to the Landowner, the maximum reimbursement amount will be reduced to 50% of the original maximum reimbursement amount. The City agrees that if the roadway property reverts back to the Landowner, then the City shall either, at its sole discretion, i) pay the Landowner, within 45 days, an additional “grant” payment of \$278,348; or ii) cause the title of the property to be transferred back to the Landowner free and clear of all liens.

WSS-15 Fulshear Marketplace, LLC

In November 2019, the City approved an economic development incentive agreement (the “Agreement”) with WSS-15 Fulshear Marketplace, LLC (the “Developer”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 30 years. The Developer proposed to develop a mixed-use residential and commercial property that will include mixed-use, retail space, and/or restaurants and will also reserve approximately 0.5 acre site for a future City Hall site. The Developer will convey land to the City for the purposes of the realignment and construction of Huggins Drive and providing regional drainage and an adjacent trail. In return the City has agreed to make annual “grant” payments and provide a fee credit not to exceed a combined maximum reimbursement amount of \$2,500,000. The fee credit, up to a maximum amount equal to 285 standard connections multiplied by the standard connection fee to cover capital recovery fees and standard tap fees associated with initial development for new construction.

The minimum annual “grant” payment will be equal to the greater of i) \$20,000 or ii) the combined total of the annual sales and use tax payment and the annual property tax increment payment each according to the schedule below:

<u>Calendar Year</u>	<u>Percentage Amount</u>
2020	50%
2021	50%
2022	70%
2023	70%
2024	70%
2025-2050	85%

The City also agrees that if the roadway paving and appurtenant utilities are not installed and open to the public between FM359 and Katy Fulshear Road within 48 months of the effective date of the Agreement, then interest in and to the roadway property shall automatically revert back to the Developer; provided however, that the Agreement shall continue in full force and effect; provided, however, that if the roadway property reverts back to the Developer, the maximum reimbursement amount will be reduced by the Developer’s cost basis of the road property, which amount is equal to \$2.50 per square foot of land.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Revenues</u>				
Property taxes	\$ 2,446,841	\$ 2,446,841	\$ 2,494,667	\$ 47,826
Sales taxes	1,253,559	1,253,559	1,794,257	540,698
Franchise fees	690,400	690,400	706,927	16,527
Public improvement fees	263,000	263,000	519,551	256,551
Licenses and permits	2,092,400	2,092,400	2,201,606	109,206
Fines and forfeitures	215,000	215,000	325,190	110,190
Charges for services	1,645,675	1,645,675	2,071,531	425,856
Investment earnings	55,002	55,002	172,802	117,800
Intergovernmental	465,200	465,200	500,238	35,038
Other revenue	300	300	7,296	6,996
Total Revenues	<u>9,127,377</u>	<u>9,127,377</u>	<u>10,794,065</u>	<u>1,666,688</u>
<u>Expenditures</u>				
Current:				
General government	3,208,220	3,208,220	3,177,750	30,470
Permits and inspection	814,217	814,217	830,779	(16,562)
Public safety	2,776,983	2,776,983	2,524,209	252,774
Public works	2,444,073	2,444,073	2,791,761	(347,688)
Planning and development	477,356	477,356	276,522	200,834
Capital outlay	239,860	239,860	212,459	27,401
Total Expenditures	<u>9,960,709</u>	<u>9,960,709</u>	<u>9,813,480</u>	<u>147,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(833,332)</u>	<u>(833,332)</u>	<u>980,585</u>	<u>1,519,459</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,457,832	1,457,832	877,365	(580,467)
Transfers (out)	(625,000)	(625,000)	(325,000)	300,000
Sale of capital asset	500	500	-	(500)
Total Other Financing Sources	<u>833,332</u>	<u>833,332</u>	<u>552,365</u>	<u>(280,967)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,532,950</u>	<u>\$ 1,238,492</u>
Beginning fund balance			<u>6,321,266</u>	
Ending Fund Balance			<u>\$ 7,854,216</u>	

Notes to Required Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF FULSHEAR, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Measurement Year*				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 93,711	\$ 156,945	\$ 231,217	\$ 294,849	\$ 426,439
Interest (on the total pension liability)	23,662	36,771	51,368	75,604	104,412
Changes in benefit terms	-	-	-	60,200	-
Difference between expected and actual experience	47,654	(9,944)	(795)	47,429	(115,830)
Change in assumptions	-	25,851	-	-	-
Benefit payments, including refunds of employee contributions	(3,334)	(15,416)	(6,702)	(22,793)	(90,991)
Net Change in Total Pension Liability	161,693	194,207	275,088	455,289	324,030
Beginning total pension liability	292,846	454,539	648,746	923,834	1,379,123
Ending Total Pension Liability	<u>\$ 454,539</u>	<u>\$ 648,746</u>	<u>\$ 923,834</u>	<u>\$ 1,379,123</u>	<u>\$ 1,703,153</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 51,713	\$ 80,804	\$ 117,152	\$ 162,285	\$ 229,320
Contributions - employee	68,767	85,950	118,817	148,613	210,661
Net investment income	9,644	436	30,293	98,192	(32,888)
Benefit payments, including refunds of employee contributions	(3,334)	(15,416)	(6,702)	(22,793)	(90,991)
Administrative expense	(101)	(265)	(341)	(507)	(632)
Other	(8)	(13)	(18)	(27)	(31)
Net Change in Plan Fiduciary Net Position	126,681	151,496	259,201	385,763	315,439
Beginning plan fiduciary net position	168,333	295,014	446,510	705,711	1,091,474
Ending Plan Fiduciary Net Position	<u>\$ 295,014</u>	<u>\$ 446,510</u>	<u>\$ 705,711</u>	<u>\$ 1,091,474</u>	<u>\$ 1,406,913</u>
Net Pension Liability	<u>\$ 159,525</u>	<u>\$ 202,236</u>	<u>\$ 218,123</u>	<u>\$ 287,649</u>	<u>\$ 296,240</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.90%	68.83%	76.39%	79.14%	82.61%
Covered Payroll	\$ 1,375,366	\$ 1,718,999	\$ 2,376,331	\$ 2,972,266	\$ 3,009,448
Net Pension Liability as a Percentage of Covered Payroll	11.60%	11.76%	9.18%	9.68%	9.84%

*Only five years of information is currently available. The City will build this schedule over the next five-year period.

CITY OF FULSHEAR, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Fiscal Year*			
	2011	2012	2013	2014
Actuarially determined contribution	\$ 22,882	\$ 11,801	\$ 8,826	\$ 39,619
Contributions in relation to the actuarially determined contribution	22,882	11,801	8,826	39,619
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 542,238	\$ 583,368	\$ 703,095	\$ 870,232
Contributions as a percentage of covered payroll	4.22%	2.02%	1.26%	4.55%

*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2018 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*				
2015	2016	2017	2018	2019
\$ 69,687	\$ 105,268	\$ 148,255	\$ 201,087	\$ 270,698
<u>69,687</u>	<u>105,268</u>	<u>148,255</u>	<u>201,087</u>	<u>270,698</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,568,017	\$ 2,155,862	\$ 2,779,644	\$ 3,025,711	\$ 3,445,477
4.44%	4.88%	5.33%	6.65%	7.86%

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***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The **Regional Park Fund** provides for the accounting of restricted funds for park land and park development.

The **Fort Bend County Assistance District #7 Fund** provides additional sales tax revenues from unincorporated areas of the City's extraterritorial jurisdiction area (ETA). These funds are collected via the State Comptroller and distributed to Fort Bend County and the County remits one-half of the remittance to the City on a quarterly basis. The funds are required to be spent on projects in the area covered by the District #7 or projects that benefit the District #7.

The **Municipal Court Technology Fund** is used to account for fees collected by the court for future improvements to the technology of the court facilities.

The **Municipal Court Building Security Fund** is used to account for fees collected by the court for future improvements to the security of the court facilities.

The **Judicial Efficiency Fund** is used to account for fees collected by the court that are to be used for the purpose of improving the efficiency of the administration of justice.

The **Child Safety Fund** is used to account for fees collected by the court that are to be used for the purpose of providing child safety.

The **Police Department Donation Fund** is used to account for donations collected that are to be used for the purpose of providing products and services for police operations.

The **Federal Seizure Fund** and the **State Seizure Fund** are used to account for seized funds collected that are to be used for the purpose of providing products and services for police activities that do not supplant operation budget.

Capital Projects Fund

The **Capital Projects Fund** is used to account for the Capital Improvement Program projects that are detailed in the program and funded either by the issuing of debt or annual budget allocations.

CITY OF FULSHEAR, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	Special Revenue Funds			
	Regional Park	Fort Bend County Assistance District #7	Municipal Court Technology	Municipal Court Building Security
Assets				
Cash and cash equivalents	\$ 988,634	\$ 425,114	\$ 54,105	\$ 40,122
Account receivables	1,136	78,102	-	-
Total Assets	\$ 989,770	\$ 503,216	\$ 54,105	\$ 40,122
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balances				
Restricted for:				
Regional Park	989,770	-	-	-
County Assistance District #7	-	503,216	-	-
Enabling legislation	-	-	54,105	40,122
Public safety	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
Total Fund Balances	989,770	503,216	54,105	40,122
Total Liabilities and Fund Balances	\$ 989,770	\$ 503,216	\$ 54,105	\$ 40,122

Special Revenue Funds

Judicial Efficiency	Child Safety	Police Department Donation	Federal Seizure	State Seizure	Capital Projects	Total Nonmajor Governmental Funds
\$ 3,806	\$ 8,576	\$ 9,160	\$ 108,454	\$ 7,706	\$ 748,324	\$ 2,394,001
-	-	-	-	-	-	79,238
<u>\$ 3,806</u>	<u>\$ 8,576</u>	<u>\$ 9,160</u>	<u>\$ 108,454</u>	<u>\$ 7,706</u>	<u>\$ 748,324</u>	<u>\$ 2,473,239</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,409	\$ 71,409
-	-	-	-	-	71,409	71,409
-	-	-	-	-	-	989,770
-	-	-	-	-	-	503,216
3,806	8,576	-	-	-	-	106,609
-	-	9,160	108,454	7,706	-	125,320
-	-	-	-	-	676,915	676,915
<u>3,806</u>	<u>8,576</u>	<u>9,160</u>	<u>108,454</u>	<u>7,706</u>	<u>676,915</u>	<u>2,401,830</u>
<u>\$ 3,806</u>	<u>\$ 8,576</u>	<u>\$ 9,160</u>	<u>\$ 108,454</u>	<u>\$ 7,706</u>	<u>\$ 748,324</u>	<u>\$ 2,473,239</u>

CITY OF FULSHEAR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	Special Revenue Funds			
	Regional Park	Fort Bend County Assistance District #7	Municipal Court Technology	Municipal Court Building Security
Revenues				
Sales tax	\$ -	\$ 274,232	\$ -	\$ -
Fines and forfeitures	-	-	9,626	8,978
Investment earnings	17,859	6,936	1,124	768
Intergovernmental	-	-	-	-
Other revenue	473,150	-	-	-
Total Revenues	<u>491,009</u>	<u>281,168</u>	<u>10,750</u>	<u>9,746</u>
Expenditures				
Public safety	-	-	-	-
Capital outlay	52,722	-	-	-
Total Expenditures	<u>52,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>438,287</u>	<u>281,168</u>	<u>10,750</u>	<u>9,746</u>
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	438,287	281,168	10,750	9,746
Beginning fund balances	551,483	222,048	43,355	30,376
Ending Fund Balances	<u>\$ 989,770</u>	<u>\$ 503,216</u>	<u>\$ 54,105</u>	<u>\$ 40,122</u>

Special Revenue Funds

Judicial Efficiency	Child Safety	Police Department Donation	Federal Seizure	State Seizure	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274,232
262	5,476	-	-	-	-	24,342
143	149	199	2,110	115	15,304	44,707
-	-	4,500	32,884	7,591	-	44,975
-	-	-	-	-	-	473,150
<u>405</u>	<u>5,625</u>	<u>4,699</u>	<u>34,994</u>	<u>7,706</u>	<u>15,304</u>	<u>861,406</u>
-	-	1,641	20,000	-	-	21,641
-	-	-	-	-	496,904	549,626
-	-	<u>1,641</u>	<u>20,000</u>	<u>-</u>	<u>496,904</u>	<u>571,267</u>
<u>405</u>	<u>5,625</u>	<u>3,058</u>	<u>14,994</u>	<u>7,706</u>	<u>(481,600)</u>	<u>290,139</u>
-	-	-	-	-	325,000	325,000
-	-	-	-	-	325,000	325,000
405	5,625	3,058	14,994	7,706	(156,600)	615,139
<u>3,401</u>	<u>2,951</u>	<u>6,102</u>	<u>93,460</u>	<u>-</u>	<u>833,515</u>	<u>1,786,691</u>
<u>\$ 3,806</u>	<u>\$ 8,576</u>	<u>\$ 9,160</u>	<u>108,454</u>	<u>\$ 7,706</u>	<u>\$ 676,915</u>	<u>\$ 2,401,830</u>

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CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2019

Regional Park				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Investment earnings	\$ 4,000	\$ 4,000	\$ 17,859	\$ 13,859
Other revenue	150,000	150,000	473,150	323,150
Total Revenues	154,000	154,000	491,009	337,009
Expenditures				
Capital Outlay	645,000	645,000	52,722	592,278
Net Change in Fund Balance	\$ (491,000)	\$ (491,000)	438,287	\$ 929,287
Beginning fund balance			551,483	
		Ending Fund Balance	\$ 989,770	

Fort Bend County Assistance District #7				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Sales tax	\$ 250,000	\$ 250,000	\$ 274,232	\$ 24,232
Investment earnings	1,500	1,500	6,936	5,436
Total Revenues	251,500	251,500	281,168	29,668
Expenditures				
Capital outlay	1,000	1,000	-	1,000
Other Financing Sources (Uses)				
Transfers (out)	(375,000)	(375,000)	-	375,000
Net Change in Fund Balance	\$ (124,500)	\$ (124,500)	281,168	\$ 405,668
Beginning fund balance			222,048	
		Ending Fund Balance	\$ 503,216	

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
For the Year Ended September 30, 2019

Municipal Court Technology

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 4,000	\$ 4,000	\$ 9,626	\$ 5,626
Investment earnings	400	400	1,124	724
Total Revenues	4,400	4,400	10,750	6,350
Net Change in Fund Balance	\$ 4,400	\$ 4,400	10,750	\$ 6,350
Beginning fund balance			43,355	
		Ending Fund Balance	\$ 54,105	

Municipal Court Building Security

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 3,200	\$ 3,200	\$ 8,978	\$ 5,778
Investment earnings	300	300	768	468
Total Revenues	3,500	3,500	9,746	6,246
Net Change in Fund Balance	\$ 3,500	\$ 3,500	9,746	\$ 6,246
Beginning fund balance			30,376	
		Ending Fund Balance	\$ 40,122	

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
For the Year Ended September 30, 2019

Judicial Efficiency

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 100	\$ 100	\$ 262	\$ 162
Investment earnings	50	50	143	93
Total Revenues	<u>150</u>	<u>150</u>	<u>405</u>	<u>255</u>
Net Change in Fund Balance	<u>\$ 150</u>	<u>\$ 150</u>	405	<u>\$ 255</u>
Beginning fund balance			<u>3,401</u>	
			Ending Fund Balance	<u>\$ 3,806</u>

Child Safety

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ 5,476	\$ 3,976
Investment earnings	80	80	149	69
Total Revenues	<u>1,580</u>	<u>1,580</u>	<u>5,625</u>	<u>4,045</u>
Net Change in Fund Balance	<u>\$ 1,580</u>	<u>\$ 1,580</u>	5,625	<u>\$ 4,045</u>
Beginning fund balance			<u>2,951</u>	
			Ending Fund Balance	<u>\$ 8,576</u>

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Continued)

For the Year Ended September 30, 2019

Police Department Donation

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 75	\$ 75	\$ 199	\$ 124
Intergovernmental revenues	2,000	2,000	4,500	2,500
Total Revenues	<u>2,075</u>	<u>2,075</u>	<u>4,699</u>	<u>2,624</u>
Expenditures				
Public safety	8,000	8,000	1,641	6,359
Net Change in Fund Balance	<u>\$ (5,925)</u>	<u>\$ (5,925)</u>	3,058	<u>\$ 8,983</u>
Beginning fund balance			6,102	
		Ending Fund Balance	<u>\$ 9,160</u>	

Federal Seizure

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 500	\$ 500	\$ 2,110	\$ 1,610
Intergovernmental revenues	-	-	32,884	32,884
Total Revenues	<u>500</u>	<u>500</u>	<u>34,994</u>	<u>34,494</u>
Expenditures				
Public safety	20,000	20,000	20,000	-
Net Change in Fund Balance	<u>\$ (19,500)</u>	<u>\$ (19,500)</u>	14,994	<u>\$ 34,494</u>
Beginning fund balance			93,460	
		Ending Fund Balance	<u>\$ 108,454</u>	

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
For the Year Ended September 30, 2019

		<u>Capital Project</u>			
		<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>					
	Investment earnings	\$ 1,000	\$ 1,000	\$ 15,304	\$ 14,304
	Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>15,304</u>	<u>14,304</u>
<u>Expenditures</u>					
	Capital outlay	8,519,313	8,519,313	496,904	8,022,409
<u>Other Financing Sources (Uses)</u>					
	Bond proceeds	6,500,000	6,500,000	-	(6,500,000)
	Transfer in	1,317,500	1,317,500	325,000	(1,317,500)
	Total Other Financing Sources	<u>7,817,500</u>	<u>7,817,500</u>	<u>325,000</u>	<u>(7,492,500)</u>
	Net Change in Fund Balance	<u>\$ (700,813)</u>	<u>\$ (700,813)</u>	(156,600)	<u>\$ 544,213</u>
	Beginning fund balance			<u>833,515</u>	
	Ending Fund Balance			<u>\$ 676,915</u>	

CITY OF FULSHEAR, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2019

Fulshear Development Corporation			
	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,717,264	\$ 687,147	\$ 2,404,411
Receivables, net	181,967	-	181,967
Total Current Assets	1,899,231	687,147	2,586,378
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	2,807	162	2,969
Total Current Liabilities	2,807	162	2,969
<u>Net Position</u>			
Restricted for:			
Economic Development	1,896,424	686,985	2,583,409
Total Net Position	\$ 1,896,424	\$ 686,985	\$ 2,583,409

City of Fulshear Development Corporation

<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 1,544,201	\$ 753,008	\$ 2,297,209
179,694	162	179,856
<u>1,723,895</u>	<u>753,170</u>	<u>2,477,065</u>
1,491	-	1,491
<u>1,491</u>	<u>-</u>	<u>1,491</u>
<u>1,722,404</u>	<u>753,170</u>	<u>2,475,574</u>
<u>\$ 1,722,404</u>	<u>\$ 753,170</u>	<u>\$ 2,475,574</u>

CITY OF FULSHEAR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2019

	<u>Fulshear Development Corporation</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Sales tax	\$ 887,937	\$ -	\$ 887,937
Investment earnings	40,166	9,315	49,481
Total Revenues	<u>928,103</u>	<u>9,315</u>	<u>937,418</u>
<u>Expenses</u>			
General government	204,375	76,732	281,107
Total Expenses	<u>204,375</u>	<u>76,732</u>	<u>281,107</u>
Income (Loss) Before Transfers	<u>723,728</u>	<u>(67,417)</u>	<u>656,311</u>
<u>Transfers</u>			
Transfer in	-	411,056	411,056
Transfer (out)	(411,056)	-	(411,056)
Total Transfers	<u>(411,056)</u>	<u>411,056</u>	<u>-</u>
Net Change in Net Position	312,672	343,639	656,311
Beginning net position	<u>1,583,752</u>	<u>343,346</u>	<u>1,927,098</u>
Total Net Position	<u>\$ 1,896,424</u>	<u>\$ 686,985</u>	<u>\$ 2,583,409</u>

City of Fulshear Development Corporation		
General	Capital Projects	Total Governmental Funds
\$ 887,937	\$ -	\$ 887,937
36,194	10,821	47,015
<u>924,131</u>	<u>10,821</u>	<u>934,952</u>
201,180	57,714	258,894
<u>201,180</u>	<u>57,714</u>	<u>258,894</u>
722,951	(46,893)	676,058
-	411,056	411,056
(411,056)	-	(411,056)
<u>(411,056)</u>	<u>411,056</u>	<u>-</u>
311,895	364,163	676,058
1,410,509	389,007	1,799,516
<u>\$ 1,722,404</u>	<u>\$ 753,170</u>	<u>\$ 2,475,574</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	96
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	106
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	117
<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	119
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	123
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF FULSHEAR, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 838,399	\$ 768,821	\$ 836,979	\$ 18,260,633
Restricted	151,929	228,005	369,611	709,984
Unrestricted	1,436,991	2,230,981	2,451,299	3,179,338
Total Governmental Activities Net Position	\$ 2,427,319	\$ 3,227,807	\$ 3,657,889	\$ 22,149,955
Business-Type Activities				
Net investment in capital assets	\$ 9,497,601	\$ 9,768,635	\$ 10,798,612	\$ 23,563,837
Restricted	324,919	326,991	389,861	326,961
Unrestricted	(220,281)	170,624	363,227	1,076,677
Total Business-Type Activities Net Position	\$ 9,602,239	\$ 10,266,250	\$ 11,551,700	\$ 24,967,475
Primary Government				
Net investment in capital assets	\$ 10,336,000	\$ 10,537,456	\$ 11,635,591	\$ 41,824,470
Restricted	476,848	554,996	759,472	1,036,945
Unrestricted	1,216,710	2,401,605	2,814,526	4,256,015
Total Primary Government Net Position	\$ 12,029,558	\$ 13,494,057	\$ 15,209,589	\$ 47,117,430

Source: City's Annual Financial Report or Comprehensive Annual Financial Report

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 23,797,616	\$ 25,705,433	\$ 40,176,704	\$ 44,707,835	\$ 47,690,398	\$ 50,990,452
1,156,792	1,515,599	1,564,928	539,487	927,779	1,725,467
4,560,523	5,475,094	4,575,158	4,572,984	7,134,827	8,606,097
<u>\$ 29,514,931</u>	<u>\$ 32,696,126</u>	<u>\$ 46,316,790</u>	<u>\$ 49,820,306</u>	<u>\$ 55,753,004</u>	<u>\$ 61,322,016</u>
\$ 30,581,919	\$ 32,998,255	\$ 40,999,464	\$ 60,024,809	\$ 61,057,346	\$ 61,497,793
1,755,008	1,223,225	727,922	-	-	4,482,831
2,692,052	3,908,853	3,127,505	4,817,260	5,071,526	3,089,113
<u>\$ 35,028,979</u>	<u>\$ 38,130,333</u>	<u>\$ 44,854,891</u>	<u>\$ 64,842,069</u>	<u>\$ 66,128,872</u>	<u>\$ 69,069,737</u>
\$ 54,379,535	\$ 58,703,688	\$ 81,176,168	\$ 104,732,644	\$ 108,747,744	\$ 112,488,245
2,911,800	2,738,824	2,292,850	539,487	927,779	6,208,298
7,252,575	9,383,947	7,702,663	9,390,244	12,206,353	11,695,210
<u>\$ 64,543,910</u>	<u>\$ 70,826,459</u>	<u>\$ 91,171,681</u>	<u>\$ 114,662,375</u>	<u>\$ 121,881,876</u>	<u>\$ 130,391,753</u>

CITY OF FULSHEAR, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities				
General government	\$ 704,426	\$ 775,237	\$ 791,786	\$ 550,662
Permits and inspections	-	-	-	187,965
Public safety	610,587	577,650	479,595	672,355
Public works	149,765	237,907	438,217	1,444,102
Planning and development	-	-	-	-
Interest and fiscal agent fees	2,971	3,127	1,789	1,674
Total Governmental Activities Expenses	1,467,749	1,593,921	1,711,387	2,856,758
Business-Type Activities				
Utilities	886,736	1,165,997	1,493,238	2,254,075
Total Business-Type Activities Expenses	886,736	1,165,997	1,493,238	2,254,075
Total Expenses	\$ 2,354,485	\$ 2,759,918	\$ 3,204,625	\$ 5,110,833
Program Revenues				
Governmental activities				
Charges for services:				
Permits and inspections	\$ -	\$ -	\$ -	\$ 2,088,983
Public safety	443,256	553,044	760,037	124,058
Public works	451,193	557,235	708,010	40,858
Operating grants and contributions	36,822	-	-	5,000
Capital grants and contributions	20,980	21,711	51,514	1,745,415
Total Governmental Activities Program Revenues	952,251	1,131,990	1,519,561	4,004,314
Business-Type Activities				
Charges for services:				
Utilities	663,596	1,268,549	1,432,910	2,242,322
Operating grants and contributions	-	-	-	-
Capital grants and contributions	260,000	239,860	358,700	3,741,326
Total Business-Type Activities Program Revenues	923,596	1,508,409	1,791,610	5,983,648
Total Program Revenues	\$ 1,875,847	\$ 2,640,399	\$ 3,311,171	\$ 9,987,962
Net (Expense)/Revenue				
Governmental activities	\$ (515,498)	\$ (461,931)	\$ (191,826)	\$ 1,147,556
Business-type activities	36,860	342,412	298,372	3,729,573
Total Net Revenue (Expense)	\$ (478,638)	\$ (119,519)	\$ 106,546	\$ 4,877,129

Source: City's Annual Financial Report or Comprehensive Annual Financial Report

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1,256,952	\$ 2,039,436	\$ 2,579,727	\$ 2,381,636	\$ 2,605,264	\$ 3,450,668
376,897	528,461	322,415	814,579	957,063	929,161
941,346	1,427,578	1,669,998	2,156,611	2,688,730	2,550,149
1,001,930	1,249,674	2,150,127	3,366,308	3,547,933	5,145,507
-	-	-	-	401,682	276,116
292	-	-	-	-	-
<u>3,577,417</u>	<u>5,245,149</u>	<u>6,722,267</u>	<u>8,719,134</u>	<u>10,200,672</u>	<u>12,351,601</u>
<u>2,573,262</u>	<u>3,106,400</u>	<u>4,671,213</u>	<u>4,189,671</u>	<u>6,193,256</u>	<u>7,055,602</u>
<u>2,573,262</u>	<u>3,106,400</u>	<u>4,671,213</u>	<u>4,189,671</u>	<u>6,193,256</u>	<u>7,055,602</u>
<u>\$ 6,150,679</u>	<u>\$ 8,351,549</u>	<u>\$ 11,393,480</u>	<u>\$ 12,908,805</u>	<u>\$ 16,393,928</u>	<u>\$ 19,407,203</u>
\$ 2,418,323	\$ 2,570,046	\$ 2,396,980	\$ 2,811,853	\$ 3,985,701	\$ 4,302,675
149,468	193,757	170,117	216,794	305,589	349,532
71,922	371,686	666,506	747,132	925,845	666,155
30,259	29,246	28,133	268,355	267,975	500,238
<u>6,595,732</u>	<u>2,798,155</u>	<u>15,565,852</u>	<u>4,791,180</u>	<u>4,469,274</u>	<u>5,253,705</u>
<u>9,265,704</u>	<u>5,962,890</u>	<u>18,827,588</u>	<u>8,835,314</u>	<u>9,954,384</u>	<u>11,072,305</u>
3,271,568	3,395,191	4,468,483	5,203,537	7,115,884	8,407,022
-	-	-	-	-	60,235
<u>9,085,540</u>	<u>2,806,881</u>	<u>5,642,980</u>	<u>18,860,007</u>	<u>1,481,332</u>	<u>2,181,719</u>
<u>12,357,108</u>	<u>6,202,072</u>	<u>10,111,463</u>	<u>24,063,544</u>	<u>8,597,216</u>	<u>10,648,976</u>
<u>\$ 21,622,812</u>	<u>\$ 12,164,962</u>	<u>\$ 28,939,051</u>	<u>\$ 32,898,858</u>	<u>\$ 18,551,600</u>	<u>\$ 21,721,281</u>
\$ 5,688,287	\$ 717,741	\$ 12,105,321	\$ 116,180	\$ (246,288)	\$ (1,279,296)
9,783,846	3,095,672	5,440,250	19,873,873	2,403,960	3,593,374
<u>\$ 15,472,133</u>	<u>\$ 3,813,413</u>	<u>\$ 17,545,571</u>	<u>\$ 19,990,053</u>	<u>\$ 2,157,672</u>	<u>\$ 2,314,078</u>

CITY OF FULSHEAR, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 329,368	\$ 434,664	\$ 572,879	\$ 732,475
Franchise fees	69,672	123,906	128,454	173,011
Sales tax	193,461	242,167	333,383	404,418
Investment earnings	21,197	12,858	9,838	7,112
Other revenues	56,552	71,953	178,746	41,914
Transfers	(37,000)	376,871	(585,456)	-
Total Governmental Activities	<u>633,250</u>	<u>1,262,419</u>	<u>637,844</u>	<u>1,358,930</u>
Business-type activities				
Investment earnings	4,223	3,077	2,543	1,334
Other revenues	-	379,488	2,179	897
Transfers	37,000	(376,871)	585,456	-
Total Business-Type Activities	<u>41,223</u>	<u>5,694</u>	<u>590,178</u>	<u>2,231</u>
Total Primary Government	<u>\$ 674,473</u>	<u>\$ 1,268,113</u>	<u>\$ 1,228,022</u>	<u>\$ 1,361,161</u>
Change in Net Position				
Governmental activities	\$ 117,752	\$ 800,488	\$ 446,018	\$ 2,506,486
Business-type activities	78,083	348,106	888,550	3,731,804
Total Change in Net Position	<u>\$ 195,835</u>	<u>\$ 1,148,594</u>	<u>\$ 1,334,568</u>	<u>\$ 6,238,290</u>

Source: City's Annual Financial Report or Comprehensive Annual Financial Report

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 943,721	\$ 1,273,932	\$ 1,574,219	\$ 1,834,115	\$ 2,155,867	\$ 2,452,597
197,620	380,718	384,885	514,470	647,039	706,927
522,563	665,127	689,508	827,480	1,552,395	2,068,489
7,993	9,527	21,867	47,221	107,636	217,509
184,860	222,988	115,358	244,036	532,474	525,421
(257,644)	-	(1,270,494)	(79,986)	1,183,575	877,365
<u>1,599,113</u>	<u>2,552,292</u>	<u>1,515,343</u>	<u>3,387,336</u>	<u>6,178,986</u>	<u>6,848,308</u>
3,044	5,682	13,814	33,319	77,531	158,651
16,970	-	-	-	138,496	66,205
257,644	-	1,270,494	79,986	(1,183,575)	(877,365)
<u>277,658</u>	<u>5,682</u>	<u>1,284,308</u>	<u>113,305</u>	<u>(967,548)</u>	<u>(652,509)</u>
<u>\$ 1,876,771</u>	<u>\$ 2,557,974</u>	<u>\$ 2,799,651</u>	<u>\$ 3,500,641</u>	<u>\$ 5,211,438</u>	<u>\$ 6,195,799</u>
\$ 7,287,400	\$ 3,270,033	\$ 13,620,664	\$ 3,503,516	\$ 5,932,698	\$ 5,569,012
10,061,504	3,101,354	6,724,558	19,987,178	1,436,412	2,940,865
<u>\$ 17,348,904</u>	<u>\$ 6,371,387</u>	<u>\$ 20,345,222</u>	<u>\$ 23,490,694</u>	<u>\$ 7,369,110</u>	<u>\$ 8,509,877</u>

CITY OF FULSHEAR, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Nonspendable	\$ -	\$ -	\$ 100	\$ 100
Restricted	5,940	-	-	131,733
Unassigned	1,390,339	1,785,765	2,328,542	3,094,550
Total General Fund	<u>\$ 1,396,279</u>	<u>\$ 1,785,765</u>	<u>\$ 2,328,642</u>	<u>\$ 3,226,383</u>
All Other Governmental Funds				
Restricted	\$ 145,989	\$ 228,005	\$ 369,611	\$ 578,251
Assigned	-	377,075	83,724	65,750
Total All Other Governmental Funds	<u>\$ 145,989</u>	<u>\$ 605,080</u>	<u>\$ 453,335</u>	<u>\$ 644,001</u>

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

Source: City's Annual Financial Report or Comprehensive Annual Financial Report
Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
131,733	131,733	-	-	-	552
4,303,085	5,307,210	3,206,004	3,579,243	6,321,266	7,853,664
<u>\$ 4,434,818</u>	<u>\$ 5,438,943</u>	<u>\$ 3,206,004</u>	<u>\$ 3,579,243</u>	<u>\$ 6,321,266</u>	<u>\$ 7,854,216</u>
\$ 1,025,059	\$ 1,383,866	\$ 1,564,928	\$ 392,134	\$ 953,176	\$ 1,724,915
270,908	271,113	1,440,178	1,274,680	833,515	676,915
<u>\$ 1,295,967</u>	<u>\$ 1,654,979</u>	<u>\$ 3,005,106</u>	<u>\$ 1,666,814</u>	<u>\$ 1,786,691</u>	<u>\$ 2,401,830</u>

CITY OF FULSHEAR, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Property taxes	\$ 313,702	\$ 415,340	\$ 581,481	\$ 747,961
Sales taxes	193,461	242,167	333,383	404,418
Franchise fees	69,672	123,906	128,454	173,011
Public improvement fees	78,082	78,362	74,263	181,628
Licenses and permits	384,107	482,847	661,739	1,503,252
Fines and forfeitures	59,149	70,197	98,298	129,108
Charges for services	373,111	478,873	633,747	461,282
Intergovernmental	-	-	-	-
Capital grant and contributions	36,822	21,711	21,000	-
Investment earnings	21,197	12,858	9,838	7,112
Other revenues	56,552	67,125	178,371	275,384
Total Revenues	1,585,855	1,993,386	2,720,574	3,883,156
Expenditures				
General government	664,149	741,775	788,429	972,303
Permits and inspections	-	-	-	185,015
Public safety	583,838	551,206	476,212	639,517
Public works	147,046	197,739	399,239	198,683
Planning and development	-	-	-	-
Capital outlay	92,944	-	645,940	778,667
Debt service				
Principal	32,818	32,661	42,686	19,240
Interest	2,971	3,127	1,789	1,324
Total Expenditures	1,523,766	1,526,508	2,354,295	2,794,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,089	466,878	366,279	1,088,407
Other Financing Sources (Uses)				
Issuance of debt				
Capital leases	44,185	-	24,478	-
Sale of capital assets	-	4,828	375	-
Transfers in	-	376,871	275,000	525,370
Transfers out	(37,000)	-	(275,000)	(525,370)
Total Other Financing Sources (Uses)	7,185	381,699	24,853	-
Net Change in Fund Balances	\$ 69,274	\$ 848,577	\$ 391,132	\$ 1,088,407
Debt service as a percentage of noncapital expenditures	2.50%	2.34%	2.60%	1.02%

Source: City's Annual Financial Report or Comprehensive Annual Financial Report

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	966,619	\$ 1,264,271	\$ 1,556,311	\$ 1,857,472	\$ 2,137,299	\$ 2,494,667
	522,563	665,127	689,508	827,480	1,526,998	2,068,489
	197,620	380,718	361,528	514,470	647,039	706,927
	531,303	345,803	216,099	232,276	353,186	519,551
	1,401,279	1,872,346	1,731,465	1,993,927	2,759,307	2,201,606
	159,109	193,957	170,292	214,685	305,589	349,532
	574,811	744,125	1,129,918	1,344,285	1,800,981	2,071,531
	-	-	-	255,917	236,838	545,213
	-	-	-	-	-	-
	7,993	9,529	21,867	46,505	106,854	217,509
	608,248	578,740	381,027	383,996	366,797	480,446
	<u>4,969,545</u>	<u>6,054,616</u>	<u>6,258,015</u>	<u>7,671,013</u>	<u>10,240,888</u>	<u>11,655,471</u>
	1,215,147	2,014,649	2,712,933	2,430,917	2,683,837	3,177,750
	406,484	517,507	297,752	791,896	540,513	830,779
	880,686	1,382,908	1,579,291	2,157,402	2,367,813	2,545,850
	341,709	466,294	740,437	1,872,025	2,218,008	2,791,761
	-	-	-	-	401,682	276,522
	76,363	310,121	539,920	1,303,840	376,107	762,085
	8,045	-	-	-	-	-
	642	-	-	-	-	-
	<u>2,929,076</u>	<u>4,691,479</u>	<u>5,870,333</u>	<u>8,556,080</u>	<u>8,587,960</u>	<u>10,384,747</u>
	2,040,469	1,363,137	387,682	(885,067)	1,652,928	1,270,724
	-	-	-	-	-	-
	-	-	-	-	-	-
	23,218	42,650	1,707,760	1,140,928	1,378,575	1,202,365
	(280,862)	(42,650)	(2,978,254)	(1,220,914)	(195,000)	(325,000)
	<u>(257,644)</u>	<u>-</u>	<u>(1,270,494)</u>	<u>(79,986)</u>	<u>1,183,575</u>	<u>877,365</u>
\$	<u>1,782,825</u>	<u>\$ 1,363,137</u>	<u>\$ (882,812)</u>	<u>\$ (965,053)</u>	<u>\$ 2,836,503</u>	<u>\$ 2,148,089</u>
	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF FULSHEAR, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
One-Three Family Residences	\$ 73,192,190	\$ 110,208,430	\$ 179,105,310	\$ 265,605,630
Agriculture Value	87,663,810	76,557,470	80,912,780	78,310,890
Commercial Property	104,244,640	100,204,290	98,477,920	104,186,000
Personal Property Value	7,919,236	7,126,552	7,083,434	8,654,622
Less: Tax Exempt Property	118,753,600	106,880,821	120,119,059	132,046,664
Total Taxable Assessed Valuation	\$ 154,266,276	\$ 187,215,921	\$ 245,460,385	\$ 324,710,478
Total Direct Tax Rate	\$ 0.20592	\$ 0.20592	\$ 0.20592	\$ 0.20366

The value is the appraised value at original certification and fluctuates due to property owner protests and preliminary appraisal values at the time of certification.

All properties are assessed at 100% of actual taxable value. The difference between market value is the value of exemptions given for statutory purposes.

Tax rates are per \$100 of assessed value.
Source: County Tax/Assessor Reports

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 343,235,210	\$ 551,206,916	\$ 816,201,256	\$ 926,516,590	\$ 1,149,298,638	\$ 1,577,410,200
92,420,620	86,252,280	82,898,180	107,753,270	122,805,510	131,838,530
126,424,910	172,331,340	209,501,120	269,791,580	456,557,613	611,963,722
12,562,884	12,094,152	14,580,274	36,613,901	38,591,624	38,483,298
158,539,541	195,581,525	241,737,243	287,313,916	421,315,214	532,103,783
<u>\$ 416,104,083</u>	<u>\$ 626,303,163</u>	<u>\$ 881,443,587</u>	<u>\$ 1,053,361,425</u>	<u>\$ 1,345,938,171</u>	<u>\$ 1,827,591,967</u>
\$ 0.19713	\$ 0.17829	\$ 0.16163	\$ 0.15690	\$ 0.15869	\$ 0.16251

CITY OF FULSHEAR, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
City of Fulshear:				
Operating tax rate	\$ 0.205920	\$ 0.205920	0.205920	\$ 0.203660
Total Direct Rates	<u>\$ 0.205920</u>	<u>\$ 0.205920</u>	<u>\$ 0.205920</u>	<u>\$ 0.203660</u>
Lamar Consolidated School District	\$ 1.297650	\$ 1.364550	\$ 1.390050	\$ 1.390050
Katy Independent School District	1.526600	1.526600	1.526600	1.526600
Fort Bend County	0.479000	0.480160	0.480960	0.480760
Total Direct and Overlapping Rates	<u>\$ 3.509170</u>	<u>\$ 3.577230</u>	<u>\$ 3.603530</u>	<u>\$ 3.601070</u>

Overlapping rates are those of local and county governments that apply within the City of Fulshear.

Not all overlapping rates apply to all City of Fulshear property owners (e.g., the county rates apply only to the porportion of the City's property owners whose property is located within the geographic boundaries of the specific county).

Tax rates per \$100 of assessed valuation

Source: Tax department records of the various governments.

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 0.197130	\$ 0.178290	\$ 0.161630	\$ 0.156900	\$ 0.158690	\$ 0.162510
<u>\$ 0.197130</u>	<u>\$ 0.178290</u>	<u>\$ 0.161630</u>	<u>\$ 0.156900</u>	<u>\$ 0.158690</u>	<u>\$ 0.162510</u>
\$ 1.390050	\$ 1.390050	\$ 1.390050	\$ 1.390050	\$ 1.390050	\$ 1.390050
1.526600	1.526600	1.516600	1.516600	1.516600	1.516600
0.484760	0.472760	0.465000	0.458000	0.453000	0.445000
<u>\$ 3.598540</u>	<u>\$ 4.890300</u>	<u>\$ 4.872540</u>	<u>\$ 4.865540</u>	<u>\$ 4.860540</u>	<u>\$ 4.852540</u>

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CITY OF FULSHEAR, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and One Year Ago*

Property Taxpayer	2019			2018		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
CCR 21 LLC	\$ 27,273,491	1	1.49%	\$ -	N/A	-
CCR Loan Subsidiary 1 LP	12,772,950	2	0.70%	21,094,050	2	1.57%
HEB Grocery Company LP	11,796,540	3	0.65%	-	N/A	-
Trendmaker Homes Inc	10,261,890	4	0.56%	12,655,470	4	0.94%
DHK Fulshear LP	8,238,820	5	0.45%	14,357,210	3	1.07%
Cross Creek Commons-Partnership A LP	7,600,171	6	0.42%	-	N/A	-
Taylor Morrison of Texas INC	7,174,720	7	0.39%	-	N/A	-
H-E-B LP	7,001,180	8	0.38%	-	N/A	-
Rk CCR Pase 1 LLC	6,556,190	9	0.36%	-	N/A	-
Century Land Holdings of Texas LLC	6,388,310	10	0.35%	-	N/A	-
Texas Petroleum Group LLC	-	N/A	-	5,374,450	10	0.40%
TLM-CCR Phase II LLC	-	N/A	-	7,413,590	7	0.55%
CCOC LLC	-	N/A	-	42,799,809	1	3.18%
Landmark Industries	-	N/A	-	12,202,394	5	0.91%
CCR Texas Holding LP	-	N/A	-	7,037,120	8	0.52%
A-S 132 S Fry Road-FM 1463 LP	-	N/A	-	6,971,660	9	0.52%
Subtotal	105,064,262		5.75%	129,905,753		9.65%
Other Taxpayers	1,722,527,705		94.25%	1,216,032,418		90.35%
Total	\$ 1,827,591,967		100.00%	\$ 1,345,938,171		100.00%

*Data from nine years ago is not available. Latest data available is for fiscal year 2018 (tax year 2017).

Taxable assessed value equals appraised value after exemptions.

Source: Fort Bend County Appraisal District

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

CITY OF FULSHEAR, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Years

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Year of the Levy</u>	
				<u>Amount Collected</u>	<u>Percentage of Levy</u>
2010	2009	\$ 0.205920	\$ 319,812	\$ 294,680	92.14%
2011	2010	\$ 0.205920	\$ 414,794	\$ 393,244	94.80%
2012	2011	\$ 0.205920	\$ 538,621	\$ 521,640	96.85%
2013	2012	\$ 0.203660	\$ 661,375	\$ 657,447	99.41%
2014	2013	\$ 0.197130	\$ 829,012	\$ 821,104	99.05%
2015	2014	\$ 0.178290	\$ 1,197,031	\$ 1,192,635	99.63%
2016	2015	\$ 0.161630	\$ 1,513,831	\$ 1,499,858	99.08%
2017	2016	\$ 0.156900	\$ 1,840,239	\$ 1,824,840	99.16%
2018	2017	\$ 0.158690	\$ 2,102,986	\$ 2,086,847	99.23%
2019	2018	\$ 0.162510	\$ 2,441,889	\$ 2,431,495	99.57%

Tax rate per \$100 assessed valuation

Source: City Finance Department and Fort Bend County Tax Office

Subsequent	Total Collections to Date	
	Amount Collected	Percentage of Levy
\$ 17,529	\$ 312,209	97.62%
\$ 19,571	\$ 412,815	99.52%
\$ 15,102	\$ 536,742	99.65%
\$ 3,126	\$ 660,573	99.88%
\$ 7,074	\$ 828,178	99.90%
\$ 3,729	\$ 1,196,364	99.94%
\$ 12,550	\$ 1,512,408	99.91%
\$ 12,074	\$ 1,836,914	99.82%
\$ 11,761	\$ 2,098,608	99.79%
\$ -	\$ 2,431,495	99.57%

CITY OF FULSHEAR, TEXAS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(In Thousands of Dollars)

	Calendar Year			
	2010	2011	2012	2013
Public Administration	\$ -	\$ -	\$ -	\$ -
Admin/Support/Waste Mgmt/Remediation	558,332	440,142	356,696	512,242
Retail Trade	5,031,419	4,795,280	5,244,862	6,258,550
Construction	5,446	65,447	134,059	84,428
Manufacturing	24,554	215,628	570,401	532,885
Mining/Quarrying/Oil and Gas Extraction	13,500	-	-	42,875
Wholesale Trade	-	-	-	-
Transportation/Wharehousing	-	-	8,181	-
Information	-	-	-	40,235
Arts/Entertainment/Recreation	-	-	7,886	10,496
Real Estate/Rental/Leasing	-	-	-	6,959
Other Services (except Public Administration)	538,816	666,252	698,929	647,901
Accommodation/Food Services	3,268,597	3,724,970	6,484,729	8,810,293
Professional/Scientific/Technical Services	53,364	64,195	67,472	103,953
Total Taxable Sales	<u>\$ 9,494,028</u>	<u>\$ 9,971,914</u>	<u>\$ 13,573,215</u>	<u>\$ 17,050,817</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%

The City direct sales tax rate includes the City only.

Note: Taxable sales for calendar year 2019 were not available at the date of this report.

Source: State Comptroller's Office

Calendar Year

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ 565,074	\$ 898,342	\$ N/A
736,591	717,120	717,120	797,500	836,334	N/A
25,154,631	45,332,799	45,332,799	49,982,542	67,978,562	N/A
594	3,213,700	3,213,700	2,696,718	4,219,686	N/A
847,415	821,844	821,844	1,154,776	1,168,178	N/A
-	-	-	-	1,092	N/A
-	-	-	901,333	3,485,625	N/A
13,988	28,541	28,541	35,725	38,839	N/A
20,036	-	-	-	-	N/A
6,689	122,357	122,357	492,043	-	N/A
497,675	825,650	825,650	995,769	1,164,401	N/A
908,401	1,178,494	1,178,494	1,905,629	2,277,977	N/A
9,984,358	11,857,090	11,857,090	13,417,178	15,784,354	N/A
457,417	272,884	272,884	353,454	648,247	N/A
\$ 38,627,795	\$ 64,370,479	\$ 64,370,479	\$ 73,297,741	\$ 98,501,637	\$ N/A
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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CITY OF FULSHEAR, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2019

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Katy Independent School District	\$ 1,824,334,942	7.270%	\$ 132,629,150
Lamar Consolidated Independent School District	\$ 1,177,030,000	3.480%	40,960,644
Fort Bend County	\$ 593,614,527	21.000%	124,659,051
Fort Bend County MUD #170	\$ 14,825,000	100.000%	14,825,000
Fort Bend County MUD #171	\$ 13,760,000	100.000%	13,760,000
Fort Bend County MUD #172	\$ 30,830,000	100.000%	30,830,000
Fort Bend County MUD #173	\$ 56,352,837	100.000%	56,352,837
Fulshear MUD#1	\$ 21,970,000	100.000%	21,970,000
Subtotal, overlapping debt			435,986,682
City Direct Debt		100.000%	\$ -
Total Direct and Overlapping Debt			\$ 435,986,682
Ratio of Total Direct and Overlapping Net Debt to Assessed Valuation (1)			23.86%
Direct and Overlapping Debt Per Capita (2)			\$ 30,831

Source: Texas Municipal Advisory Council

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

(1) See Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

(2) See the Schedule of Demographic and Economic Statistics for population data.

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CITY OF FULSHEAR, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Fiscal Year Ended Sept. 30	Population⁽¹⁾	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽⁶⁾	Public School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾	Education Level in Years of Formal Schooling⁽⁵⁾
2010	1,134	\$ N/A	\$ N/A	40.0	N/A	9.1%	14
2011	1,177	\$ N/A	\$ N/A	41.0	N/A	8.5%	14
2012	1,886	\$ N/A	\$ N/A	39.0	N/A	7.8%	14
2013	2,948	\$ N/A	\$ 56,203	36.0	N/A	6.6%	14
2014	4,287	\$ N/A	\$ 56,203	36.0	N/A	5.7%	14
2015	5,849	\$ N/A	\$ 56,203	35.0	N/A	5.0%	14
2016	7,914	\$ N/A	\$ 56,203	34.0	N/A	4.7%	14
2017	10,044	\$ N/A	\$ 56,203	34.0	N/A	4.1%	14
2018	11,174	\$ N/A	\$ 56,203	34.0	7,139	3.9%	14
2019	14,141	\$ N/A	\$ 56,203	34.4	9,034	4.0%	14

Data sources:

- (1) United States Census Bureau, Public Data
- (2) Data to compute not available
- (3) United States Census Bureau
- (4) United States Census Bureau, American Fact Finder (some data not available)
- (5) Katy Independent School District & Lamar Consolidated ISD
- (6) Texas Workforce Commission (Data for Fort Bend County)

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

CITY OF FULSHEAR, TEXAS

PRINCIPAL EMPLOYERS

Current Year and One Year Ago*

Employer	2019			2018		
	Employees	Percentage of Total Employment	Rank	Employees	Percentage of Total Employment	Rank
Lamar Consolidated ISD	381	17.66%	1	368	35.45%	1
HEB #65	348	16.13%	2	325	31.31%	2
Katy ISD	201	9.31%	3	201	19.36%	3
City of Fulshear	56	2.59%	4	56	5.39%	4
Civil Corp	20	0.93%	5	20	1.93%	5
Emergency Services District #4	20	0.93%	6	20	-	5
Ace Hardware	14	0.65%	7	14	-	7
Pier 36	14	0.65%	8	14	-	7
Doziers	12	0.56%	9	12	-	9
Wagontail Pet Ranch	8	0.37%	10	8	-	10
Other	1084	50.23%		-	-	
	<u>2,158</u>	<u>100.00%</u>		<u>1,038</u>	<u>93.45%</u>	

*Data from nine years ago is not available. Latest data available is for fiscal year 2018.

Source: Personnel department of each employer above

Note: Fiscal year 2018 is the first year for Comprehensive Annual Financial Report.

CITY OF FULSHEAR, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Governmental Activities:</u>										
Administrative	-	1	1	4	4	4	5	5	7	6
Human Resources	-	-	-	-	-	-	-	-	-	1
Municipal Court	1	1	1	1	1	1	2	2	2	2
City Secretary	1	1	1	1	1	2	2	2	2	4
Finance	1	1	1	1	1	3	2	2.5	3	3
Economic Development	-	-	-	-	1	1	2	2	2	2
Public safety	10	12	14	15	16	17	18	22	23.5	26
Development Services	-	-	-	-	1	1	1	1	1	10
Building Inspection	4	4	4	6	6	6	6	7	9	0
Code Enforcement	-	-	-	-	-	1	1	1	1	1
Public Works	1	1	1	2	2	2	3	3	3	4
<u>Business-Type Activities:</u>										
Utilities	-	-	-	-	1	1	2	2.5	2.5	3
Total City Positions	18	21	23	30	34	39	44	50.0	56.0	62

Source: City Finance Department

Note: City council are not full-time paid employees and fire services are provided by the Emergency Medical District.

CITY OF FULSHEAR, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

Function	Fiscal Year			
	2010	2011	2012	2013
Police				
Arrests	-	27	68	116
Parking violations	-	-	1	-
Traffic violations	-	2,457	3,448	3,454
Highways and streets				
Street resurfacing (miles)	-	4	-	1
Potholes repaired	8	6	6	6
Water				
Average daily consumption (thousands of gallons)	-	-	631	656
Water main breaks	-	-	1	3
New connections	-	92	197	263
Wastewater				
Average daily effluent treated (thousands of gallons)	-	-	182	212

Source: Various City departments

Note: Some indicators are not available for the general government function

Fiscal Year

2014	2015	2016	2017	2018	2019
172	449	273	403	381	268
1	1	22	5	6	15
5,624	5,633	6,069	9,300	9,708	10,753
-	-	-	1	-	-
6	5	7	4	10	35
895	904	1,046	1,224	1,328	1,468
5	7	2	2	4	2
381	479	569	688	-	751
247	329	416	548	789	1,099

CITY OF FULSHEAR, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Years

Function	Fiscal Year			
	2010	2011	2012	2013
Public safety				
Police				
Stations	-	-	-	-
Patrol units	2	3	4	4
Highways and streets				
Streets (lane miles)	75	75	80	80
Streetlights	-	-	-	-
Culture and recreation				
Park acreage developed	-	5	5	5
Water				
Water wells	3	3	3	4
Water mains (miles)	34	35	40	43
Fire hydrants	446	455	520	558
Maximum daily capacity (thousands of gallons)	655	655	655	1075
Sewer				
Sanitary sewers (miles)	33	34	36	39
Storm sewers (miles)	21	22	25	27
Maximum daily treatment capacity (thousands of gallons)	500	750	750	2,100

Source: Various City departments

Note: No capital asset indicators are available for the general government function

Fiscal Year						
2014	2015	2016	2017	2018	2019	
-	1	1	1	1	1	1
4	7	10	12	12	12	12
80	80	89	89	89	89	89
-	0	0	146	146	146	-
5	5	25	25	25	25	25
4	4	4	4	4	4	6
45	48.2	49.2	49.2	49.2	49.2	54.1
588	626	641	641	641	641	706
1075	1075	1745	1745	1745	1745	1765
41	42.8	45.1	45.1	45.1	45.1	49.6
29	31.2	33.5	33.5	33.5	33.5	37.0
2,100	2,100	2,100	2,100	2,100	2,100	2,100

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