

CITY OF FULSHEAR, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL
REPORT Year Ended September 30, 2023



*ANNUAL
COMPREHENSIVE
FINANCIAL REPORT*

of the

CITY OF FULSHEAR, TEXAS

**For the Year Ended
September 30, 2023**

**Prepared by
Finance Department**

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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

March 29, 2024

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 Annual Comprehensive Financial Report (ACFR) of the City of Fulshear, Texas (the “City”) for the fiscal year ended September 30, 2023. 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 City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2023, are free of material misstatement.

The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2023, are fairly presented in conformity with Generally Accepted Accounting Principals (GAAP). The independent auditors report is presented as the first component of the financial section of this report.

Managements discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter 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 14 square miles and serves an estimated population of 34,264. 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 Finance Department. These requests serve as a starting point for developing a proposed budget. The Finance Department 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, however, require the approval of the City Council. Budget-to-actual comparisons 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 81 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 94.

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, which continues to be one of the fastest growing cities in Texas. According to the 2021 census data, Fulshear has a highly educated, affluent demographic, with nearly 75.5% of the population holding a bachelor's degree or higher and earning a median household income of \$170,236.

Taxable values for fiscal year 2023 reflect an increase of 16 percent to \$2.8 billion. This property value increase is the result of continued development within the City including both residential and commercial construction.

Sales tax revenues increased 16 percent during fiscal year 2023. At this writing, for fiscal year 2024, sales taxes are 14 percent higher than the first three months of fiscal year 2023. 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.

Building fee revenue for fiscal year 2023 saw a slight decrease of 17 percent from building fee revenue for fiscal year 2022. Even with the slight decrease, the City still continues to see growth in both commercial and residential development resulting in a continued need for permits and inspections.

There is a continued increase in new residential development within the Fulshear Lakes, Fulshear Del Webb, Tamarron West, Cross Creek West, and Pecan Ridge developments. Cross Creek Ranch, Tamarron Proper, Fulbrook

on Fulshear Creek, Polo Ranch, and Fulshear Run are either nearing complete buildout with a few remaining sections or are complete. Additionally, Canvas on Founders Hill, James Lane Estates, and Belmont Estates will be adding an additional 147, +/- 35, and 74 residential units respectively.

Commercial construction around HEB has been completed and we have seen an increased variety of services and eateries move in. Besides the recently completed Marcel Cross Creek we are expecting completion of Marcel Garden and Marcel Square in 2024. We have also seen an increase in commercial development along the 1093 corridor between FM 1463 and FM 359 as well as the Texas Heritage Parkway. Construction is still imminent on Fulshear Marketplace and Fulshear Gateway downtown.

Downtown Fulshear continues to draw varied development and redevelopment interests on the heels of the approved Livable Center Study. A luxury for-rent townhome community, Canvas on Founders Hill, will also begin construction of 150 units that are within walking distance of and will help support Downtown businesses. Additionally, the redevelopment of Harris Street will promote increased commerce and walkability in the downtown area. This project will provide two blocks of plaza space for pedestrian use and community gathering.

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 Funds, Utility Fund, and Internal Service Funds 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

For FY2023, the City issued no general obligation bonds. The City can issue General Obligation bonds that are approved by voters in a capital improvements plan. In November of 2022, the City issued \$37.5 million in revenue bonds and certificates of obligation to fund Water and Wastewater Capital Infrastructure Projects. This is the first time in the City's history that a bond rating was received, and debt issued. The City received a bond rating of AA+ from Standard and Poor's. This debt issuance is reflected in the FY2023 financial statements.

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 Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fulshear for its annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the fourth consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

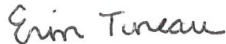
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The City has received the Distinguished Budget Presentation Award for the fiscal years beginning October 1, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and most recently 2024 which is the eighth consecutive year that the City has submitted the annual budget for this award. 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,

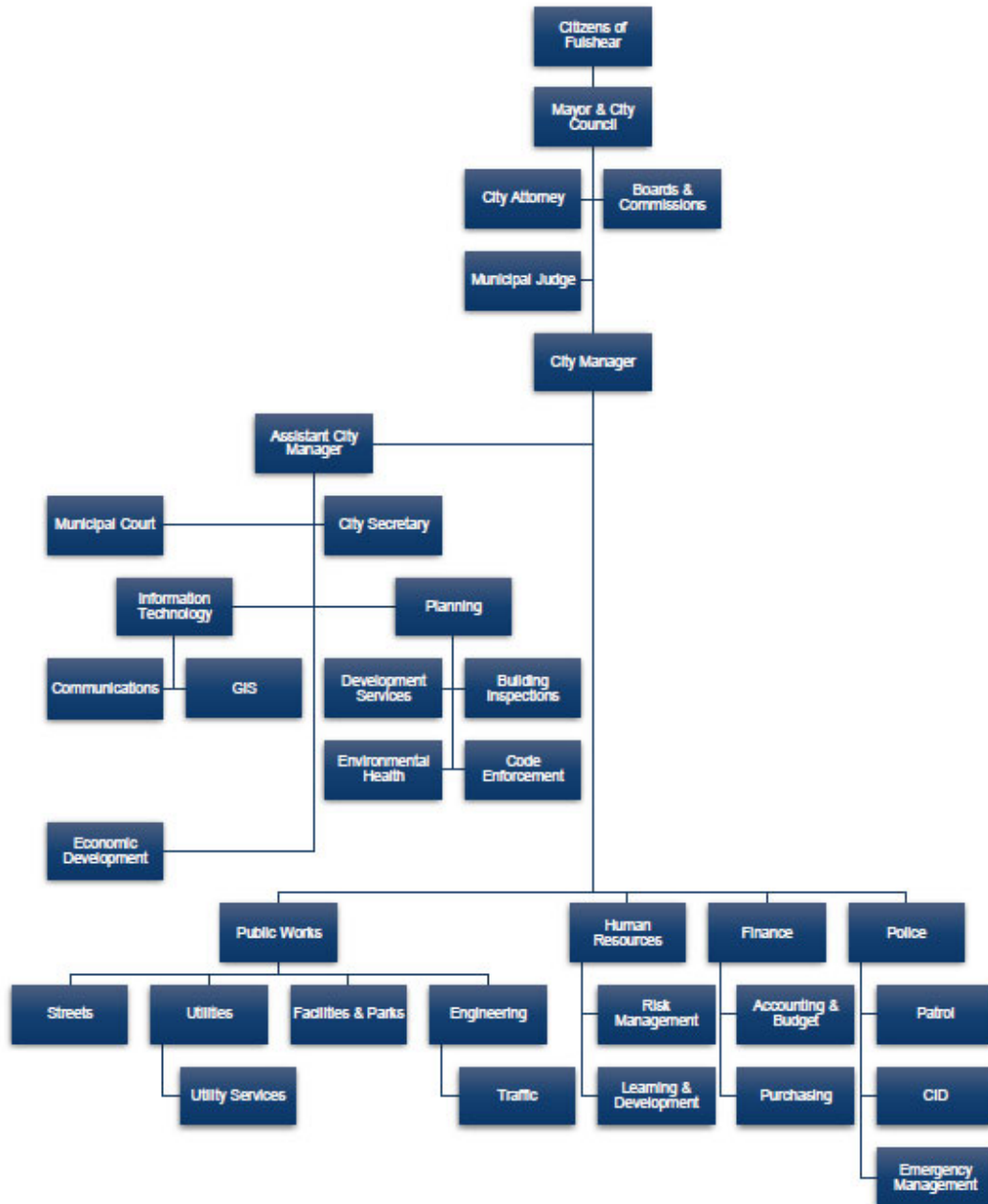


Erin Tureau, CPA
Director of Finance

CITY OF FULSHEAR, TEXAS

ORGANIZATIONAL CHART

September 30, 2023



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CITY OF FULSHEAR, TEXAS
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
September 30, 2023



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Fulshear
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

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CITY OF FULSHEAR, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
 September 30, 2023

Elected Officials	Position
Aaron Groff	Mayor
Debra Cates	Council Member
Sarah B. Johnson	Council Member
Christina Baron	Council Member
Jason Knape	Council Member
Abhijeet Utturkar	Council Member
Joel M. Patterson	Mayor Pro-Tem and Council Member
Kent Pool	Council Member
Principal Officials	Position
Zach Goodlander	Acting City Manager
Mariela Rodriguez	City Secretary
Erin Tureau	Director of Finance
Byron Brown	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:

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 29, 2024

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

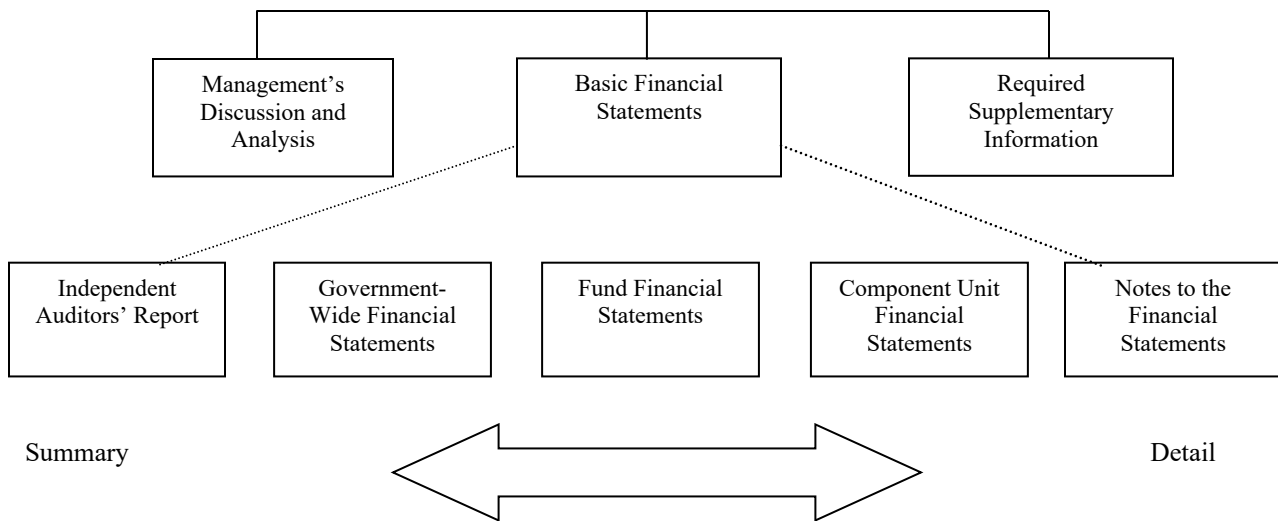
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CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023

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 ended September 30, 2023. 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, 2023

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 basic services are reported here including general government, permits and inspections, public safety, public works, and planning and development. 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 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in funds 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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is always considered to be a major fund, and the capital projects fund, which is considered a major fund for reporting purposes.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

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, state seizure fund, and capital projects fund. Budgetary comparison schedules have been provided for each fund to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment operations. 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 the 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 and deferred inflows of resources by \$269,694,934 as of September 30, 2023 for the primary government. This compares with \$232,649,664 from the prior fiscal year. The largest portion of the City's net position, 87 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, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 26,836,716	\$ 21,469,081	\$ 49,931,492	\$ 11,414,613	\$ 76,768,208	\$ 32,883,694
Capital assets, net	150,770,086	130,542,906	96,776,748	86,400,275	247,546,834	216,943,181
Total Assets	177,606,802	152,011,987	146,708,240	97,814,888	324,315,042	249,826,875
Deferred outflows - pensions	828,010	370,647	-	-	828,010	370,647
Long-term liabilities	9,332,530	8,966,406	38,268,160	573,778	47,600,690	9,540,184
Other liabilities	4,977,289	5,282,084	2,814,381	2,474,333	7,791,670	7,756,417
Total Liabilities	14,309,819	14,248,490	41,082,541	3,048,111	55,392,360	17,296,601
Deferred inflows - pensions	55,758	251,257	-	-	55,758	251,257
Net Position:						
Net investment in capital assets	142,279,626	121,860,897	93,616,839	85,826,497	235,896,465	207,687,394
Restricted	6,106,516	4,776,289	3,416,356	3,574,044	9,522,872	8,350,333
Unrestricted	15,683,093	11,245,701	8,592,504	5,366,236	24,275,597	16,611,937
Total Net Position	\$ 164,069,235	\$ 137,882,887	\$ 105,625,699	\$ 94,766,777	\$ 269,694,934	\$ 232,649,664

A portion of the primary government's net position, \$9,522,872 or 4 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$24,275,597 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 \$37,045,270 during the current fiscal year, an increase of 16 percent in comparison to the prior year net position. Total current and other assets increased \$43,884,514 as a result of operating surpluses in both the governmental and enterprise funds. Explanations for the increases in revenues are noted in subsequent paragraphs. Capital assets increased \$30,603,653 primarily due to the purchase of vehicles, and various other equipment, as well as infrastructure contributions received from developers. Total liabilities increased \$38,095,759 primarily due to the issuance of new debt during the fiscal year.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 5,804,969	\$ 6,944,651	\$ 17,054,281	\$ 14,163,554	\$ 22,859,250	\$ 21,108,205
Operating grants and contributions	476,834	566,583	-	-	476,834	566,583
Capital grants and contributions	24,954,680	16,825,249	10,587,744	7,427,059	35,542,424	24,252,308
General revenues:						
Ad valorem taxes	5,741,607	4,992,206	-	-	5,741,607	4,992,206
Sales taxes	4,671,288	4,037,197	-	-	4,671,288	4,037,197
Franchise fees	1,046,744	912,795	-	-	1,046,744	912,795
Investment earnings	910,723	(132,894)	2,022,594	75,388	2,933,317	(57,506)
Other revenues	884,698	1,097,852	119,796	150,417	1,004,494	1,248,269
Gain on disposal of capital assets	-	1,575,100	-	-	-	1,575,100
Total Revenues	44,491,543	36,818,739	29,784,415	21,816,418	74,275,958	58,635,157
Expenses						
General government	6,316,791	5,609,499	-	-	6,316,791	5,609,499
Permits and inspections	917,698	947,647	-	-	917,698	947,647
Public safety	3,962,073	3,504,355	-	-	3,962,073	3,504,355
Public works	7,635,700	6,381,492	-	-	7,635,700	6,381,492
Planning and development	163,793	309,614	-	-	163,793	309,614
Interest and fiscal agent fees	1,011,708	289,215	-	-	1,011,708	289,215
Water and wastewater	-	-	17,222,924	14,528,243	17,222,924	14,528,243
Total Expenses	20,007,764	17,041,822	17,222,924	14,528,243	37,230,688	31,570,065
Increase in Net Position Before Transfers	24,483,779	19,776,917	12,561,491	7,288,175	37,045,270	27,065,092
Transfers	1,702,569	1,141,018	(1,702,569)	(1,141,018)	-	-
Change in Net Position	26,186,348	20,917,935	10,858,922	6,147,157	37,045,270	27,065,092
Beginning net position	137,882,887	116,964,952	94,766,777	88,619,620	232,649,664	205,584,572
Ending Net Position	\$ 164,069,235	\$ 137,882,887	\$ 105,625,699	\$ 94,766,777	\$ 269,694,934	\$ 232,649,664

For the year ended September 30, 2023, revenues from governmental activities totaled \$44,491,543, an increase of \$7,672,804 compared to the prior year. Capital grants and contributions increased due to more contributions received from developers for street and drainage additions in the current year compared to the prior year. Property tax revenue increased compared to the prior year because of an increase in the assessed value of properties. Sales tax revenue increased compared to the prior year due to an increase in economic activity and growth within the City.

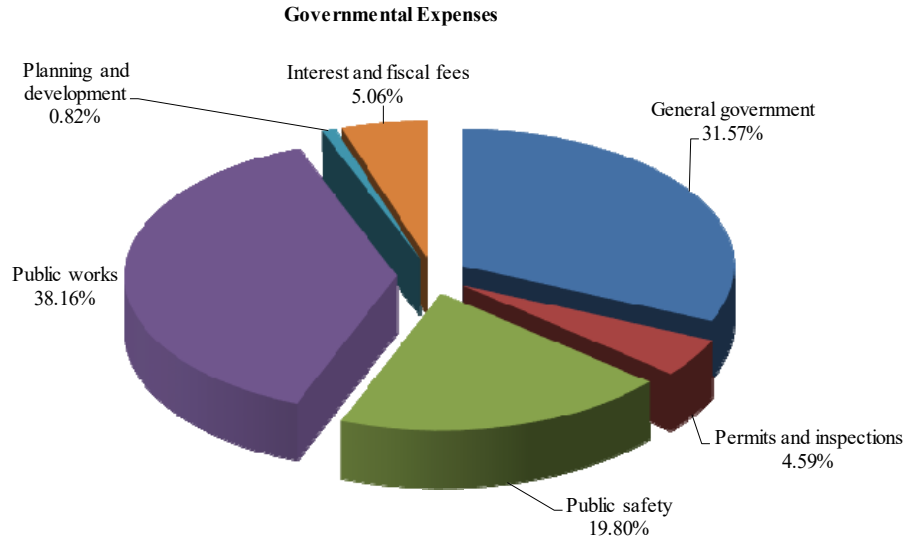
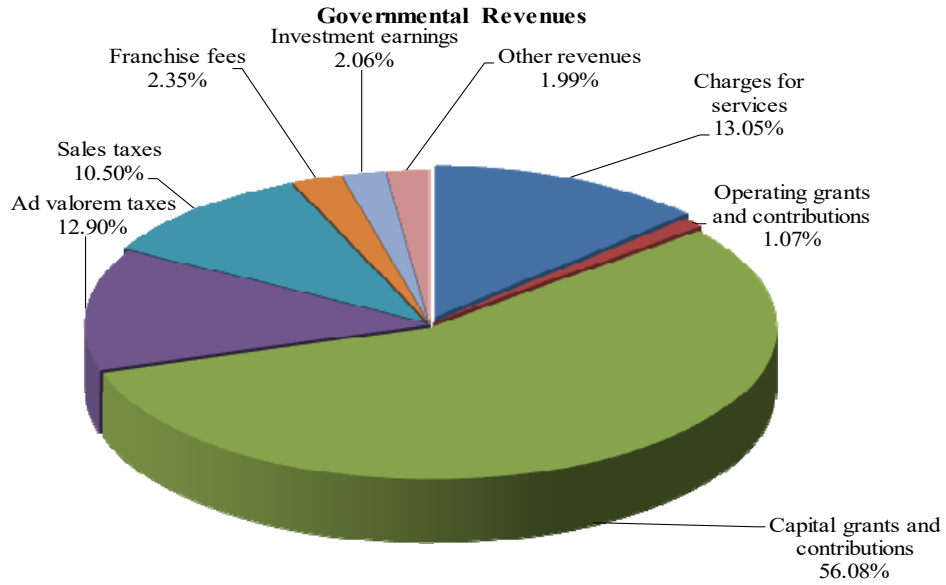
For the year ended September 30, 2023, expenses from governmental activities totaled \$20,007,764, an increase of \$2,965,942 compared to the prior year. This increase was primarily related to increases in interest and fiscal agent fees as the City recognized its first interest payment on the new debt issuance for the fiscal year.

CITY OF FULSHEAR, TEXAS

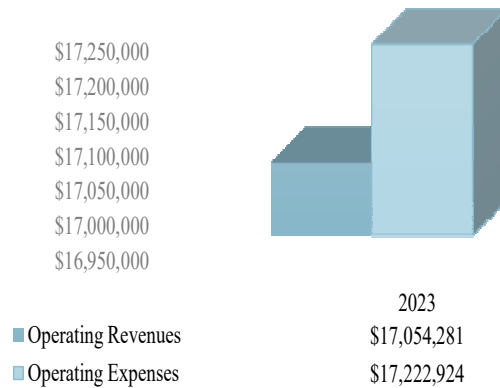
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

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



Business-Type Activities



CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

For the year ended September 30, 2023, revenues from business-type activities totaled \$29,784,415, an increase of \$7,967,997, compared to the prior year. Capital grants and contributions increased due to more contributions from developers for additions to the water and sewer system. Charges for services revenue also increased primarily as a result of increases to the number of customers as well as increased consumption across most categories.

For the year ended September 30, 2023, expenses from business-type activities totaled \$17,222,924, an increase of \$2,694,681 compared to the prior year. Water and wastewater expenses increased in depreciation, water pumpage and tapping fees as overall costs for service increased with additional usage.

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 \$21,015,115, which is an increase from the prior year. Of this combined fund balance, \$6,106,516 is restricted, \$3,102,006 is assigned, and \$11,806,593 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached \$11,807,145. Of this, \$552 is restricted for public, education, and governmental fees and \$11,806,593 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 and total fund balance represents 80 percent of total general fund expenditures.

There was an increase in fund balance in the general fund of \$4,060,907 over the prior year. Revenues increased \$869,283 compared to the prior year largely due to increases in property tax revenue related to valuations, as well as sales tax revenue due to continued growth. Expenditures decreased \$2,007,358 compared to the prior year primarily due to decreases in capital outlay expenditures as the City Hall project was brought to completion. The general fund also made planned transfers to the capital projects fund in the amount of \$466,000.

The fund balance in the capital projects increased by \$418 as transfers and interest income slightly covered capital outlay expenditures for the year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$3,885,990. This budgeted decrease was largely attributable one time capital expenditures. The actual fund balance for the year increased by \$4,060,907. Actual revenues exceeded the amended budget by \$1,845,610, primarily attributable to positive variances in property tax and investment earnings. The underlying basis for estimation of resource collection is historical trend analysis combined with a conservative approach to forecasting. The revenue estimates are based on linear trends and other economic indicators such as employment rates, housing statistics, and general overall consumer confidence.

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Actual general fund expenditures were less than the amended budgeted expenditures by \$3,659,481 during the fiscal year. The largest positive variance was in debt service.

CAPITAL ASSETS

At the end of fiscal year 2023, the City's governmental and business-type activities had invested \$247,546,834 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$30,603,653.

Major capital asset events during the year included the following:

- Developer contributions of infrastructure in the amount of \$24,954,680 for governmental activities and \$10,587,744 for business-type activities
- Street reconstruction in process for \$254,856
- Construction in progress for various water and wastewater infrastructure projects totaling \$2,669,085

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's governmental activities reported long-term liabilities that consisted of \$344,122 in compensated absences, and \$8,490,460 in a note payable. The City's business type activities also issued new debt, Series 2022, in the current year.

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 2024 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2024 fiscal year. The City anticipates that revenue will remain fairly consistent with prior year. National, state, and local economic indicators preview a chance for a slowing of the economy and, therefore, estimations for fiscal year 2024 will be tailored with those conditions with a more conservative approach being given to revenue estimations. The main contributors to the revenues continue to remain from ad valorem tax and sales tax generated by increased property value and commercial business through growth.

The City expects a 11 percent increase in general fund expenditures for fiscal year 2024. The increase is due to inflation, seventeen requested new positions and capital outlay purchases of new vehicles for the requested police department positions. The fiscal year 2024 budget continues to place a large emphasis on capital projects, mainly water and wastewater projects, and also focuses on an increase in staffing to help with the increase in required services due to city growth. The City also plans to issue additional debt for water and wastewater capital projects in fiscal year 2024.

There continues to be an increase in new residential development within the Fulshear Lakes, Fulshear Del Webb, Tamarron West, Cross Creek West, and Pecan Ridge developments. Cross Creek Ranch, Tamarron Proper, Fulbrook on Fulshear Creek, Polo Ranch, and Fulshear Run will be nearing complete buildout with a few remaining sections or are already complete. Additionally, Canvas on Founders Hill, James Lane Estates, and Belmont Estates will be adding an additional 147, +/- 35, and 74 residential units respectively.

Commercial construction expects to see the completion of Marcel Garden and Marcel Square in 2024. The City also expects to see a continued increase in commercial development along the 1093 corridor between FM 1463

CITY OF FULSHEAR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

and FM 359 as well as the Texas Heritage Parkway. Construction is still imminent on Fulshear Marketplace and Fulshear Gateway downtown.

Downtown Fulshear continues to draw varied development and redevelopment interests on the heels of the approved Livable Center Study. A luxury for-rent townhome community, Canvas on Founders Hill, will also begin construction of 150 units that are within walking distance of and will help support Downtown businesses. Additionally, the re-development of Harris Street will promote increased commerce and walkability in the downtown area. This project will provide two blocks of plaza space for pedestrian use and community gathering.

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 Erin Tureau, Finance Director, 30603 FM 1093, Fulshear, TX, 77441; telephone 281-346-1796; or for general City information, visit the City's website at www.fulsheartexas.gov.

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BASIC FINANCIAL STATEMENTS

CITY OF FULSHEAR, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and equity in pooled cash	\$ 19,366,763	\$ 42,499,230	\$ 61,865,993
Investments	6,226,673	-	6,226,673
Receivables, net	1,225,580	3,562,235	4,787,815
Restricted cash and equity in pooled cash	17,700	3,870,027	3,887,727
	26,836,716	49,931,492	76,768,208
Capital assets:			
Nondepreciable/amortizeable	25,203,010	5,027,630	30,230,640
Net depreciable/amortizeable capital assets	125,567,076	91,749,118	217,316,194
Total Capital Assets	150,770,086	96,776,748	247,546,834
Total Assets	177,606,802	146,708,240	324,315,042
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	828,010	-	828,010
<u>Liabilities</u>			
Accounts payable and accrued liabilities	1,505,082	2,360,710	3,865,792
Customer deposits	17,700	453,671	471,371
Unearned revenue - grants	3,454,507	-	3,454,507
	4,977,289	2,814,381	7,791,670
Noncurrent liabilities:			
Due within one year	507,578	308,145	815,723
Due in more than one year	8,824,952	37,960,015	46,784,967
	9,332,530	38,268,160	47,600,690
Total Liabilities	14,309,819	41,082,541	55,392,360
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	55,758	-	55,758
<u>Net Position</u>			
Net investment in capital assets	142,279,626	93,616,839	235,896,465
Restricted for:			
Regional park	3,666,195	-	3,666,195
County Assistance District #7	2,056,189	-	2,056,189
Enabling legislation	167,165	-	167,165
Public safety	216,415	-	216,415
PEG fees	552	-	552
Economic development	-	-	-
Capital projects	-	3,416,356	3,416,356
Unrestricted	15,683,093	8,592,504	24,275,597
Total Net Position	\$ 164,069,235	\$ 105,625,699	\$ 269,694,934

See Notes to Financial Statements.

Component Units

Fulshear Development Corporation	City of Fulshear Development Corporation
\$ 4,858,834	\$ 4,762,567
-	-
340,622	338,349
-	-
<u>5,199,456</u>	<u>5,100,916</u>
805,246	805,246
-	-
<u>805,246</u>	<u>805,246</u>
<u>6,004,702</u>	<u>5,906,162</u>
-	-
8,345	7,397
-	-
-	-
<u>8,345</u>	<u>7,397</u>
-	-
-	-
-	-
-	-
-	-
5,996,357	5,898,765
-	-
-	-
<u>\$ 5,996,357</u>	<u>\$ 5,898,765</u>

CITY OF FULSHEAR, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 6,316,791	\$ -	\$ 416,340	\$ -
Permits and inspections	917,698	4,982,250	-	-
Public safety	3,962,073	716,855	60,494	-
Public works	7,635,700	105,864	-	24,954,680
Planning and development	163,793	-	-	-
Interest and fiscal agent fees	1,011,708	-	-	-
Total Governmental Activities	20,007,764	5,804,969	476,834	24,954,680
Business-Type Activities				
Water and wastewater	17,222,924	17,054,281	-	10,587,744
Total Business-Type Activities	17,222,924	17,054,281	-	10,587,744
Total Primary Government	\$ 37,230,688	\$ 22,859,250	\$ 476,834	\$ 35,542,424
Component Units				
Fulshear Development Corporation	\$ 447,885	\$ -	\$ -	\$ -
City of Fulshear Development Corporation	449,473	-	-	-
Total Component Units	\$ 897,358	\$ -	\$ -	\$ -

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
\$ (5,900,451)	\$ -	\$ (5,900,451)	\$ -	\$ -
4,064,552	-	4,064,552	-	-
(3,184,724)	-	(3,184,724)	-	-
17,424,844	-	17,424,844	-	-
(163,793)	-	(163,793)	-	-
(1,011,708)	-	(1,011,708)	-	-
<u>11,228,719</u>	<u>-</u>	<u>11,228,719</u>	<u>-</u>	<u>-</u>
-	10,419,101	10,419,101	-	-
-	10,419,101	10,419,101	-	-
<u>11,228,719</u>	<u>10,419,101</u>	<u>21,647,820</u>	<u>-</u>	<u>-</u>
-	-	-	(447,885)	-
-	-	-	-	(449,473)
-	-	-	<u>(447,885)</u>	<u>(449,473)</u>
5,741,607	-	5,741,607	-	-
4,671,288	-	4,671,288	1,801,022	1,801,024
1,046,744	-	1,046,744	-	-
910,723	2,022,594	2,933,317	131,642	128,775
884,698	119,796	1,004,494	-	-
1,702,569	(1,702,569)	-	-	-
<u>14,957,629</u>	<u>439,821</u>	<u>15,397,450</u>	<u>1,932,664</u>	<u>1,929,799</u>
26,186,348	10,858,922	37,045,270	1,484,779	1,480,326
137,882,887	94,766,777	232,649,664	4,511,578	4,418,439
<u>\$ 164,069,235</u>	<u>\$ 105,625,699</u>	<u>\$ 269,694,934</u>	<u>\$ 5,996,357</u>	<u>\$ 5,898,765</u>

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CITY OF FULSHEAR, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Assets				
Cash and equity in pooled cash	\$ 9,248,027	\$ 3,541,551	\$ 5,804,005	\$ 18,593,583
Investments	6,226,673	-	-	6,226,673
Receivables, net	845,593	-	379,987	1,225,580
Restricted cash and equity in pooled cash	17,700	-	-	17,700
Total Assets	\$ 16,337,993	\$ 3,541,551	\$ 6,183,992	\$ 26,063,536
Liabilities				
Accounts payable	\$ 804,996	\$ 439,545	\$ 78,028	\$ 1,322,569
Accrued expenditures	144,926	-	-	144,926
Unearned revenue - grants	3,454,507	-	-	3,454,507
Customer deposits	17,700	-	-	17,700
Total Liabilities	4,422,129	439,545	78,028	4,939,702
Deferred Inflows of Resources				
Unavailable revenue - property taxes	108,719	-	-	108,719
Fund Balances				
Restricted for:				
Regional park	-	-	3,666,195	3,666,195
County Assistance District #7	-	-	2,056,189	2,056,189
Enabling legislation	-	-	167,165	167,165
Public safety	-	-	216,415	216,415
PEG fees	552	-	-	552
Assigned to:				
Capital projects	-	3,102,006	-	3,102,006
Unassigned	11,806,593	-	-	11,806,593
Total Fund Balances	11,807,145	3,102,006	6,105,964	21,015,115
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,337,993	\$ 3,541,551	\$ 6,183,992	\$ 26,063,536

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, 2023

Total fund balances for governmental funds		\$ 21,015,115
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	25,203,010	
Capital assets - depreciable	125,567,076	150,770,086
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		108,719
Deferred outflows and deferred inflows related to the net pension liability are deferred in the governmental funds.		
Deferred outflows - pensions	828,010	
Deferred inflows - pensions	(55,758)	772,252
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	1,108,075	
Capital assets accounted for in capital assets used in governmental activities.	(372,482)	735,593
Some liabilities, such as note payable and compensated absences, are not reported as liabilities in the governmental funds.		
Noncurrent liabilities due in one year	(507,578)	
Noncurrent liabilities due in more than one year	(8,824,952)	(9,332,530)
Net Position of Governmental Activities		\$ 164,069,235

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, 2023

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues				
Property taxes	\$ 5,687,661	\$ -	\$ -	\$ 5,687,661
Sales taxes	3,680,156	-	991,132	4,671,288
Franchise fees	1,046,744	-	-	1,046,744
Public improvement fees	482,722	-	-	482,722
Licenses and permits	2,943,405	-	-	2,943,405
Fines and forfeitures	642,096	-	74,759	716,855
Charges for services	1,661,987	-	-	1,661,987
Investment earnings	628,956	94,729	166,375	890,060
Intergovernmental	414,685	-	62,149	476,834
Other revenue	37,798	-	846,900	884,698
Total Revenues	17,226,210	94,729	2,141,315	19,462,254
Expenditures				
Current:				
General government	6,181,865	-	-	6,181,865
Permits and inspections	899,447	-	-	899,447
Public safety	3,672,206	-	104,408	3,776,614
Public works	2,402,946	-	-	2,402,946
Planning and development	163,462	-	-	163,462
Capital Outlay	188,778	712,637	254,354	1,155,769
Debt Service:				
Principal	181,460	-	-	181,460
Interest and fiscal charges	1,011,708	-	-	1,011,708
Total Expenditures	14,701,872	712,637	358,762	15,773,271
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,524,338	(617,908)	1,782,553	3,688,983
Other Financing Sources (Uses)				
Transfers in	2,002,569	618,326	-	2,620,895
Transfers (out)	(466,000)	-	(452,326)	(918,326)
Total Other Financing Sources (Uses)	1,536,569	618,326	(452,326)	1,702,569
Net Change in Fund Balances	4,060,907	418	1,330,227	5,391,552
Beginning fund balances	7,746,238	3,101,588	4,775,737	15,623,563
Ending Fund Balances	\$ 11,807,145	\$ 3,102,006	\$ 6,105,964	\$ 21,015,115

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, 2023

Net changes in fund balances - total governmental funds	\$ 5,391,552
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	(5,326,371)
Capital outlay	598,871
Capital contributions by developers are not recorded in governmental funds as the contributions do not represent current financial resources.	
	24,954,680
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	53,946
The issuance of long-term debt (e.g., bonds, notes, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	191,549
Governmental funds report the payment of pension contributions as an expenditure; whereas, these payments are treated as reduction in the net pension liability/(asset) on the Statement of Activities.	
Change in net pension liability/(asset)	(502,653)
Change in deferred outflows - pensions	643,098
Change in deferred inflows - pensions	9,764
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	(59,725)
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.	
	231,637
Change in Net Position of Governmental Activities	\$ 26,186,348

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Vehicle Replacement
<u>Assets</u>		
Current assets:		
Cash and equity in pooled cash	\$ 42,499,230	\$ 773,180
Receivables, net	3,562,235	-
Restricted cash and equity in pooled cash	3,870,027	-
Total Current Assets	49,931,492	773,180
Noncurrent assets:		
Capital assets:		
Land	526,082	-
Construction in progress	4,501,548	-
Buildings	110,372	-
Right-to-use assets	719,784	-
Utility system	110,766,508	-
Machinery and equipment	262,893	864,859
Less accumulated depreciation/amortization	(20,110,439)	(492,377)
Total Capital Assets	96,776,748	372,482
Total Noncurrent Assets	96,776,748	372,482
Total Assets	146,708,240	1,145,662
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	2,360,710	37,587
Customer deposits	453,671	-
Total Current Liabilities	2,814,381	37,587
Noncurrent liabilities:		
Due within one year	308,145	-
Due in more than one year	37,960,015	-
Total Noncurrent Liabilities	38,268,160	-
Total Liabilities	41,082,541	-
<u>Net Position</u>		
Net investment in capital assets	93,616,839	372,482
Restricted for capital projects	3,416,356	-
Unrestricted	8,592,504	735,593
Total Net Position	\$ 105,625,699	\$ 1,108,075

See Notes to Financial Statements.

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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, 2023

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Vehicle Replacement
<u>Operating Revenues</u>		
Charges for services	\$ 17,054,281	\$ 336,211
Other revenues	119,796	-
Total Operating Revenues	17,174,077	336,211
<u>Operating Expenses</u>		
Supplies	363,998	-
Contractual services	4,402,054	-
Utilities	541,630	-
Repairs and maintenance	1,407,513	-
Other operating expenses	7,235,417	-
Depreciation	2,880,356	192,755
Total Operating Expenses	16,830,968	192,755
Operating Income (Loss)	343,109	143,456
<u>Nonoperating Revenues (Expenses)</u>		
Investment earnings	2,022,594	20,663
Fiscal agent fees	(391,956)	-
Total Nonoperating Revenues	1,630,638	20,663
Income Before Contributions and Transfers	1,973,747	164,119
<u>Contributions and Transfers</u>		
Capital contributions	10,587,744	38,290
Transfers (out)	(1,702,569)	-
Total Contributions and Transfers	8,885,175	38,290
Change in Net Position	10,858,922	202,409
Beginning net position	94,766,777	905,666
Ending Net Position	\$ 105,625,699	\$ 1,108,075

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, 2023

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Vehicle Replacement
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 15,158,439	\$ 336,211
Payments to suppliers	(14,060,970)	(9,026)
Net Cash Provided by Operating Activities	1,097,469	327,185
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers (out)	(1,702,569)	-
Net Cash (Used) for Noncapital Financing Activities	(1,702,569)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal payments on debt	(151,955)	-
Proceeds from debt issuance	37,898,571	-
Net Cash (Used) by Capital and Related Financing Activities	35,077,531	(125,237)
<u>Cash Flows from Investing Activities</u>		
Interest on investments	2,022,594	20,663
Net Cash Provided by Investing Activities	2,022,594	20,663
Net Increase in Cash and Cash Equivalents	36,495,025	222,611
Beginning cash and cash equivalents	9,874,232	550,569
Ending Cash and Cash Equivalents	\$ 46,369,257	\$ 773,180
Unrestricted cash and equity in pooled cash	\$ 42,499,230	\$ 773,180
Restricted cash and equity in pooled cash	3,870,027	-
Total Cash and Equity in Pooled Cash	\$ 46,369,257	\$ 773,180

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2023

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Vehicle Replacement
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ 343,109	\$ 143,456
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation/amortization	2,880,356	192,755
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(2,021,854)	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	45,832	(9,026)
Lease liability	(156,190)	-
Long term liabilities	(52,234)	-
Customer deposits	58,450	-
	<u>\$ 1,097,469</u>	<u>\$ 327,185</u>
Net Cash Provided by Operating Activities		
Noncash Capital Activities:		
Capital assets contributed during the year	<u>\$ 10,587,744</u>	<u>\$ 38,290</u>

See Notes to Financial Statements.

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CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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: general government, permits and inspections, public safety, public works, planning and development, and waster and wastewater.

The City is an independent political subdivision of the State of Texas (the “State”) 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 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, 2023

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 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 the internal service fund, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental 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, 2023

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, 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 *capital projects fund* is used to account for the expenditures of resources accumulated for capital improvement projects. The capital projects fund is 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 City reports the following proprietary fund:

The *enterprise fund* is 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 an enterprise fund for water and wastewater services. This fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund type:

The *internal service fund* accounts 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 internal service funds) 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 fund) 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 transfers in the business-type activities column.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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, 2023

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 generally accepted accounting principles. The investment pool operates in accordance with appropriate state laws and regulations and is 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
- 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, 2023

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

Asset Description	Estimated Useful Life
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 net 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 assets 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 net 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 assets 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 plan members, 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 liability 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, 2023

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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, 2023

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. Leases

Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

14. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

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 collected based on rates adopted in the year of the levy. The 2022 tax levy was used to finance the City’s 2023 fiscal year. Assessed values are determined as of January 1 of each year. Taxes are levied around October and are due upon receipt. Taxes are delinquent the following February 1. Penalty and interest attach thereafter.

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 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. Supplemental budget appropriations were made for the year ended September 30, 2023.

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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating</u>
Certificates of deposit	\$ 482,756	0.93	AA+
Municipal and state bonds	3,761,594	1.75	AA
U.S. Government agency bonds	1,982,323	0.18	AA
Texas CLASS	65,507,773	0.20	AAAm
Total Value	\$ 71,734,446		
Portfolio weighted average maturity		0.43	

Fair Value

The City categorizes its fair value measurements within a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

As of September 30, 2023, the City had the following recurring fair value measurements:

Investments by Fair Value Level	Fair Value Measurements Using		
	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Government Agency Bonds/Notes			
Federal National Mortgage Association	\$ 1,982,323	\$ -	\$ 1,982,323
Municipal and State Bonds	3,761,594	-	3,761,594
Total	\$ 5,743,917	\$ -	\$ 5,743,917

U.S. Government agency bonds and notes and municipal bonds are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

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, 2023, the City’s investments in the investment pool 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, 2023, 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, 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. 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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 fund, and the discretely presented component units including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Wastewater</u>	<u>Total</u>
Property taxes	\$ 108,719	\$ -	\$ -	\$ 108,719
Other taxes	736,209	379,987	-	1,116,196
Accounts	-	-	4,291,696	4,291,696
Intergovernmental	3,005	-	-	3,005
Other	1,136	-	-	1,136
Less allowance	(3,476)	-	(729,461)	(732,937)
	<u>\$ 845,593</u>	<u>\$ 379,987</u>	<u>\$ 3,562,235</u>	<u>\$ 4,787,815</u>

	<u>Fulshear Development Corporation</u>	<u>City of Fulshear Development Corporation</u>
Other taxes	\$ 338,349	\$ 338,349
Other	2,273	-
	<u>\$ 340,622</u>	<u>\$ 338,349</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Capital Assets

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

	Primary Government			
	Beginning Balance	Increases	Reclassifications (Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,286,190	\$ -	\$ -	\$ 4,286,190
Construction in progress	20,759,370	433,149	(275,699)	20,916,820
Total capital assets not being depreciated	<u>25,045,560</u>	<u>433,149</u>	<u>(275,699)</u>	<u>25,203,010</u>
Other capital assets				
Infrastructure	124,418,549	25,230,379	-	149,648,928
Buildings and improvements	755,362	-	-	755,362
Machinery and equipment	2,751,905	165,722	-	2,917,627
Total other capital assets	<u>127,925,816</u>	<u>25,396,101</u>	<u>-</u>	<u>153,321,917</u>
Less accumulated depreciation for:				
Infrastructure	(20,413,054)	(4,987,321)	-	(25,400,375)
Buildings and improvements	(464,168)	(18,314)	-	(482,482)
Machinery and equipment	(1,551,248)	(320,736)	-	(1,871,984)
Total accumulated depreciation	<u>(22,428,470)</u>	<u>(5,326,371)</u>	<u>-</u>	<u>(27,754,841)</u>
Other capital assets, net	<u>105,497,346</u>	<u>20,069,730</u>	<u>-</u>	<u>125,567,076</u>
Governmental Activities Capital Assets, Net	<u>\$ 130,542,906</u>	<u>\$ 20,502,879</u>	<u>\$ (275,699)</u>	<u>150,770,086</u>
			Less associated debt	<u>(8,490,460)</u>
			Net Investment in Capital Assets	<u>\$ 142,279,626</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 41,453
Permits and inspections	162,961
Public safety	11,392
Public works	5,110,565
Total Governmental Activities Depreciation Expense	<u>\$ 5,326,371</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

	<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
Construction in progress	1,832,463	2,669,085	-	4,501,548
Total capital assets not being depreciated/amortized	<u>2,358,545</u>	<u>2,669,085</u>	<u>-</u>	<u>5,027,630</u>
Other capital assets				
Water and sewer system	100,178,764	10,587,744	-	110,766,508
Buildings and improvements	110,372	-	-	110,372
Right-to-use assets	719,784	-	-	719,784
Machinery and equipment	262,893	-	-	262,893
Total other capital assets	<u>101,271,813</u>	<u>10,587,744</u>	<u>-</u>	<u>111,859,557</u>
Less accumulated depreciation/ amortization for:				
Water and sewer system	(16,817,339)	(2,701,999)	-	(19,519,338)
Right-to-use assets	(157,044)	(157,044)	-	(314,088)
Buildings and improvements	(94,168)	(2,759)	-	(96,927)
Machinery and equipment	(161,532)	(18,554)	-	(180,086)
Total accumulated depreciation/amortization	<u>(17,230,083)</u>	<u>(2,880,356)</u>	<u>-</u>	<u>(20,110,439)</u>
Other capital assets, net	<u>84,041,730</u>	<u>7,707,388</u>	<u>-</u>	<u>91,749,118</u>
Business-Type Activities Capital Assets, Net	<u>\$ 86,400,275</u>	<u>\$ 10,376,473</u>	<u>\$ -</u>	<u>\$ 96,776,748</u>
			Less associated debt	(38,268,160)
			Plus unspent bond proceeds	35,108,251
			Net Investment in Capital Assets	<u>\$ 93,616,839</u>

Depreciation expense for business-type functions was \$2,880,356.

The following is a summary of changes in capital assets for the component units for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Component Unit Activities:				
Capital assets not being depreciated:				
Land	\$ 1,610,492	\$ -	\$ -	\$ 1,610,492
Total capital assets not being depreciated	<u>1,610,492</u>	<u>-</u>	<u>-</u>	<u>1,610,492</u>
Component Unit Capital Assets, Net	<u>\$ 1,610,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,492</u>

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Note payable	\$ 8,682,009	\$ -	\$ (191,549)	\$ 8,490,460	* \$ 197,868
Other liabilities:					
Compensated absences	284,397	255,957	(196,232)	344,122	309,710
Net pension liability	-	497,948	-	497,948	-
Total Governmental Activities	\$ 8,966,406	\$ 753,905	\$ (387,781)	\$ 9,332,530	\$ 507,578
Long-term debt due in more than one year				\$ 8,824,952	
*Debt associated with governmental activities related capital assets				\$ 8,490,460	
Business-Type Activities:					
Lease payable	\$ 573,778	\$ -	\$ (151,955)	\$ 421,823	* \$ 158,145
Certificates of obligation	-	36,530,000	-	36,530,000	* 150,000
Plus unamortized premiums	-	1,368,571	(52,234)	1,316,337	*
Total Business-Type Activities	\$ 573,778	\$ 37,898,571	\$ (204,189)	\$ 38,268,160	\$ 308,145
Long-term debt due in more than one year				\$ 37,960,015	
*Debt associated with business-type activities capital assets				\$ 38,268,160	

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 principal and interest payments on the note are liquidated by the general fund.

Long term debt at year end was comprised of the following note payable, issued in 2021 for the construction of the new City hall:

Description	Rate Payable	Original Issue	Balance
<u>Governmental Activities</u>			
Note Payable - Bancorp South Bank	* 3.25%	\$ 8,900,000	\$ 8,490,460

*Rate for first ten years of note

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

On October 18, 2022, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") in the amount of \$36,530,000. The Certificates are set to mature between 2024 through 2051, and carry an interest rate of 4.50% to 5.25%. The proceeds from the Certificates will be used to fund various water and wastewater treatment projects throughout the City. The annual requirements to amortize the certificates outstanding at year end were as follows:

Fiscal Year Ending Sept. 30	Total Principal Due	Total Interest Due	Total Due
2024	\$ 150,000	\$ 1,748,081	\$ 1,898,081
2025	635,000	1,740,581	2,375,581
2026	665,000	1,708,831	2,373,831
2027	700,000	1,675,581	2,375,581
2028	735,000	1,640,581	2,375,581
2029-2033	4,265,000	7,613,905	11,878,905
2034-2038	5,445,000	6,435,155	11,880,155
2039-2043	6,785,000	5,089,319	11,874,319
2044-2049	8,625,000	3,251,063	11,876,063
2049-2051	8,525,000	980,100	9,505,100
Total	\$ 36,530,000	\$ 31,883,197	\$ 68,413,197

The annual requirements to amortize the note payable outstanding at year-end were as follows (based on the interest rate of 3.25%):

Fiscal Year Ending Sept. 30	Total Principal Due	Total Interest Due	Total Due
2024	\$ 197,868	\$ 273,250	\$ 471,118
2025	197,868	266,932	464,800
2026	204,394	260,406	464,800
2027	211,136	253,663	464,799
2028	218,103	246,697	464,800
2029-2033	1,203,848	1,120,151	2,323,999
2034-2038	1,416,345	907,656	2,324,001
2039-2043	1,665,891	658,110	2,324,001
2044-2048	1,959,405	364,597	2,324,002
2049-2051	1,215,602	57,035	1,272,637
Total	\$ 8,490,460	\$ 4,408,497	\$ 12,898,957

During the prior fiscal year, the City entered into a five-year lease agreement as lessee for the acquisition and use of water and sewer equipment. An initial lease liability was recorded in the amount of \$719,784 during the prior fiscal year. As of September 30, 2023, the value of the lease liability was \$421,823. The City is required to make monthly principal and interest payments of \$14,345. The lease has an interest rate of 4%. The equipment has a 20-year estimated useful life. The value of the right-to-use lease assets as of the end of the current fiscal year was \$719,784 and had accumulated amortization of \$314,088.

The future principal and interest lease payments as of September 30, 2023 were as follows:

Ending Sept. 30	Principal Due	Interest Due	Total Due
2024	\$ 158,145	\$ 13,995	\$ 172,140
2025	164,589	7,551	172,140
2026	99,089	1,326	100,415
Total	\$ 421,823	\$ 22,872	\$ 444,695

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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>
Water and wastewater	General	\$ 1,702,569
Nonmajor governmental	Capital projects	152,326
General	Capital projects	466,000
Nonmajor governmental	General	300,000
		<u>\$ 2,620,895</u>

Interfund transfers for the year were primarily related to debt service payments and capital projects.

F. Restricted Assets

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

	<u>General</u>	<u>Water and Wastewater</u>
Restricted for:		
Customer deposits	\$ 17,700	\$ 453,671
Contractual capital reserve	-	3,416,356
Total Restricted Assets	<u>\$ 17,700</u>	<u>\$ 3,870,027</u>

G. Fund Equity

As of September 30, 2023, \$167,165 of the City’s total fund balance/net position is restricted by enabling legislation.

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.

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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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.

Interlocal Agreement

On January 22, 2018, the City Council approved an Interlocal Agreement (the “Agreement”) with Fort Bend County (the “County”) for a County-managed mobility project. In March 2020, the Agreement was amended and restated to include the Texas Heritage Parkway Improvement District (THPID). THPID will manage the construction of the proposed parkway from I-10 to approximately 2,100 feet south of FM 1093 (the “Project”). Upon completion of the Project, the County and the City shall maintain that portion of the Project within its own jurisdiction, and THPID shall maintain the landscaping and beautification related to the Project. The County will contribute 70 percent of 50 percent of the eligible Project costs for the County/City segment. At the time of the Agreement, the estimated County contribution was \$13,285,674. The City will contribute 30 percent of 50 percent of the eligible Project costs for the County/City segment. At the time of the Agreement, the estimated City contribution was \$5,693,860. The County will issue debt or otherwise finance an amount necessary to pay for the County contribution and the City contribution as these costs become due and payable. The City will make annual payments to the County of principal and interest payments equal to the City contribution amortized for a period of not more than 25 years at an interest rate not less than the County’s interest costs and issuance costs, and with such other terms and payment structure as may be approved by the County Auditor and the City’s Finance Director. The actual annual City payment schedule will be fixed when the County first makes payments pursuant to the Agreement. The final payment amounts are not known at this time.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.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 members benefit is calculated based on the sum of the employee’s contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member 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

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total member contributions 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:

	2023	2022
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/hrs 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

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving, benefits	38
Active employees	67
Total	110

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.18% and 7.26% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$484,756 which were more than the required contributions.

Net Pension Liability/(Asset)

The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation 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>
Global public equity	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real estate	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. 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 TMRS fiduciary net position was

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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.

Changes in the NPL/(A)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 705,062	\$ -	\$ 705,062
Interest	284,996	-	284,996
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(8,264)	-	(8,264)
Changes in assumptions	-	-	-
Contributions - employer	-	406,194	(406,194)
Contributions - employee	-	359,464	(359,464)
Net investment income	-	(286,994)	286,994
Benefit payments, including refunds of employee contributions	(44,900)	(44,900)	-
Administrative expense	-	(2,461)	2,461
Other changes	-	2,937	(2,937)
Net Changes	936,894	434,240	502,654
Balance at December 31, 2021	3,892,074	3,896,780	(4,706)
Balance at December 31, 2022	\$ 4,828,968	\$ 4,331,020	\$ 497,948

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) 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/(Asset)	\$ 1,308,747	\$ 497,948	\$ (161,261)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by participating city. That report may be obtained at www.tmrs.com.

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

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$434,386.

At September 30, 2023, 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	\$ 35,124	\$ 55,758
Changes in actuarial assumptions	10,033	-
Difference between projected and actual investment earnings	298,097	-
Contributions subsequent to the measurement date	484,756	-
Total	\$ 828,010	\$ 55,758

\$484,756 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, 2024. 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
2024	\$ 42,560
2025	66,170
2026	63,874
2027	114,051
2028	1,355
Thereafter	(514)
Total	\$ 287,496

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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.

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).

Based on the net position effect of \$15,288 (total OPEB liability of \$66,006 as of the measurement date of December 31, 2022), 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 (the "Agreements") and related utility agreements with several Municipal Utility Districts (MUDs), created by the developers, whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, public streets, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs 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 Agreements with these MUDs 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.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The rebate percentage is as follows:

<u>Property Tax Rate Per \$100 of Assessed Value</u>	<u>Tax Rebate Percentage</u>
\$0.219999 or less	0.062510%
\$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 (the “Funds”) into a Cross Creek Ranch Reserve Account (the “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, 2023, the CCR Reserve Account had a balance of \$3,416,356.

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 MUDs with active Agreements currently receiving rebates from the City along with the final year each Agreement term ends:

<u>Entity</u>	<u>Agreement Term*</u>	<u>2023 Expenditures</u>
Fulshear MUD No. 1	2048	\$ 204,194
Fort Bend County MUD No. 170	2045	313,406
Fort Bend County MUD No. 171	2040	249,759
Fort Bend County MUD No. 172	2044	530,893
Fort Bend County MUD No. 173	2047	335,332
		<u>\$ 1,633,584</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 (the “Agreement”) with Firethorne LTD. (the “Developer”) whereby the Developer would pay a regional park fee for every lot per plat that 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, 2023, the City received \$846,900 in regional park fees.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 (the “Tract”) within the boundaries of the District for the limited purpose of levying a sales and use tax on commercial activities within the 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 \$255,165 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 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 2023, the City recognized expenditures of \$9,337 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 2023, the City recognized expenditures of \$104,912 related to this Agreement.

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 Landowner to cover capital recovery fees and standard tap fees associated with initial development for new construction.

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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>
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 and; provided, 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. During fiscal year 2023, the City recognized expenditures of \$20,000 related to this Agreement.

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, 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 not to exceed a combined maximum reimbursement amount of \$2,500,000.

For the calendar years 2020 through 2025, the annual “grant” payment amount will be 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.

The minimum annual “grant” payment for the subsequent years will be equal to 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>
2023	70%
2024	70%
2025-2050	85%

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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; and 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. During fiscal year 2023, the City recognized expenditures of \$20,000 related to this Agreement.

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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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Revenues				
Property taxes	\$ 4,455,000	\$ 4,455,000	\$ 5,687,661	\$ 1,232,661
Sales taxes	3,205,000	3,205,000	3,680,156	475,156
Franchise fees	1,015,000	1,015,000	1,046,744	31,744
Public improvement fees	850,000	850,000	482,722	(367,278)
Licenses and permits	3,061,800	3,061,800	2,943,405	(118,395)
Fines and forfeitures	603,100	603,100	642,096	38,996
Charges for services	2,150,700	2,150,700	1,661,987	(488,713)
Investment earnings	30,000	30,000	628,956	598,956
Intergovernmental	-	-	414,685	414,685
Other revenue	10,000	10,000	37,798	27,798
Total Revenues	<u>15,380,600</u>	<u>15,380,600</u>	<u>17,226,210</u>	<u>1,845,610</u>
Expenditures				
Current:				
General government	4,573,802	6,325,469	6,181,865	143,604
Permits and inspection	1,127,728	1,127,728	899,447	228,281
Public safety	3,913,717	3,974,478	3,672,206	302,272
Public works	2,782,047	2,803,786	2,402,946	400,840
Planning and development	184,709	184,709	163,462	21,247
Capital outlay	188,778	188,778	188,778	-
Debt Service:				
Principal	1,531,042	1,531,042	181,460	1,349,582
Interest and fiscal charges	2,225,363	2,225,363	1,011,708	1,213,655
Total Expenditures	<u>16,527,186</u>	<u>18,361,353</u>	<u>14,701,872</u>	<u>3,659,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,146,586)</u>	<u>(2,980,753)</u>	<u>2,524,338</u>	<u>5,505,091</u>
Other Financing Sources (Uses)				
Transfers in	1,794,763	1,794,763	2,002,569	207,806
Transfers (out)	(2,700,000)	(2,700,000)	(466,000)	2,234,000
Total Other Financing Sources (Uses)	<u>(905,237)</u>	<u>(905,237)</u>	<u>1,536,569</u>	<u>2,441,806</u>
Net Change in Fund Balance	<u>\$ (2,051,823)</u>	<u>\$ (3,885,990)</u>	<u>4,060,907</u>	<u>\$ 7,946,897</u>
Beginning fund balance			<u>7,746,238</u>	
Ending Fund Balance			<u>\$ 11,807,145</u>	

Notes to Required Supplementary Information:

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

CITY OF FULSHEAR, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

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

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

Measurement Year*

	2018	2019	2020	2021	2022
\$	426,439	\$ 521,639	\$ 575,445	\$ 638,944	\$ 705,062
	104,412	131,826	175,040	225,711	284,996
	-	-	-	-	-
	(115,830)	(8,488)	18,149	17,713	(8,264)
	-	14,328	-	-	-
	<u>(90,991)</u>	<u>(21,990)</u>	<u>(70,019)</u>	<u>(29,376)</u>	<u>(44,900)</u>
	324,030	637,315	698,615	852,992	936,894
	<u>1,379,123</u>	<u>1,703,153</u>	<u>2,340,468</u>	<u>3,039,083</u>	<u>3,892,075</u>
\$	<u><u>1,703,153</u></u>	<u><u>2,340,468</u></u>	<u><u>3,039,083</u></u>	<u><u>3,892,075</u></u>	<u><u>4,828,969</u></u>
\$	229,320	\$ 291,914	\$ 320,909	\$ 367,903	\$ 406,194
	210,661	257,690	292,104	325,992	359,464
	(32,888)	218,958	164,517	375,341	(286,994)
	(90,991)	(21,990)	(70,019)	(29,376)	(44,900)
	(632)	(1,229)	(1,057)	(1,724)	(2,461)
	<u>(31)</u>	<u>(37)</u>	<u>(41)</u>	<u>12</u>	<u>2,938</u>
	315,439	745,306	706,413	1,038,148	434,241
	<u>1,091,474</u>	<u>1,406,913</u>	<u>2,152,219</u>	<u>2,858,632</u>	<u>3,896,780</u>
\$	<u><u>1,406,913</u></u>	<u><u>2,152,219</u></u>	<u><u>2,858,632</u></u>	<u><u>3,896,780</u></u>	<u><u>4,331,021</u></u>
\$	<u><u>296,240</u></u>	<u><u>188,249</u></u>	<u><u>180,451</u></u>	<u><u>(4,705)</u></u>	<u><u>497,948</u></u>
	82.61%	91.96%	94.06%	100.12%	89.69%
\$	3,009,448	\$ 3,681,290	\$ 4,172,913	\$ 5,004,764	\$ 5,135,193
	9.84%	5.11%	4.32%	-0.09%	9.70%

CITY OF FULSHEAR, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Fiscal Year			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 39,619	\$ 69,687	\$ 105,268	\$ 148,255
Contributions in relation to the actuarially determined contribution	39,619	69,687	105,268	148,255
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 870,232	\$ 1,568,017	\$ 2,155,862	\$ 2,779,644
Contributions as a percentage of covered payroll	4.55%	4.44%	4.88%	5.33%

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	22 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12.00% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Postretirement 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employees table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 201,087	\$ 270,698	\$ 313,516	\$ 346,680	\$ 359,860	\$ 474,025
<u>201,087</u>	<u>270,698</u>	<u>313,516</u>	<u>369,240</u>	<u>395,763</u>	<u>484,756</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,560)</u>	<u>\$ (35,903)</u>	<u>\$ (10,731)</u>
\$ 3,025,711	\$ 3,445,477	\$ 4,044,113	\$ 4,705,312	\$ 5,004,764	\$ 5,135,193
6.65%	7.86%	7.75%	7.85%	7.91%	9.44%

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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. 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 District #7 or projects that benefit 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.

CITY OF FULSHEAR, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2023

	Special Revenue Funds			
	Regional Park	Fort Bend County Assistance District #7	Municipal Court Technology	Municipal Court Building Security
Assets				
Cash and cash equivalents	\$ 3,744,223	\$ 1,676,202	\$ 38,908	\$ 54,533
Accounts receivable	-	379,987	-	-
Total Assets	\$ 3,744,223	\$ 2,056,189	\$ 38,908	\$ 54,533
Liabilities				
Accounts payable	\$ 78,028	\$ -	\$ -	\$ -
Total Liabilities	78,028	-	-	-
Fund Balances				
Restricted for:				
Regional park	3,666,195	-	-	-
County Assistance District #7	-	2,056,189	-	-
Enabling legislation	-	-	38,908	54,533
Public safety	-	-	-	-
Total Fund Balances	3,666,195	2,056,189	38,908	54,533
Total Liabilities and Fund Balances	\$ 3,744,223	\$ 2,056,189	\$ 38,908	\$ 54,533

Special Revenue Funds

Judicial Efficiency	Child Safety	Police Department Donation	Federal Seizure	State Seizure	Total Nonmajor Governmental Funds
\$ 4,238	\$ 69,486	\$ 11,135	\$ 122,662	\$ 82,618	\$ 5,804,005
-	-	-	-	-	379,987
<u>\$ 4,238</u>	<u>\$ 69,486</u>	<u>\$ 11,135</u>	<u>\$ 122,662</u>	<u>\$ 82,618</u>	<u>\$ 6,183,992</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,028
-	-	-	-	-	78,028
-	-	-	-	-	3,666,195
-	-	-	-	-	2,056,189
4,238	69,486	-	-	-	167,165
-	-	11,135	122,662	82,618	216,415
<u>4,238</u>	<u>69,486</u>	<u>11,135</u>	<u>122,662</u>	<u>82,618</u>	<u>6,105,964</u>
<u>\$ 4,238</u>	<u>\$ 69,486</u>	<u>\$ 11,135</u>	<u>\$ 122,662</u>	<u>\$ 82,618</u>	<u>\$ 6,183,992</u>

CITY OF FULSHEAR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	<u>Special Revenue Funds</u>			
	<u>Regional Park</u>	<u>Fort Bend County Assistance District #7</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Building Security</u>
<u>Revenues</u>				
Sales tax	\$ -	\$ 991,132	\$ -	\$ -
Fines and forfeitures	-	-	21,125	25,767
Investment earnings	104,266	51,186	885	1,294
Intergovernmental	-	-	-	-
Other revenue	846,900	-	-	-
Total Revenues	<u>951,166</u>	<u>1,042,318</u>	<u>22,010</u>	<u>27,061</u>
<u>Expenditures</u>				
Current:				
Public safety	-	-	-	-
Capital outlay	<u>254,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>254,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>696,812</u>	<u>1,042,318</u>	<u>22,010</u>	<u>27,061</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	(452,326)	-	-
Total Other Financing (Uses)	<u>-</u>	<u>(452,326)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	696,812	589,992	22,010	27,061
Beginning fund balances	<u>2,969,383</u>	<u>1,466,197</u>	<u>16,898</u>	<u>27,472</u>
Ending Fund Balances	<u>\$ 3,666,195</u>	<u>\$ 2,056,189</u>	<u>\$ 38,908</u>	<u>\$ 54,533</u>

Special Revenue Funds

Judicial Efficiency	Child Safety	Police Department Donation	Federal Seizure	State Seizure	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 991,132
13	27,854	-	-	-	74,759
128	1,863	223	3,776	2,754	166,375
-	-	48,968	13,181	-	62,149
-	-	-	-	-	846,900
<u>141</u>	<u>29,717</u>	<u>49,191</u>	<u>16,957</u>	<u>2,754</u>	<u>2,141,315</u>
-	5,239	44,870	10,645	43,654	104,408
-	-	-	-	-	254,354
-	<u>5,239</u>	<u>44,870</u>	<u>10,645</u>	<u>43,654</u>	<u>358,762</u>
141	24,478	4,321	6,312	(40,900)	1,782,553
-	-	-	-	-	(452,326)
-	-	-	-	-	(452,326)
141	24,478	4,321	6,312	(40,900)	1,330,227
4,097	45,008	6,814	116,350	123,518	4,775,737
<u>\$ 4,238</u>	<u>\$ 69,486</u>	<u>\$ 11,135</u>	<u>122,662</u>	<u>\$ 82,618</u>	<u>\$ 6,105,964</u>

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, 2023

Regional Park

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 60,000	\$ 60,000	\$ 104,266	\$ 44,266
Other revenue	650,000	650,000	846,900	196,900
Total Revenues	<u>710,000</u>	<u>710,000</u>	<u>951,166</u>	<u>241,166</u>
Expenditures				
Capital outlay	2,500,000	2,500,000	254,354	2,245,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,790,000)</u>	<u>(1,790,000)</u>	<u>696,812</u>	<u>2,486,812</u>
Other Financing Sources (Uses)				
Transfers (out)	(12,500)	(12,500)	-	12,500
Total Other Financing (Uses)	<u>(12,500)</u>	<u>(12,500)</u>	<u>-</u>	<u>12,500</u>
Net Change in Fund Balance	<u>\$ (1,802,500)</u>	<u>\$ (1,802,500)</u>	696,812	<u>\$ 2,499,312</u>
Beginning fund balance			2,969,383	
Ending Fund Balance			<u>\$ 3,666,195</u>	

Fort Bend County Assistance District #7

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 900,000	\$ 900,000	\$ 991,132	\$ 91,132
Investment earnings	5,000	5,000	51,186	46,186
Total Revenues	<u>905,000</u>	<u>905,000</u>	<u>1,042,318</u>	<u>137,318</u>
Excess of Revenues Over Expenditures	<u>905,000</u>	<u>905,000</u>	<u>1,042,318</u>	<u>137,318</u>
Other Financing Sources (Uses)				
Transfers (out)	(2,715,000)	(2,715,000)	(452,326)	2,262,674
Total Other Financing (Uses)	<u>(2,715,000)</u>	<u>(2,715,000)</u>	<u>(452,326)</u>	<u>2,262,674</u>
Net Change in Fund Balance	<u>\$ (1,810,000)</u>	<u>\$ (1,810,000)</u>	589,992	<u>\$ 2,399,992</u>
Beginning fund balance			1,466,197	
Ending Fund Balance			<u>\$ 2,056,189</u>	

Note to Supplementary Information:

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

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, 2023

Municipal Court Technology				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 21,125	\$ 6,125
Investment earnings	300	300	885	585
Total Revenues	15,300	15,300	22,010	6,710
Net Change in Fund Balance	\$ 15,300	\$ 15,300	22,010	\$ 6,710
Beginning fund balance			16,898	
Ending Fund Balance			\$ 38,908	

Municipal Court Building Security				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 25,767	\$ 10,767
Investment earnings	300	300	1,294	994
Total Revenues	15,300	15,300	27,061	11,761
Net Change in Fund Balance	\$ 15,300	\$ 15,300	27,061	\$ 11,761
Beginning fund balance			27,472	
Ending Fund Balance			\$ 54,533	

Note to Supplementary Information:

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

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, 2023

Judicial Efficiency				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Fines and forfeitures	\$ 100	\$ 100	\$ 13	\$ (87)
Investment earnings	20	20	128	108
Total Revenues	120	120	141	21
Net Change in Fund Balance	\$ 120	\$ 120	141	\$ 21
Beginning fund balance			4,097	
Ending Fund Balance			\$ 4,238	

Child Safety				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 27,854	\$ (2,146)
Investment earnings	200	200	1,863	1,663
Total Revenues	30,200	30,200	29,717	(483)
Expenditures				
Public safety	10,000	10,000	5,239	4,761
Net Change in Fund Balance	\$ 20,200	\$ 20,200	24,478	\$ 4,278
Beginning fund balance			45,008	
Ending Fund Balance			\$ 69,486	

Note to Supplementary Information:

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

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, 2023

Police Department Donation				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Investment earnings	\$ 50	\$ 50	\$ 223	\$ 173
Intergovernmental revenues	2,000	2,000	48,968	46,968
Total Revenues	2,050	2,050	49,191	47,141
Expenditures				
Public safety	50,000	50,000	44,870	5,130
Net Change in Fund Balance	\$ (47,950)	\$ (47,950)	4,321	\$ 52,271
Beginning fund balance			6,814	
Ending Fund Balance			\$ 11,135	

Federal Seizure				Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Investment earnings	\$ 600	\$ 600	\$ 3,776	\$ 3,176
Intergovernmental revenues	-	-	13,181	13,181
Total Revenues	600	600	16,957	16,357
Expenditures				
Public safety	20,000	20,000	10,645	9,355
Net Change in Fund Balance	\$ (19,400)	\$ (19,400)	6,312	\$ 25,712
Beginning fund balance			116,350	
Ending Fund Balance			\$ 122,662	

Note to Supplementary Information:

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

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, 2023

		State Seizure			Variance
		Original Budgeted Amounts	Final Budgeted Amounts	Actual	with Final Budget Positive (Negative)
Revenues					
Investment earnings		\$ 500	\$ 500	\$ 2,754	\$ 2,254
Total Revenues		500	500	2,754	2,254
Expenditures					
Public safety		45,000	45,000	43,654	1,346
Net Change in Fund Balance		\$ (44,500)	\$ (44,500)	(40,900)	\$ 3,600
Beginning fund balance				123,518	
Ending Fund Balance				\$ 82,618	

Note to Supplementary Information:

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

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2023

		Capital Projects			
		Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues					
Investment earnings		\$ 15,000	\$ 15,000	\$ 94,729	\$ 79,729
Total Revenues		15,000	15,000	94,729	79,729
Expenditures					
Capital outlay		7,595,000	8,372,612	712,637	7,659,975
(Deficiency) of Revenues (Under) Expenditures		(7,580,000)	(8,357,612)	(617,908)	7,739,704
Other Financing Sources (Uses)					
Transfers in		6,690,000	6,690,000	618,326	(6,071,674)
Total Other Financing Sources		6,690,000	6,690,000	618,326	(6,071,674)
Net Change in Fund Balance		\$ (890,000)	\$ (1,667,612)	418	\$ 1,668,030
Beginning fund balance				3,101,588	
Ending Fund Balance				\$ 3,102,006	

CITY OF FULSHEAR, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2023

	Fulshear Development Corporation		
	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 2,427,809	\$ 2,431,025	\$ 4,858,834
Receivables, net	340,622	-	340,622
Total Current Assets	2,768,431	2,431,025	5,199,456
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	805,246	805,246
Total Capital Assets, Net	-	805,246	805,246
Total Assets	2,768,431	3,236,271	6,004,702
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	2,022	6,323	8,345
Total Current Liabilities	2,022	6,323	8,345
<u>Net Position</u>			
Restricted for:			
Economic development	2,766,409	3,229,948	5,996,357
Total Net Position	\$ 2,766,409	\$ 3,229,948	\$ 5,996,357

City of Fulshear Development Corporation

<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 2,241,554	\$ 2,521,013	\$ 4,762,567
338,349	-	338,349
<u>2,579,903</u>	<u>2,521,013</u>	<u>5,100,916</u>
-	805,246	805,246
-	805,246	805,246
<u>2,579,903</u>	<u>3,326,259</u>	<u>5,906,162</u>
1,398	5,999	7,397
<u>1,398</u>	<u>5,999</u>	<u>7,397</u>
2,578,505	3,320,260	5,898,765
<u>\$ 2,578,505</u>	<u>\$ 3,320,260</u>	<u>\$ 5,898,765</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, 2023

	Fulshear Development Corporation		
	General	Capital Projects	Total Governmental Funds
<u>Revenues</u>			
Sales tax	\$ 1,801,022	\$ -	\$ 1,801,022
Investment earnings	75,184	56,458	131,642
Total Revenues	1,876,206	56,458	1,932,664
<u>Expenses</u>			
General government	248,317	199,568	447,885
Total Expenses	248,317	199,568	447,885
Income (Loss) Before Transfers	1,627,889	(143,110)	1,484,779
<u>Transfers</u>			
Transfer in	-	700,000	700,000
Transfer (out)	(700,000)	-	(700,000)
Total Transfers	(700,000)	700,000	-
Net Change in Net Position	927,889	556,890	1,484,779
Beginning net position	1,838,520	2,673,058	4,511,578
Total Net Position	\$ 2,766,409	\$ 3,229,948	\$ 5,996,357

City of Fulshear Development Corporation

General	Capital Projects	Total Governmental Funds
\$ 1,801,024	\$ -	\$ 1,801,024
69,581	59,194	128,775
<u>1,870,605</u>	<u>59,194</u>	<u>1,929,799</u>
249,905	199,568	449,473
<u>249,905</u>	<u>199,568</u>	<u>449,473</u>
1,620,700	(140,374)	1,480,326
-	700,000	700,000
(700,000)	-	(700,000)
<u>(700,000)</u>	<u>700,000</u>	<u>-</u>
920,700	559,626	1,480,326
<u>1,657,805</u>	<u>2,760,634</u>	<u>4,418,439</u>
<u>\$ 2,578,505</u>	<u>\$ 3,320,260</u>	<u>\$ 5,898,765</u>

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STATISTICAL SECTION

This part of the City's annual comprehensive 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.

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Financial Trends	106
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	116
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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity	127
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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.

Demographic and Economic Information	129
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	133
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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.

CITY OF FULSHEAR, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Governmental Activities				
Net investment in capital assets	\$ 23,797,616	\$ 25,705,433	\$ 40,176,704	\$ 44,707,835
Restricted	1,156,792	1,515,599	1,564,928	539,487
Unrestricted	4,560,523	5,475,094	4,575,158	4,572,984
Total Governmental Activities Net Position	<u>\$ 29,514,931</u>	<u>\$ 32,696,126</u>	<u>\$ 46,316,790</u>	<u>\$ 49,820,306</u>
Business-Type Activities				
Net investment in capital assets	\$ 30,581,919	\$ 32,998,255	\$ 40,999,464	\$ 60,024,809
Restricted	1,755,008	1,223,225	727,922	-
Unrestricted	2,692,052	3,908,853	3,127,505	4,817,260
Total Business-Type Activities Net Position	<u>\$ 35,028,979</u>	<u>\$ 38,130,333</u>	<u>\$ 44,854,891</u>	<u>\$ 64,842,069</u>
Primary Government				
Net investment in capital assets	\$ 54,379,535	\$ 58,703,688	\$ 81,176,168	\$ 104,732,644
Restricted	2,911,800	2,738,824	2,292,850	539,487
Unrestricted	7,252,575	9,383,947	7,702,663	9,390,244
Total Primary Government Net Position	<u>\$ 64,543,910</u>	<u>\$ 70,826,459</u>	<u>\$ 91,171,681</u>	<u>\$ 114,662,375</u>

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

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

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 47,690,398	\$ 50,990,452	\$ 81,961,259	\$ 101,902,094	\$ 121,860,897	\$ 142,279,626
927,779	1,725,467	2,134,108	3,424,584	4,776,289	6,106,516
7,134,827	8,606,097	11,336,430	11,638,274	11,245,701	15,683,093
<u>\$ 55,753,004</u>	<u>\$ 61,322,016</u>	<u>\$ 95,431,797</u>	<u>\$ 116,964,952</u>	<u>\$ 137,882,887</u>	<u>\$ 164,069,235</u>
\$ 61,057,346	\$ 61,497,793	\$ 70,952,973	\$ 79,400,163	\$ 85,826,497	\$ 93,616,839
-	4,482,831	4,043,437	3,806,195	3,574,044	3,416,356
5,071,526	3,089,113	2,252,530	5,413,262	5,366,236	8,592,504
<u>\$ 66,128,872</u>	<u>\$ 69,069,737</u>	<u>\$ 77,248,940</u>	<u>\$ 88,619,620</u>	<u>\$ 94,766,777</u>	<u>\$ 105,625,699</u>
\$ 108,747,744	\$ 112,488,245	\$ 152,914,232	\$ 181,302,257	\$ 207,687,394	\$ 235,896,465
927,779	6,208,298	6,177,545	7,230,779	8,350,333	9,522,872
12,206,353	11,695,210	13,588,960	17,051,536	16,611,937	24,275,597
<u>\$ 121,881,876</u>	<u>\$ 130,391,753</u>	<u>\$ 172,680,737</u>	<u>\$ 205,584,572</u>	<u>\$ 232,649,664</u>	<u>\$ 269,694,934</u>

CITY OF FULSHEAR, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
General government	\$ 1,256,952	\$ 2,039,436	\$ 2,579,727	\$ 2,381,636
Permits and inspections	376,897	528,461	322,415	814,579
Public safety	941,346	1,427,578	1,669,998	2,156,611
Public works	1,001,930	1,249,674	2,150,127	3,366,308
Planning and development	-	-	-	-
Interest and fiscal agent fees	292	-	-	-
Total Governmental Activities Expenses	3,577,417	5,245,149	6,722,267	8,719,134
Business-Type Activities				
Water and Wastewater	2,573,262	3,106,400	4,671,213	4,189,671
Total Business-Type Activities Expenses	2,573,262	3,106,400	4,671,213	4,189,671
Total Expenses	\$ 6,150,679	\$ 8,351,549	\$ 11,393,480	\$ 12,908,805
Program Revenues				
Governmental activities				
Charges for services:				
Permits and inspections	\$ 2,418,323	\$ 2,570,046	\$ 2,396,980	\$ 2,811,853
Public safety	149,468	193,757	170,117	216,794
Public works	71,922	371,686	666,506	747,132
Operating grants and contributions	30,259	29,246	28,133	268,355
Capital grants and contributions	6,595,732	2,798,155	15,565,852	4,791,180
Total Governmental Activities Program Revenues	9,265,704	5,962,890	18,827,588	8,835,314
Business-Type Activities				
Charges for services:				
Water and Wastewater	3,271,568	3,395,191	4,468,483	5,203,537
Operating grants and contributions	-	-	-	-
Capital grants and contributions	9,085,540	2,806,881	5,642,980	18,860,007
Total Business-Type Activities Program Revenues	12,357,108	6,202,072	10,111,463	24,063,544
Total Program Revenues	\$ 21,622,812	\$ 12,164,962	\$ 28,939,051	\$ 32,898,858
Net (Expense)/Revenue				
Governmental activities	\$ 5,688,287	\$ 717,741	\$ 12,105,321	\$ 116,180
Business-type activities	9,783,846	3,095,672	5,440,250	19,873,873
Total Net Revenue (Expense)	\$ 15,472,133	\$ 3,813,413	\$ 17,545,571	\$ 19,990,053

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

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

Fiscal Year

2018	2019	2020	2021	2022	2023
\$ 2,605,264	\$ 3,450,668	\$ 4,011,528	\$ 4,381,518	\$ 5,609,499	\$ 6,316,791
957,063	929,161	1,283,592	1,633,693	947,647	917,698
2,688,730	2,550,149	3,142,266	3,632,495	3,504,355	3,962,073
3,547,933	5,145,507	6,613,905	6,733,998	6,381,492	7,635,700
401,682	276,116	215,222	166,557	309,614	163,793
-	-	-	73,795	289,215	1,011,708
<u>10,200,672</u>	<u>12,351,601</u>	<u>15,266,513</u>	<u>16,622,056</u>	<u>17,041,822</u>	<u>20,007,764</u>
6,193,256	7,055,602	9,067,570	10,241,348	14,528,243	17,222,924
<u>6,193,256</u>	<u>7,055,602</u>	<u>9,067,570</u>	<u>10,241,348</u>	<u>14,528,243</u>	<u>17,222,924</u>
<u>\$ 16,393,928</u>	<u>\$ 19,407,203</u>	<u>\$ 24,334,083</u>	<u>\$ 26,863,404</u>	<u>\$ 31,570,065</u>	<u>\$ 37,230,688</u>
\$ 3,985,701	\$ 4,302,675	\$ 4,405,115	\$ 6,434,371	\$ 6,294,032	\$ 4,982,250
305,589	349,532	187,935	346,257	560,295	716,855
925,845	666,155	845,716	819,759	90,324	105,864
267,975	500,238	1,231,506	911,915	566,583	476,834
<u>4,469,274</u>	<u>5,253,705</u>	<u>33,504,918</u>	<u>19,346,141</u>	<u>16,825,249</u>	<u>24,954,680</u>
<u>9,954,384</u>	<u>11,072,305</u>	<u>40,175,190</u>	<u>27,858,443</u>	<u>24,336,483</u>	<u>31,236,483</u>
7,115,884	8,407,022	8,543,284	12,351,533	14,163,554	17,054,281
-	60,235	-	-	-	-
<u>1,481,332</u>	<u>2,181,719</u>	<u>9,879,143</u>	<u>10,153,994</u>	<u>7,427,059</u>	<u>10,587,744</u>
<u>8,597,216</u>	<u>10,648,976</u>	<u>18,422,427</u>	<u>22,505,527</u>	<u>21,590,613</u>	<u>27,642,025</u>
<u>\$ 18,551,600</u>	<u>\$ 21,721,281</u>	<u>\$ 58,597,617</u>	<u>\$ 50,363,970</u>	<u>\$ 45,927,096</u>	<u>\$ 58,878,508</u>
\$ (246,288)	\$ (1,279,296)	\$ 24,908,677	\$ 11,236,387	\$ 7,294,661	\$ 11,228,719
2,403,960	3,593,374	9,354,857	12,264,179	7,062,370	10,419,101
<u>\$ 2,157,672</u>	<u>\$ 2,314,078</u>	<u>\$ 34,263,534</u>	<u>\$ 23,500,566</u>	<u>\$ 14,357,031</u>	<u>\$ 21,647,820</u>

CITY OF FULSHEAR, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 943,721	\$ 1,273,932	\$ 1,574,219	\$ 1,834,115
Franchise fees	197,620	380,718	384,885	514,470
Sales tax	522,563	665,127	689,508	827,480
Net gain (loss) on investments	7,993	9,527	21,867	47,221
Other revenues	184,860	222,988	115,358	244,036
Gain on sale of capital assets	-	-	-	-
Transfers	(257,644)	-	(1,270,494)	(79,986)
Total Governmental Activities	<u>1,599,113</u>	<u>2,552,292</u>	<u>1,515,343</u>	<u>3,387,336</u>
Business-type activities				
Investment earnings	3,044	5,682	13,814	33,319
Other revenues	16,970	-	-	-
Transfers	257,644	-	1,270,494	79,986
Total Business-Type Activities	<u>277,658</u>	<u>5,682</u>	<u>1,284,308</u>	<u>113,305</u>
Total Primary Government	<u>\$ 1,876,771</u>	<u>\$ 2,557,974</u>	<u>\$ 2,799,651</u>	<u>\$ 3,500,641</u>
Change in Net Position				
Governmental activities	\$ 2,316,854	\$ 14,657,613	\$ 1,631,523	\$ 3,141,048
Business-type activities	3,373,330	5,445,932	21,158,181	2,517,265
Total Change in Net Position	<u>\$ 5,690,184</u>	<u>\$ 20,103,545</u>	<u>\$ 22,789,704</u>	<u>\$ 5,658,313</u>

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

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

Fiscal Year

	2018	2019	2020	2021	2022	2023
\$	2,155,867	\$ 2,452,597	\$ 3,886,465	\$ 4,424,409	\$ 4,992,206	\$ 5,741,607
	647,039	706,927	742,168	3,408,918	912,795	1,046,744
	1,552,395	2,068,489	2,564,696	838,423	4,037,197	4,671,288
	107,636	217,509	137,711	39,567	(132,894)	910,723
	532,474	525,421	449,135	943,715	1,097,852	884,698
	-	-	-	-	1,575,100	-
	1,183,575	877,365	1,420,929	1,103,960	1,141,018	1,702,569
	<u>6,178,986</u>	<u>6,848,308</u>	<u>9,201,104</u>	<u>10,758,992</u>	<u>13,623,274</u>	<u>14,957,629</u>
	77,531	158,651	116,838	22,516	75,388	2,022,594
	138,496	66,205	128,437	187,945	150,417	119,796
	(1,183,575)	(877,365)	(1,420,929)	(1,103,960)	(1,141,018)	(1,702,569)
	(967,548)	(652,509)	(1,175,654)	(893,499)	(915,213)	439,821
\$	<u>5,211,438</u>	<u>\$ 6,195,799</u>	<u>\$ 8,025,450</u>	<u>\$ 9,865,493</u>	<u>\$ 12,708,061</u>	<u>\$ 15,397,450</u>
\$	4,899,690	\$ 31,756,985	\$ 20,437,491	\$ 21,995,379	\$ 20,917,935	\$ 26,186,348
	2,625,826	8,702,348	11,088,525	11,370,680	6,147,157	10,858,922
\$	<u>7,525,516</u>	<u>\$ 40,459,333</u>	<u>\$ 31,526,016</u>	<u>\$ 33,366,059</u>	<u>\$ 27,065,092</u>	<u>\$ 37,045,270</u>

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

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	131,733	131,733	-	-
Unassigned	4,303,085	5,307,210	3,206,004	3,579,243
Total General Fund	<u>\$ 4,434,818</u>	<u>\$ 5,438,943</u>	<u>\$ 3,206,004</u>	<u>\$ 3,579,243</u>
All Other Governmental Funds				
Restricted	\$ 1,025,059	\$ 1,383,866	\$ 1,564,928	\$ 392,134
Assigned	270,908	271,113	1,440,178	1,274,680
Total All Other Governmental Funds	<u>\$ 1,295,967</u>	<u>\$ 1,654,979</u>	<u>\$ 3,005,106</u>	<u>\$ 1,666,814</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 Annual Comprehensive Financial Report

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

Fiscal Year

2018	2019	2020	2021	2022	2023
\$ -	\$ -	\$ 55,529	\$ -	\$ -	\$ -
-	552	552	552	552	552
6,321,266	7,853,664	7,135,815	7,467,155	7,745,686	11,806,593
<u>\$ 6,321,266</u>	<u>\$ 7,854,216</u>	<u>\$ 7,191,896</u>	<u>\$ 7,467,707</u>	<u>\$ 7,746,238</u>	<u>\$ 11,807,145</u>
\$ 953,176	\$ 1,724,915	\$ 2,133,556	\$ 2,133,556	\$ 4,775,737	\$ 6,105,964
833,515	676,915	4,039,013	4,039,013	3,101,588	3,102,006
<u>\$ 1,786,691</u>	<u>\$ 2,401,830</u>	<u>\$ 6,172,569</u>	<u>\$ 6,172,569</u>	<u>\$ 7,877,325</u>	<u>\$ 9,207,970</u>

CITY OF FULSHEAR, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Property taxes	\$ 966,619	\$ 1,264,271	\$ 1,556,311	\$ 1,857,472
Sales taxes	522,563	665,127	689,508	827,480
Franchise fees	197,620	380,718	361,528	514,470
Public improvement fees	531,303	345,803	216,099	232,276
Licenses and permits	1,401,279	1,872,346	1,731,465	1,993,927
Fines and forfeitures	159,109	193,957	170,292	214,685
Charges for services	574,811	744,125	1,129,918	1,344,285
Intergovernmental	-	-	-	255,917
Net gain (loss) on investments	7,993	9,529	21,867	46,505
Other revenues	608,248	578,740	381,027	383,996
Total Revenues	4,969,545	6,054,616	6,258,015	7,671,013
Expenditures				
General government	1,215,147	2,014,649	2,712,933	2,430,917
Permits and inspections	406,484	517,507	297,752	791,896
Public safety	880,686	1,382,908	1,579,291	2,157,402
Public works	341,709	466,294	740,437	1,872,025
Planning and development	-	-	-	-
Capital outlay	76,363	310,121	539,920	1,303,840
Debt service				
Principal	8,045	-	-	-
Interest	642	-	-	-
Total Expenditures	2,929,076	4,691,479	5,870,333	8,556,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,040,469	1,363,137	387,682	(885,067)
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	23,218	42,650	1,707,760	1,140,928
Transfers out	(280,862)	(42,650)	(2,978,254)	(1,220,914)
Total Other Financing Sources (Uses)	(257,644)	-	(1,270,494)	(79,986)
Net Change in Fund Balances	\$ 1,782,825	\$ 1,363,137	\$ (882,812)	\$ (965,053)
Debt service as a percentage of noncapital expenditures	0.30%	0.00%	0.00%	0.00%

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

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

Fiscal Year

	2018	2019	2020	2021	2022	2023
\$	2,137,299	\$ 2,494,667	\$ 3,873,300	\$ 4,410,601	\$ 4,992,206	\$ 5,687,661
	1,526,998	2,068,489	2,564,696	3,408,918	4,037,197	4,671,288
	647,039	706,927	742,168	838,423	912,795	1,046,744
	353,186	519,551	507,474	1,084,891	818,751	482,722
	2,759,307	2,201,606	2,422,642	3,284,590	3,436,221	2,943,405
	305,589	349,532	187,935	346,257	560,295	716,855
	1,800,981	2,071,531	2,320,715	2,884,649	2,129,384	1,661,987
	236,838	545,213	1,235,637	2,664,309	712,706	476,834
	106,854	217,509	133,215	38,662	(136,236)	890,060
	366,797	480,446	445,004	911,635	1,053,301	884,698
	<u>10,240,888</u>	<u>11,655,471</u>	<u>14,432,786</u>	<u>19,872,935</u>	<u>18,516,620</u>	<u>19,462,254</u>
	2,683,837	3,177,750	3,840,529	4,196,323	5,390,813	6,181,865
	540,513	830,779	1,260,907	1,624,519	943,399	899,447
	2,367,813	2,545,850	3,041,849	3,490,181	3,363,814	3,776,614
	2,218,008	2,791,761	2,954,915	3,146,114	2,200,245	2,402,946
	401,682	276,522	215,596	166,260	309,457	163,462
	376,107	762,085	888,680	15,138,302	7,863,647	1,155,769
	-	-	-	42,405	175,586	181,460
	-	-	-	73,795	289,215	1,011,708
	<u>8,587,960</u>	<u>10,384,747</u>	<u>12,202,476</u>	<u>27,877,899</u>	<u>20,536,176</u>	<u>15,773,271</u>
	1,652,928	1,270,724	2,230,310	(8,004,964)	(2,019,556)	3,688,983
	-	-	-	8,900,000	-	-
	-	-	-	-	1,600,100	-
	1,378,575	1,202,365	4,989,359	1,477,474	7,553,518	2,620,895
	(195,000)	(325,000)	(4,111,250)	(372,750)	(6,412,500)	(918,326)
	<u>1,183,575</u>	<u>877,365</u>	<u>878,109</u>	<u>10,004,724</u>	<u>2,741,118</u>	<u>1,702,569</u>
\$	<u>2,836,503</u>	<u>2,148,089</u>	<u>3,108,419</u>	<u>1,999,760</u>	<u>721,562</u>	<u>5,391,552</u>
	0.00%	0.00%	0.00%	0.91%	3.60%	8.53%

CITY OF FULSHEAR, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
One to Three Family Residences	\$ 343,235,210	\$ 551,206,916	\$ 816,201,256	\$ 926,516,590
Agriculture Value	92,420,620	86,252,280	82,898,180	107,753,270
Commercial Property	126,424,910	172,331,340	209,501,120	269,791,580
Personal Property Value	12,562,884	12,094,152	14,580,274	36,613,901
Less: Tax Exempt Property	\$ 158,539,541	\$ 195,581,525	\$ 241,737,243	\$ 287,313,916
Total Taxable Assessed Valuation	\$ 416,104,083	\$ 626,303,163	\$ 881,443,587	\$ 1,053,361,425
Total Direct Tax Rate	\$ 0.19713	\$ 0.17829	\$ 0.16163	\$ 0.15690

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

2018	2019	2020	2021	2022	2023
\$ 1,149,298,638	\$ 1,391,292,963	\$1,577,410,200	\$ 1,873,004,915	\$ 2,246,441,939	\$ 3,248,598,787
122,805,510	135,634,040	131,838,530	109,025,310	97,869,860	90,584,220
456,557,613	460,680,152	611,963,722	749,747,445	844,001,220	944,260,252
38,591,624	28,305,001	61,917,738	36,855,590	53,820,390	47,371,132
<u>\$ 421,315,214</u>	<u>\$ 507,459,167</u>	<u>\$ 615,166,327</u>	<u>\$ 632,488,088</u>	<u>\$ 798,745,061</u>	<u>\$ 1,252,646,826</u>
<u>\$ 1,345,938,171</u>	<u>\$ 1,508,452,989</u>	<u>\$1,767,963,863</u>	<u>\$ 2,136,145,172</u>	<u>2,443,388,348</u>	<u>\$ 3,078,167,565</u>
\$ 0.15869	\$ 0.16251	\$ 0.21851	\$ 0.20707	\$ 0.20305	\$ 0.18057

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

	Fiscal Year			
	2014	2015	2016	2017
City of Fulshear:				
Operating tax rate	\$ 0.197130	\$ 0.178290	\$ 0.161630	\$ 0.156900
Total Direct Rates	<u>\$ 0.197130</u>	<u>\$ 0.178290</u>	<u>\$ 0.161630</u>	<u>\$ 0.156900</u>
Lamar Consolidated School District	\$ 1.390050	\$ 1.390050	\$ 1.390050	\$ 1.390050
Katy Independent School District	1.526600	1.526600	1.516600	1.516600
Fort Bend County	0.484760	0.472760	0.465000	0.458000
Total Direct and Overlapping Rates	<u>\$ 3.598540</u>	<u>\$ 4.890300</u>	<u>\$ 4.872540</u>	<u>\$ 4.865540</u>
Total Assessed Valuation	<u>\$ 416,104,083</u>	<u>\$ 626,303,163</u>	<u>\$ 881,443,587</u>	<u>\$ 1,053,361,425</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 portion 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

2018	2019	2020	2021	2022	2023
\$ 0.158690	\$ 0.162510	\$ 0.218510	\$ 0.207070	\$ 0.203051	\$ 0.180572
\$ 0.158690	\$ 0.162510	\$ 0.218510	\$ 0.207070	\$ 0.203051	\$ 0.180572
\$ 1.390050	\$ 1.390050	\$ 1.320000	\$ 1.269100	\$ 1.242000	\$ 1.242000
1.516600	1.516600	1.443100	1.388800	1.351700	1.304800
0.453000	0.445000	0.444700	0.435876	0.438300	0.438300
\$ 4.860540	\$ 4.852540	\$ 3.426310	\$ 3.300846	\$ 3.235051	\$ 3.165672
\$ 1,345,938,171	1,508,452,989	\$ 1,767,963,863	\$ 2,136,145,172	\$ 2,443,388,348	\$ 3,078,167,565

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CITY OF FULSHEAR, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Five Years Ago*

Property Taxpayer	2023			2018		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
CCR 21 LLC	\$ 37,347,910	1	1.21%	\$ -	N/A	0.00%
HEB Grocery Company LP	12,614,560	2	0.41%	-	N/A	0.00%
Century Land Holdings of Texas LLC	10,982,230	3	0.36%	-	N/A	0.00%
CCR Loan Subsidiary 1 LP	10,228,210	4	0.33%	21,094,050	2	1.56%
Marcel Town Center	9,818,750	5	0.32%	-	N/A	0.00%
Fulshear Bend Self Storage LLC	9,700,928	6	0.32%	-	N/A	0.00%
CCR Texas Holding LP	8,535,160	7	0.28%	7,037,120	8	0.52%
Taylor Morrison of Texas INC	8,204,090	8	0.27%	9,274,210	6	0.68%
Cross Creek Commons - Partnership A LP	7,450,960	9	0.24%	-	N/A	0.00%
HEB LP	7,325,750	10	0.24%	-	N/A	0.00%
DHK Fulshear LP	-	N/A	0.00%	14,357,210	3	1.06%
CCOC LLC	-	N/A	0.00%	42,799,809	1	3.16%
Trendmaker Homes	-	N/A	0.00%	12,655,470	4	0.93%
Landmark Industries	-	N/A	0.00%	12,202,394	5	0.90%
TLM-CCR Phase II LLC	-	N/A	0.00%	7,413,590	7	0.55%
A-S 132 S Fry Road - FM1463 LP	-	N/A	0.00%	6,971,660	9	0.51%
Texas Petroleum	-	N/A	0.00%	5,374,450	10	0.40%
Subtotal	122,208,548		3.97%	139,179,963		10.27%
Other Taxpayers	2,955,959,017		96.03%	1,216,032,418		89.73%
Total	\$ 3,078,167,565		100.00%	\$ 1,355,212,381		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>Collected Within the Fiscal Year of the Levy</u>	
				<u>Amount Collected</u>	<u>Percentage of Levy</u>
2014	2013	\$ 0.197130	\$ 826,560	\$ 821,104	99.34%
2015	2014	\$ 0.178290	\$ 1,201,844	\$ 1,192,635	99.23%
2016	2015	\$ 0.161630	\$ 1,506,701	\$ 1,499,858	99.55%
2017	2016	\$ 0.156900	\$ 1,844,093	\$ 1,824,840	98.96%
2018	2017	\$ 0.158690	\$ 2,105,304	\$ 2,086,847	99.12%
2019	2018	\$ 0.162510	\$ 2,452,518	\$ 2,431,495	99.14%
2020	2019	\$ 0.000000	\$ 3,855,706	\$ 3,831,672	99.38%
2021	2020	\$ 0.207070	\$ 4,410,271	\$ 4,389,959	99.54%
2022	2021	\$ 0.203051	\$ 4,959,097	\$ 4,938,922	99.59%
2023	2022	\$ 0.180572	\$ 5,669,656	\$ 5,625,977	99.23%

Tax rate per \$100 assessed valuation

Source: City Finance Department and Fort Bend County Tax Office

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$ 4,852		\$ 825,956	99.93%
\$ 8,777		\$ 1,201,412	99.96%
\$ 8,630		\$ 1,508,488	100.12%
\$ 26,843		\$ 1,851,683	100.41%
\$ 31,259		\$ 2,118,106	100.61%
\$ 52,802		\$ 2,484,297	101.30%
\$ 26,283		\$ 3,857,955	100.06%
\$ (2,186)		\$ 4,387,773	99.49%
\$ (9,882)		\$ 4,929,040	99.39%
\$ -		\$ 5,625,977	99.23%

CITY OF FULSHEAR, TEXAS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years
(In Thousands of Dollars)

	Calendar Year			
	2014	2015	2016	2017
Agriculture/Forestry/Fishing/Hunting	\$ -	\$ -	\$ -	\$ -
Public Administration	-	-	-	565,074
Admin/Support/Waste Mgmt/Remediation	736,591	717,428	717,120	797,500
Retail Trade	25,154,631	43,500,951	45,332,799	49,982,542
Education Services	8,702	6,437	-	-
Construction	594	844,183	3,213,700	2,705,618
Manufacturing	847,415	1,203,498	821,844	1,154,776
Mining/Quarrying/Oil and Gas Extraction	-	-	-	-
Wholesale Trade	1,095,103	1,311,487	914,379	901,333
Transportation/Warehousing	13,988	22,741	28,541	35,725
Information	20,036	-	-	-
Arts/Entertainment/Recreation	6,689	6,588	122,357	492,043
Real Estate/Rental/Leasing	497,675	1,211,971	825,650	995,769
Other Services (except Public Administration)	908,401	1,045,581	1,178,494	1,905,629
Accommodation/Food Services	9,984,358	9,998,796	11,857,090	13,417,178
Professional/Scientific/Technical Services	457,417	394,905	389,462	353,454
Total Taxable Sales	\$ 39,731,600	\$ 60,264,566	\$ 65,401,436	\$ 73,306,641
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%

The City direct sales tax rate includes the City only.

Source: State Comptrollers' Office

Calendar Year

2018	2019	2020	2021	2022	2023
\$ 7,970	\$ -	\$ -	\$ -	\$ -	\$ -
898,342	1,172,402	1,422,194	1,027,691	-	-
836,334	918,533	801,944	1,546,945	1,795,060	1,022,236
67,927,896	71,323,453	77,802,414	89,356,494	95,971,760	46,220,428
34,547	84,961	85,440	242,020	237,998	77,055
4,219,686	2,694,143	4,015,171	3,644,418	1,871,780	3,149,097
1,168,178	1,393,917	1,956,639	1,345,480	4,192,392	1,169,021
-	16,351	30,988	18,086	380,908	232,621
3,485,625	3,876,199	2,136,860	1,761,288	2,160,271	2,023,991
38,839	-	53,904	79,182	-	-
68,933	79,391	270,242	26,876	97,749	14,426
588,990	504,284	167,948	231,856	258,873	73,474
1,164,401	1,169,951	601,958	68,278	103,312	29,465
2,277,977	2,344,643	1,690,714	2,397,951	3,211,148	1,851,638
15,784,354	18,543,452	17,435,846	29,926,197	40,304,879	25,567,042
648,247	835,549	848,539	1,811,963	2,470,004	967,821
\$ 99,150,319	\$ 104,957,229	\$ 109,320,801	\$ 133,484,725	\$ 153,056,134	\$ 82,398,315
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, 2023

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Amount Applicable to Primary Government</u>
Katy Independent School District	\$ 2,267,301,460	7.27%	\$ 164,832,816
Lamar Consolidated Independent School District	\$ 2,834,465,000	3.48%	98,639,382
Fort Bend County	\$ 786,916,072	21.00%	165,252,375
Fort Bend County MUD #170	\$ 29,600,000	100.00%	29,600,000
Fort Bend County MUD #171	\$ 11,940,000	100.00%	11,940,000
Fort Bend County MUD #172	\$ 33,900,000	100.00%	33,900,000
Fort Bend County MUD #173	\$ 24,145,000	100.00%	24,145,000
Fulshear MUD#1	\$ 48,120,000	100.00%	48,120,000
Fulshear MUD #2	\$ 4,230,000	100.00%	4,230,000
Fulshear MUD #3A	\$ 54,970,000	100.00%	54,970,000
Subtotal, overlapping debt			580,659,573
City Direct Debt	\$ -	100.00%	\$ 46,336,797
Total Direct and Overlapping Debt			<u><u>\$ 626,996,370</u></u>
Ratio of Total Direct and Overlapping Net Debt to Assessed Valuation (1)			<u><u>20.37%</u></u>
Direct and Overlapping Debt Per Capita (2)			<u><u>\$ 34,264</u></u>

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⁾
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
2020	13,914	N/A	\$ 55,414	35.6	9,360	8.5%	14
2021	16,856	N/A	\$ 55,414	35.6	9,946	4.4%	14
2022	25,169	N/A	\$ 59,339	37.7	12,728	4.9%	14
2023	34,264	N/A	\$ 60,425	37.9	14,696	4.9%	14

Data sources:

- (1) United States Census Bureau, Public Data
- (2) Data to compute not available
- (3) United States Census Bureau/Katy and Lamar ISDs' figures
- (4) United States Census Bureau, American Fact Finder (some data not available)/St. Louis Federal Reserve
- (5) Katy ISD and Lamar Consolidated ISD
- (6) United States Census Bureau, Public Data

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.

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CITY OF FULSHEAR, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago*

Employer	2023			2018		
	Employees	Percentage of Total Employment	Rank	Employees	Percentage of Total Employment	Rank
Katy ISD	650	27.20%	1	201	19.36%	3
Lamar Consolidated ISD	564	23.60%	2	368	35.45%	1
HEB #65	490	20.50%	3	325	31.31%	2
Local Table	105	4.39%	4	-	-	-
City of Fulshear	82	3.43%	5	56	5.39%	4
Emergency Services District #4	74	3.10%	6	20	1.93%	6
Molina's Cantina	61	2.55%	7	-	-	-
Saltgrass Steakhouse	56	2.34%	8	-	-	-
Orleans Seafood	52	2.18%	9	-	-	-
Pier 36	43	1.80%	10	14	1.35%	7
Children's Lighthouse	30	1.26%	11	-	-	-
USPS	31	1.30%	12	-	-	-
Civil Corp	29	1.21%	13	20	1.93%	5
Victor's Mexican Restaurant	24	1.00%	14	-	-	-
Dollar General	23	0.96%	15	-	-	-
Ace Hardware	20	0.84%	16	12	1.16%	9
Doziers	18	0.75%	17	-	-	-
Bahama Bucks	15	0.63%	18	14	1.35%	8
Waggin' Tails Pet Ranch	12	0.50%	19	8	0.77%	10
Landmark Industries (Timewise)	11	0.46%	20	-	-	-
	<u>2,390</u>	<u>100.00%</u>		<u>1,038</u>	<u>100.00%</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 Annual Comprehensive Financial Report.

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Governmental Activities:</u>										
Administrative	4	4	5	5	7	6	3	2	1	3
City Secretary	0	0	0	0	0	0	0	0	0	2
City Attorney	0	0	0	0	0	0	0	0	0	2
Human Resources	-	-	-	-	-	1	1	2	2	3
Municipal Court	1	1	2	2	2	2	2	1	2	2
Finance	1	3	2	3	3	3	5	4	4	4
Economic Development	1	1	2	2	2	2	2	2	2	2
Public Safety	16	17	18	22	24	26	27	27	27	30
Information Technology	0	0	0	0	0	0	0	1	1	3
Communications	0	0	0	0	0	0	0	1	1	1
Development Services	1	1	1	1	1	10	5	5	6	6
Building Inspection	6	6	6	7	9	-	5	5	5	5
Code Enforcement		1	1	1	1	1	1	1	1	2
Public Works	2	2	3	3	3	4	4	5	7	10
<u>Business-Type Activities:</u>										
Utilities	1	1	2	3	3	3	6	9	9	7
Total City Positions	33	37	42	48	54	58	61	65	68	82

Source: City Finance Department

Note: City Council members 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			
	2014	2015	2016	2017
Police				
Arrests	172	449	273	403
Parking violations	1	1	22	5
Traffic violations	5,624	5,633	6,069	9,300
Highways and streets				
Street resurfacing (miles)	-	-	-	1
Potholes repaired	6	5	7	4
Miles of centerline maintained	-	-	-	-
Linear feet of pavement markings	-	-	-	-
Water				
Average daily consumption (thousands of gallons)	895	904	1,046	1,224
Water main breaks	5	7	2	2
New connections	381	479	569	688
Wastewater				
Average daily effluent treated (thousands of gallons)	247	329	416	548

Source: Various City departments

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

Fiscal Year

2018	2019	2020	2021	2022	2023
381	268	133	201	183	251
6	15	10	99	148	264
9,708	10,753	8,861	12,818	13,137	16,317
-	-	-	-	-	-
10	35	40	25	30	30
-	-	135	185	205	220
-	-	5,280	5,280	5,850	13,200
1,328	1,468	2,221	2,225	2,801	3,910
4	2	23	2	2	2
-	751	729	1,198	799	1,091
789	1,099	1,400	1,256	2,200	2,675

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

Function	Fiscal Year			
	2014	2015	2016	2017
Public safety				
Police				
Stations	-	1	1	1
Patrol units	4	7	10	12
Highways and streets				
Streets (lane miles)	80	80	89	89
Streetlights	-	-	-	146
Culture and recreation				
Park acreage developed	5	5	25	25
Water				
Water wells	4	4	4	4
Water mains (miles)	45	48	49	49
Fire hydrants	588	626	641	641
Maximum daily capacity (thousands of gallons)	1,075	1,075	1,745	1,745
Sewer				
Sanitary sewers (miles)	41	43	45	45
Storm sewers (miles)	29	31	34	34
Maximum daily treatment capacity (thousands of gallons)	2,100	2,100	2,100	2,100

Source: Various City departments

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

Fiscal Year						
2018	2019	2020	2021	2022	2023	
1	1	1	1	1	1	
12	12	15	15	15	14	
89	89	135	185	205	205	
146	-	146	146	2,007	2,307	
25	25	25	25	25	25	
4	6	7	7	7	7	
49	54	79	94	110	116	
641	706	985	992	1,149	1,200	
1,745	1,765	2,143	2,801	2,801	2,801	
45	50	95	115	120	120	
34	37	73	90	100	100	
2,100	2,100	2,100	2,000	2,000	2,000	

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