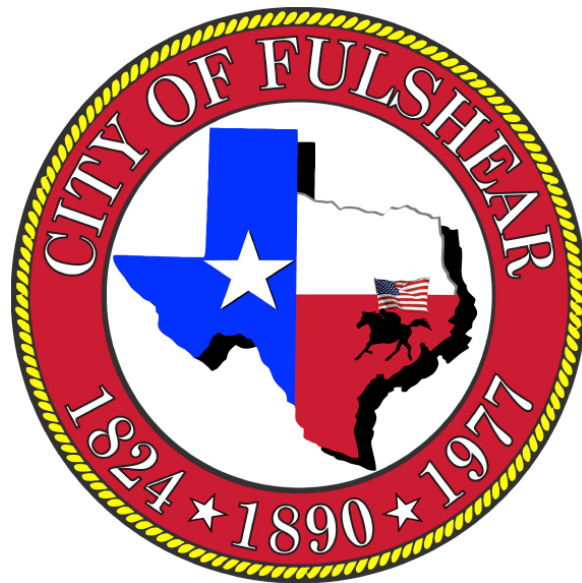


**CITY OF FULSHEAR, TEXAS**

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2016**





**CITY OF FULSHEAR, TEXAS**

**PRINCIPAL OFFICIALS**

*September 30, 2016*

**Governing Body**

Jeff Roberts	Mayor
Erin Tristan	Mayor Pro-Tem and Council Member
Tricia Krenek	Council Member
Ramona Ridge	Council Member
Stephen Gill	Council Member
Lauren Ashley	Council Member

**Other Principal Official**

C.J. Snipes	City Manager
D. Gordon Offord	City Secretary
Wes Vela	Chief Financial Officer
J. Grady Randle	City Attorney



**CITY OF FULSHEAR, TEXAS**  
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## **REPORT OF INDEPENDENT AUDITORS**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fulshear, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on pages 46 and 47, and pension system supplementary information on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and the discretely presented component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Whitley Penn LLP*

Houston, Texas  
April 18, 2017



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

## **CITY OF FULSHEAR, TEXAS**

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

As management of the City of Fulshear (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

#### **Financial Highlights**

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$91.2 million (*net position*). Of this amount, \$7.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$20.3 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.2 million, a decrease of (\$0.9) million over the prior year due to transfers to Fulshear Facility. Approximately 52% of this total amount, \$3.2 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 61% of total general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. municipal court fines).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, permits and inspections, public safety, and public works. The business-type activities of the City include water distribution, wastewater collection/treatment, and solid waste operating funds.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial

## **CITY OF FULSHEAR, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

information presented for the primary government itself. The City's two discretely presented component units consist of the following: Fulshear Development Corporation and The City of Fulshear Development Corporation.

The government-wide financial statements can be found on pages 14 through 17 of this report.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the each of the four (4) funds with the General Fund considered to be a major fund.

The governmental funds financial statements can be found on pages 18 through 21 of this report.

#### **Proprietary Funds**

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Fulshear Facility Fund and Cross Creek Ranch Facility Fund that are considered to be major funds of the City.

The basic enterprise fund financial statements can be found on pages 22 through 24 of this report.

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 43 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* -- Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 46 through 49 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Fulshear, assets and deferred outflows exceeded liabilities and deferred inflows by \$91.2 million as of September 30, 2016.

By far the largest portion of the City's net position, 89% reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**CONDENSED SCHEDULE OF NET POSITION**

September 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,740,359	\$ 8,437,974	\$ 5,048,939	\$ 5,559,524	\$ 11,789,298	\$ 13,997,498
Capital assets	40,176,704	25,705,433	40,999,464	32,998,255	81,176,168	58,703,688
<b>Total Assets</b>	<b>46,917,063</b>	<b>34,143,407</b>	<b>46,048,403</b>	<b>38,557,779</b>	<b>92,965,466</b>	<b>72,701,186</b>
<b>Deferred Outflows of Resources</b>						
Pension related	155,234	97,486			155,234	97,486
Current and other liabilities	454,590	1,310,658	1,193,512	427,446	1,648,102	1,738,104
Long-term liabilities	89,807	74,584			89,807	74,584
Net pension liability	202,236	159,525			202,236	159,525
<b>Total Liabilities</b>	<b>746,633</b>	<b>1,544,767</b>	<b>1,193,512</b>	<b>427,446</b>	<b>1,940,145</b>	<b>1,972,213</b>
<b>Deferred Inflows of Resources</b>						
Pension related	8,874				8,874	
<b>Net position:</b>						
Net investment in capital assets	40,176,704	25,705,433	40,999,464	32,998,255	81,176,168	58,703,688
Restricted	1,564,928	1,515,599	727,922	1,223,225	2,292,850	2,738,824
Unrestricted	4,575,158	5,475,094	3,127,505	3,908,853	7,702,663	9,383,947
<b>Total Net Position</b>	<b>\$ 46,316,790</b>	<b>\$ 32,696,126</b>	<b>\$ 44,854,891</b>	<b>\$ 38,130,333</b>	<b>\$ 91,171,681</b>	<b>\$ 70,826,459</b>

An additional 3% portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7.7 million may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2016, the City is able to report positive balances in all three categories of net position. The following table provides a summary of the City's operations for the year ended September 30, 2016:

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

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**

September 30, 2016 and 2015

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 3,233,603	\$ 3,135,489	\$ 4,468,483	\$ 3,395,191	\$ 7,702,086	\$ 6,530,680
Operating grants and contributions	28,133	29,246			28,133	29,246
Capital grants and contributions	15,565,852	2,798,155	5,642,980	2,806,881	21,208,832	5,605,036
General revenues:						
Property taxes	1,574,219	1,273,932			1,574,219	1,273,932
Sales taxes	689,508	665,127			689,508	665,127
Franchise taxes	384,885	380,718			384,885	380,718
Investment earnings	21,867	9,527	13,814	5,682	35,681	15,209
Other revenues	115,358	222,988			115,358	222,988
<b>Total Revenues</b>	<b>21,613,425</b>	<b>8,515,182</b>	<b>10,125,277</b>	<b>6,207,754</b>	<b>31,738,702</b>	<b>14,722,936</b>
<b>Expenses:</b>						
General government	2,579,727	2,039,436			2,579,727	2,039,436
Permits and inspections	322,415	528,461			322,415	528,461
Public safety	1,669,998	1,427,578			1,669,998	1,427,578
Public works	2,150,127	1,249,674			2,150,127	1,249,674
Interest on long-term debt						
Water and sewer			4,671,213	3,106,400	4,671,213	3,106,400
<b>Total Expenses</b>	<b>6,722,267</b>	<b>5,245,149</b>	<b>4,671,213</b>	<b>3,106,400</b>	<b>11,393,480</b>	<b>8,351,549</b>
Increase in net position before transfers	14,891,158	3,270,033	5,454,064	3,101,354	20,345,222	6,371,387
Transfers	(1,270,494)		1,270,494			
Change in net position	13,620,664	3,270,033	6,724,558	3,101,354	20,345,222	6,371,387
<b>Net Position - beginning</b>	<b>32,696,126</b>	<b>29,426,093</b>	<b>38,130,333</b>	<b>35,028,979</b>	<b>70,826,459</b>	<b>64,455,072</b>
<b>Net Position - ending</b>	<b>\$46,316,790</b>	<b>\$ 32,696,126</b>	<b>\$44,854,891</b>	<b>\$38,130,333</b>	<b>\$91,171,681</b>	<b>\$70,826,459</b>

**Governmental activities**

For the year ended September 30, 2016, revenues from governmental activities totaled \$21.6 million. Overall, governmental revenues increased by 154% from the prior year due to additions in capital assets contributed by developers. Charges for services, which are the City's largest revenue source, increased by 3% due to an increase in permit and inspection revenues related to an increase in new development.

For the year ended September 30, 2016, expenses for governmental activities totaled \$6.7 million, which represents an increase of \$1,477,118 from the previous year. Public works expenses increased the most over the prior year, primarily due to construction costs incurred for business-type activities projects. General government expenses increased \$540,291. The increase is a result of increased activity due to growth in the area. Public safety increased by \$242,420 due to increased salaries and wages. The City hired more employees for public utilities, facility improvements, and public works.

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

**Business-type activities**

Charges for services for business-type activities increased \$1,073,292 or 32% from the previous year due to an increase in water and sewer taps and the activity due to new development. Water and sewer expenses have increased by \$1,564,813. The increase is primarily due to increases in water pumpage and tapping fees as well as repair and maintenance related to the expansion of the City's water system. In addition, the City took over the water and utility billing services and had major utility infrastructure projects in fiscal year 2016.

**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 \$6.2 million. Of this amount, \$1,473,709 is restricted for the City's regional park, \$1,440,178 is committed to capital projects, and \$3.2 million is unassigned. There was a decrease in the combined fund balance of (\$0.9) million from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3.2 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 61% of total general fund expenditures. The general fund demonstrated an overall decrease of (\$2.23) million primarily due to transfers to Capital Projects and Business Enterprise.

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

**General Fund Budgetary Highlights**

There had been a planned decrease in budgeted fund balance in the amount of \$3 million in the general fund. However, actual fund balance decreased by \$2,232,939 resulting in a positive variance of \$850,408 from budgeted as amended to actual.

Actual general fund revenues were above amended budgeted revenues by -\$723,294 for 2016. This net positive variance includes positive variances of \$256,802 for property taxes and \$129,783 for charges for services along with negative variances for public improvement fees and sales taxes.

Actual expenditures were less than budgeted amounts by \$1,573,702 for the fiscal year. The greatest positive variance was in permits and inspections.

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

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to \$40.18 million and \$50 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The following table shows the balances at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>Governmental Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 1,978,290	\$ 920,650
Capital assets net of depreciation		
Buildings and improvements	493,383	529,729
Machinery and equipment	443,046	624,710
Infrastructure	<u>37,261,985</u>	<u>23,630,344</u>
Total capital assets - net of depreciation	<u>\$ 40,176,704</u>	<u>\$ 25,705,433</u>
<b>Business-Type Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 526,082	\$ 526,082
Construction in progress	3,275,584	701,350
Capital assets net of depreciation		
Buildings and improvements	32,759	35,519
Machinery and equipment	25,485	36,174
Water and Sewer System	<u>37,139,554</u>	<u>31,699,130</u>
Total capital assets - net of depreciation	<u>\$ 40,999,464</u>	<u>\$ 32,998,255</u>

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

**Long-term liabilities**

The City's long-term liabilities consist entirely of accrued compensated absences payable at year end. The City has no outstanding debt instruments. Detailed information on debt is presented in Note 7 to the financial statements.



## **CITY OF FULSHEAR, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

#### **Economic Factors and Next Year's Budgets and Rates**

The City Council has adopted the City's 2017 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2017 fiscal year. The City anticipates a 9 percent increase in expected total revenues and a 2 percent decrease in expected total expenditures. The main contributor to the revenue increase is from ad valorem tax generated by increased property value through growth. This increased value allowed the City to lower the tax rate from \$0.161631/\$100 to \$0.156901/\$100. In fiscal year 2017, the City will fund \$1.1 million out of the General Fund to build infrastructure in the City's Water/Wasterwater Utilities. Optimally, the City would fund such improvements via the Water/Wastewater Enterprise Fund; however, contractual sequestration of revenues within the Cross Creek Ranch System have restricted the City's ability to fund these projects.

Recent legal developments in the City's ability to issue debt for capital projects is promising; therefore, the issuance of debt will likely be budgeted in 2018.

The reduction in expenditures are generated from the area of Community Development Services, Economic Development and Non-Departmental transfers out for Capital Expenditures.

The growth in residential and commercial building is expected to continue for the foreseeable future as the City is experiencing phenomenal growth as part of the Houston region. Our population has grown from 916 in 2006 to around 8,000 through 2016. The FM 1463 corridor has exploded with new development ranging from CVS, Starbucks, Aldi's and a soon to be H.E.B grocery. The H.E.B. center will have 98,000 sq. ft. surrounded by 198,000 sq. ft. of retail.

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

#### **Request for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Wes Vela, City 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](http://www.fulsheartexas.gov) .

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF FULSHEAR, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,393,195	\$ 3,643,249	\$ 10,036,444
Receivables, net	372,807	651,254	1,024,061
Internal balances	(26,514)	26,514	
Prepaid costs	871		871
Restricted:			
Cash and cash equivalents		727,922	727,922
<b>Total Current assets</b>	<b>6,740,359</b>	<b>5,048,939</b>	<b>11,789,298</b>
<b>Capital assets:</b>			
Non-depreciable capital assets	1,978,290	3,801,666	5,779,956
Depreciable capital assets, net	38,198,414	37,197,798	75,396,212
<b>Total Noncurrent assets</b>	<b>40,176,704</b>	<b>40,999,464</b>	<b>81,176,168</b>
<b>Total Assets</b>	<b>46,917,063</b>	<b>46,048,403</b>	<b>92,965,466</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pension related	155,234		155,234
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	424,100	1,050,312	1,474,412
Customer deposits	30,490	143,200	173,690
<b>Total current liabilities</b>	<b>454,590</b>	<b>1,193,512</b>	<b>1,648,102</b>
<b>Long-term liabilities:</b>			
Due within one year	8,981		8,981
Due in more than one year	80,826		80,826
Net pension liability	202,236		202,236
<b>Total long-term liabilities</b>	<b>292,043</b>		<b>292,043</b>
<b>Total Liabilities</b>	<b>746,633</b>	<b>1,193,512</b>	<b>1,940,145</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflow - pension items	8,874		8,874
<b>Net Position</b>			
Investment in capital assets	40,176,704	40,999,464	81,176,168
Restricted for:			
Municipal court	91,219		91,219
Regional park	1,473,709		1,473,709
Water and sewer construction		727,922	727,922
Unrestricted	4,575,158	3,127,505	7,702,663
<b>Total Net Position</b>	<b>\$ 46,316,790</b>	<b>\$ 44,854,891</b>	<b>\$ 91,171,681</b>

See Notes To Basic Financial Statements.

<b>Component Units</b>	
<b>Fulshear Development Corporation</b>	<b>City of Fulshear Development Corporation</b>
\$ 909,663	\$ 768,224
67,226	64,953
<u>976,889</u>	<u>833,177</u>
<u>976,889</u>	<u>833,177</u>
800	23,779
<u>800</u>	<u>23,779</u>
<u>800</u>	<u>23,779</u>
<u>976,089</u>	<u>809,398</u>
<u>\$ 976,089</u>	<u>\$ 809,398</u>

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2016*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,579,727	\$	\$	\$ 222,000
Permits and Inspections	322,415	2,396,980		
Public safety	1,669,998	170,117	28,133	
Public works	2,150,127	666,506		15,343,852
<b>Total governmental activities</b>	<b>6,722,267</b>	<b>3,233,603</b>	<b>28,133</b>	<b>15,565,852</b>
<b>Business-Type Activities:</b>				
Water and Sewer Operations	4,671,213	4,468,483		5,642,980
<b>Total Primary Government</b>	<b>\$ 11,393,480</b>	<b>\$ 7,702,086</b>	<b>\$ 28,133</b>	<b>\$ 21,208,832</b>
<b>Component Units</b>				
City of Fulshear Development Corporation	\$ 118,705	\$	\$	\$
Fulshear Development Corporation	102,559			
<b>Total component units</b>	<b>\$ 221,264</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**General revenues:**

Taxes:

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

Transfers

**Total general revenues**

Change in net position

**Net Position - beginning**

**Net Position - ending**

*See Notes to Basic Financial Statements.*

<b>Net Revenue (Expense) and Changes in Net Position</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Fulshear Development Corporation</b>	<b>City of Fulshear Development Corporation</b>
\$ (2,357,727)	\$	\$ (2,357,727)		
2,074,565		2,074,565		
(1,471,748)		(1,471,748)		
13,860,231		13,860,231		
<u>12,105,321</u>		<u>12,105,321</u>		
	5,440,250	5,440,250		
<u>12,105,321</u>	<u>5,440,250</u>	<u>17,545,571</u>		
			\$ (118,705)	\$
				<u>(102,559)</u>
			<u>(118,705)</u>	<u>(102,559)</u>
1,574,219		1,574,219		
689,508		689,508	333,467	333,467
384,885		384,885		
21,867	13,814	35,681	2,756	986
115,358		115,358		
<u>(1,270,494)</u>	<u>1,270,494</u>			
<u>1,515,343</u>	<u>1,284,308</u>	<u>2,799,651</u>	<u>336,223</u>	<u>334,453</u>
13,620,664	6,724,558	20,345,222	217,518	231,894
32,696,126	38,130,333	70,826,459	758,571	577,504
<u>\$ 46,316,790</u>	<u>\$ 44,854,891</u>	<u>\$ 91,171,681</u>	<u>\$ 976,089</u>	<u>\$ 809,398</u>

**CITY OF FULSHEAR, TEXAS****BALANCE SHEET****GOVERNMENTAL FUNDS***September 30, 2016*

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,124,345	\$ 2,794,261	\$ 5,918,606
Investments	235,001	239,588	474,589
Receivables, net	371,671	1,136	372,807
Due from other funds		994	994
Prepaid items	871		871
<b>Total Assets</b>	<u>\$ 3,731,888</u>	<u>\$ 3,035,979</u>	<u>\$ 6,767,867</u>
<b>Liabilities</b>			
Accounts payable	\$ 322,368	\$ 30,873	\$ 353,241
Accrued expenditures	70,859		70,859
Due to other funds	27,508		27,508
Customer deposits	30,490		30,490
<b>Total Liabilities</b>	<u>451,225</u>	<u>30,873</u>	<u>482,098</u>
<b>Deferred Inflows of Resources</b>			
Unavailable taxes	<u>74,659</u>		<u>74,659</u>
<b>Fund balances</b>			
Restricted for:			
Regional Park		1,473,709	1,473,709
Municipal Court		91,219	91,219
Committed		1,440,178	1,440,178
Unassigned	3,206,004		3,206,004
<b>Total Fund Balances</b>	<u>3,206,004</u>	<u>3,005,106</u>	<u>6,211,110</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 3,731,888</u>	<u>\$ 3,035,979</u>	<u>\$ 6,767,867</u>

*See Notes to Basic Financial Statements.*



**CITY OF FULSHEAR, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION  
September 30, 2016**

Total fund balance, governmental funds \$ 6,211,110

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 40,176,704

Uncollected long-term receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 65,785

Outflows of resources relating to pension plan activity are recognized as expenditures in the governmental fund financial statements when payments are made but are reported as deferred in the governmental activities of the statement of net position. 155,234

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

Accrued compensated absences (89,807)  
Net pension liability (202,236)

Net Position of Governmental Activities in the Statement of Net Position \$ 46,316,790

*See Notes to Basic Financial Statements.*

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes:			
Property	\$ 1,556,311	\$	\$ 1,556,311
Sales	689,508		689,508
Franchise taxes	361,528		361,528
Public improvement fees	216,099		216,099
Licenses and permits	1,731,465		1,731,465
Charges for services	1,129,918		1,129,918
Fines and forfeitures	137,833	32,459	170,292
Investment earnings	16,940	4,927	21,867
Other revenues	156,027	225,000	381,027
<b>Total Revenues</b>	<u>5,995,629</u>	<u>262,386</u>	<u>6,258,015</u>
<b>Expenditures</b>			
Current:			
General administration	2,636,771	76,162	2,712,933
Permits and Inspections	297,752		297,752
Public safety	1,575,354	3,937	1,579,291
Public works	740,437		740,437
Capital Outlay		539,920	539,920
<b>Total Expenditures</b>	<u>5,250,314</u>	<u>620,019</u>	<u>5,870,333</u>
Revenues over (under) expenditures	<u>745,315</u>	<u>(357,633)</u>	<u>387,682</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in		1,707,760	1,707,760
Transfers out	(2,978,254)		(2,978,254)
<b>Total other financing sources (uses)</b>	<u>(2,978,254)</u>	<u>1,707,760</u>	<u>(1,270,494)</u>
Net Changes in Fund Balances	(2,232,939)	1,350,127	(882,812)
<b>Fund Balances - beginning of year</b>	<u>5,438,943</u>	<u>1,654,979</u>	<u>7,093,922</u>
<b>Fund Balances - end of year</b>	<u>\$ 3,206,004</u>	<u>\$ 3,005,106</u>	<u>\$ 6,211,110</u>

*See Notes to Basic Financial Statements.*

**CITY OF FULSHEAR, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Net change in fund balances - total governmental funds: \$ (882,812)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$278,000 was exceeded by depreciation of \$1,131,972 in the current period. (853,972)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Governmental activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold. (18,609)

Contributions of capital assets by developers are not reported in the governmental fund financial statements as they do not represent a flow of current resources. 15,343,852

Governmental funds do not present revenues (property taxes and franchise fees that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 41,265

Governmental funds report the payment of pension contributions as an expenditure. In contrast, the statement of activities treats such payments as a reduction in net pension liability. 105,268

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences (15,223)  
Pension expense (99,105)

Change in net position of governmental activities \$ 13,620,664

*See Notes to Basic Financial Statements.*

**CITY OF FULSHEAR, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

September 30, 2016

	<b>Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 729,209	\$ 2,914,040	\$ 3,643,249
Accounts receivable, net	191,730	459,524	651,254
Due from other funds	6,495	20,019	26,514
Restricted assets:			
Cash and cash equivalents	727,922		727,922
<b>Total current assets</b>	<b>1,655,356</b>	<b>3,393,583</b>	<b>5,048,939</b>
<b>Noncurrent assets:</b>			
Capital assets:			
Land	60,292	465,790	526,082
Construction in progress	1,723,632	1,551,952	3,275,584
Infrastructure	3,579,403	35,530,464	39,109,867
Buildings	612,278	3,385,775	3,998,053
Equipment	81,617	25,276	106,893
Less accumulated depreciation	(2,928,142)	(3,088,873)	(6,017,015)
<b>Total noncurrent assets</b>	<b>3,129,080</b>	<b>37,870,384</b>	<b>40,999,464</b>
<b>Total Assets</b>	<b>\$ 4,784,436</b>	<b>\$ 41,263,967</b>	<b>\$ 46,048,403</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 385,104	\$ 665,208	\$ 1,050,312
Customer deposits	18,270	124,930	143,200
<b>Total Liabilities</b>	<b>403,374</b>	<b>790,138</b>	<b>1,193,512</b>
<b>Net Position</b>			
Investment in capital assets	3,129,080	37,870,384	40,999,464
Restricted for:			
Water and sewer construction	727,922		727,922
Unrestricted	524,060	2,603,445	3,127,505
<b>Total Net Position</b>	<b>\$ 4,381,062</b>	<b>\$ 40,473,829</b>	<b>\$ 44,854,891</b>

See Notes to Basic Financial Statements.

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2016**

	<b>Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	
<b>Operating Revenues</b>			
Charges for sales and services	\$ 899,394	\$ 3,569,089	\$ 4,468,483
<b>Operating Expenses</b>			
Contractual services	257,991	659,651	917,642
Other operating	378,881	1,680,177	2,059,058
Capital outlay	49,898	257,741	307,639
Utilities	45,463	140,051	185,514
Bad debt expense	1,625	282,380	284,005
Depreciation	106,882	810,473	917,355
	<u>840,740</u>	<u>3,830,473</u>	<u>4,671,213</u>
<b>Operating income (loss)</b>	<u>58,654</u>	<u>(261,384)</u>	<u>(202,730)</u>
<b>Non-Operating Revenues</b>			
Investment earnings	4,903	8,911	13,814
<b>Total Non-Operating Revenues</b>	<u>4,903</u>	<u>8,911</u>	<u>13,814</u>
Income (loss) before transfers and capital contributions	63,557	(252,473)	(188,916)
Transfers in	1,270,494		1,270,494
Capital contributions		5,642,980	5,642,980
Change in Net Position	1,334,051	5,390,507	6,724,558
<b>Total Net Position - beginning of year</b>	<u>3,047,011</u>	<u>35,083,322</u>	<u>38,130,333</u>
<b>Total Net Position - end of year</b>	<u>\$ 4,381,062</u>	<u>\$ 40,473,829</u>	<u>\$ 44,854,891</u>

*See Notes to Basic Financial Statements.*

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2016

	<b>Enterprise Funds</b>		
	<b>Fulshear Facility</b>	<b>CCR Facility</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 802,917	\$ 3,529,591	\$ 4,332,508
Payments to suppliers	(408,590)	(2,323,128)	(2,731,718)
<b>Net cash provided by operating activities</b>	<u>394,327</u>	<u>1,206,463</u>	<u>1,600,790</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers from other funds	1,270,494		1,270,494
Transfers to other funds	(6,495)	(20,019)	(26,514)
<b>Net cash used by noncapital financing activities</b>	<u>1,263,999</u>	<u>(20,019)</u>	<u>1,243,980</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of and construction of capital assets	(1,723,632)	(1,551,952)	(3,275,584)
<b>Net cash used by capital and related financing activities</b>	<u>(1,723,632)</u>	<u>(1,551,952)</u>	<u>(3,275,584)</u>
<b>Cash Flows From Investing Activities</b>			
Investment earnings	4,903	8,911	13,814
<b>Net cash used by investing activities</b>	<u>4,903</u>	<u>8,911</u>	<u>13,814</u>
Net increase (decrease) in cash and cash equivalents	(60,403)	(356,597)	(417,000)
<b>Cash and cash equivalents - beginning of year</b>	<u>1,517,534</u>	<u>3,270,637</u>	<u>4,788,171</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,457,131</u>	<u>\$ 2,914,040</u>	<u>\$ 4,371,171</u>
Unrestricted cash and cash equivalents	\$ 729,209	\$ 2,914,040	\$ 3,643,249
Restricted cash and cash equivalents	727,922		727,922
<b>Total cash and cash equivalents</b>	<u>\$ 1,457,131</u>	<u>\$ 2,914,040</u>	<u>\$ 4,371,171</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating Income	\$ 58,654	\$ (261,384)	\$ (202,730)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	106,882	810,473	917,355
(Increase) decrease in accounts receivable	(94,846)	214,945	120,099
Increase (decrease) in accounts payable	323,643	414,492	738,135
Increase (decrease) in customer deposits	(6)	27,937	27,931
<b>Net cash provided by operating activities</b>	<u>\$ 394,327</u>	<u>\$ 1,206,463</u>	<u>\$ 1,600,790</u>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets	<u>\$</u>	<u>\$ 5,642,980</u>	<u>\$ 5,642,980</u>

See Notes to Basic Financial Statements.

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

**Note 1 - Organization**

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The City of Fulshear Development Corporation and the Fulshear Development Corporation, although legally separate, are considered discretely presented component units and are part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Units**

**City of Fulshear Development Corporation**

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

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

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

**Fulshear Development Corporation**

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

The component units are reported in separate columns to emphasize that they are legally separate from the City. In the event of dissolution, net position of the CDC and the FDC shall be conveyed back to the City. The operations of these component units are presented as governmental fund types and cover the year ended September 30, 2016.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of net position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the internal service fund are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

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



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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

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

The City reports the following major governmental fund:

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

*Proprietary Fund Types*

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

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

**Enterprise Funds**

The enterprise funds are used to account for the operations that provide water and wastewater collection, wastewater treatment operations and solid waste collection and disposal. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The Fulshear facility fund is utilized to supply the City and surrounding developments with water, sewer, and sanitation services. The Cross Creek Ranch facility fund is utilized to supply the Cross Creek Ranch development with water, sewer, and sanitation services. The Fulshear facility and Cross Creek Ranch facility funds are considered major funds for reporting purposes.

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

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

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

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

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

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

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

**D. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

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

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

**E. Investments**

The City reports all investments at fair value based on quoted market prices at year-end date. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

**F. General Property Taxes**

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

**G. Due to and from Other Funds**

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

**H. Capital Assets**

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

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

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

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

**H. Capital Assets (continued)**

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

<u>Asset Description</u>	
Buildings	20 to 50 Years
Improvements other than buildings	5 to 50 Years
Machinery and equipment	5 to 10 Years
Water and sewer system	20 to 50 Years
Infrastructure	30 to 50 Years

**I. Compensated Absences**

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

**J. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

**K. Long-Term Obligations**

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

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported for the City in the government-wide financial statement of net position. This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual actuarial experiences and the differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 8.6198 years for the City plan. Differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period.

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

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

**L. Deferred Outflows/Inflows of Resources (continued)**

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has one item that qualifies for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N. Fund Equity**

As of September 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

*Committed* – amounts constrained for specific purposes as determined by the City itself, using the highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

*Unassigned* - all other spendable amounts.

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

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

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

**O. Net Position**

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

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

**P. New Accounting Standards**

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

- GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

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

**Note 3 - Deposits and Investments**

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

At September 30, 2016, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturities (Days)</b>
Certificates of deposit	\$ 474,589	89
Texas CLASS public funds investment pool *	5,520,230	62
Total Fair Value	<u>\$ 5,994,819</u>	64

\* Credit rating of AAAM by Standard & Poors

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

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. At September 30, 2016, cash deposits and certificate of deposit of the City, the City of Fulshear Development Corporation, and the Fulshear Development Corporation were entirely covered by FDIC insurance and collateralizing securities

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

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

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

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

**Note 3 - Deposits and Investments (continued)**

to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

**Note 4 - Receivables**

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2016, are as follows:

	<u>General Fund</u>	<u>Regional Park Fund</u>	<u>Fulshear Facility</u>	<u>CCR Facility</u>	<u>Total</u>
Property taxes	\$ 71,572	\$	\$	\$	\$ 71,572
Other taxes	167,439				167,439
Customer Accounts			197,998	741,904	939,902
Other	156,405	1,136			157,541
	<u>395,416</u>	<u>1,136</u>	<u>197,998</u>	<u>741,904</u>	<u>1,336,454</u>
Less: allowance for uncollectibles	<u>(23,745)</u>		<u>(6,268)</u>	<u>(282,380)</u>	<u>(312,393)</u>
	<u>\$ 371,671</u>	<u>\$ 1,136</u>	<u>\$ 191,730</u>	<u>\$ 459,524</u>	<u>\$ 1,024,061</u>

**Note 5 - Interfund Balances and Transfers**

Interfund balances at September 30, 2016, were as follows:

<u>Payable Fund</u>	<u>Receivable Funds</u>			<u>Totals</u>
	<u>Non-major Funds</u>	<u>Fulshear Facility</u>	<u>CCR Facility Fund</u>	
General Fund	\$ 994	\$ 6,495	\$ 20,019	\$ 27,508
	<u>\$ 994</u>	<u>\$ 6,495</u>	<u>\$ 20,019</u>	<u>\$ 27,508</u>

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

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General fund	Capital Projects	\$ 1,707,760
General fund	Fulshear Facility	1,270,494
		<u>\$ 2,978,254</u>

The general fund made transfers to the Capital Projects for infrastructure and public works expenditures.

Transfers to the Fulshear facility enterprise fund have been made for continuous expansion of water and waste water treatment plants and water meter projects.



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

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 920,650	\$ 1,057,640	\$	\$ 1,978,290
<b>Total capital assets, not being depreciated</b>	<u>920,650</u>	<u>1,057,640</u>	<u></u>	<u>1,978,290</u>
Other capital assets:				
Buildings and improvements	983,616	14,616		998,232
Machinery and equipment	1,123,073		(60,553)	1,062,520
Infrastructure	27,538,675	14,549,597		42,088,272
<b>Total other capital assets</b>	<u>29,645,364</u>	<u>14,564,213</u>	<u>(60,553)</u>	<u>44,149,024</u>
Less accumulated depreciation for:				
Buildings and improvements	(453,887)	(50,962)		(504,849)
Machinery and equipment	(498,363)	(163,054)	41,943	(619,474)
Infrastructure	(3,908,331)	(917,956)		(4,826,287)
<b>Total accumulated depreciation</b>	<u>(4,860,581)</u>	<u>(1,131,972)</u>	<u>41,943</u>	<u>(5,950,610)</u>
<b>Total other capital assets , net</b>	<u>24,784,783</u>	<u>13,432,241</u>	<u>(18,610)</u>	<u>38,198,414</u>
<b>Governmental Activities</b>				
Capital Assets, Net	<u>\$ 25,705,433</u>	<u>\$ 14,489,881</u>	<u>\$ (18,610)</u>	<u>\$ 40,176,704</u>

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

<b>Governmental Activities</b>	
General government	\$ 101,886
Public safety	81,437
Permits	22,384
Public works	<u>926,265</u>
<b>Total depreciation expense - governmental activities</b>	<u>\$ 1,131,972</u>

Additions to the governmental activities capital assets for the 2016 fiscal year include approximately \$14.5 million of streets and other infrastructure relating to developer contributions. In addition, the City obtained donated land in the amount of \$296,900 and recorded right-of-way as a contribution in the amount of approximately \$760,000.

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

**Note 6 - Capital Assets (continued)**

A summary of changes in capital assets for business-type activities as of September 30, 2016, is as follows:

	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 526,082	\$	\$	\$ 526,082
Construction in progress	701,350	3,275,584	(701,350)	3,275,584
<b>Total capital assets, not being depreciated</b>	<b>1,227,432</b>	<b>3,275,584</b>	<b>(701,350)</b>	<b>3,801,666</b>
Other capital assets:				
Buildings	110,372			110,372
Machinery and equipment	106,893			106,893
Water and sewer system	36,653,218	6,344,330		42,997,548
<b>Total other capital assets</b>	<b>36,870,483</b>	<b>6,344,330</b>		<b>43,214,813</b>
Less accumulated depreciation for:				
Buildings	(74,853)	(2,760)		(77,613)
Machinery and equipment	(70,719)	(10,689)		(81,408)
Water and sewer system	(4,954,088)	(903,906)		(5,857,994)
<b>Total accumulated depreciation</b>	<b>(5,099,660)</b>	<b>(917,355)</b>		<b>(6,017,015)</b>
<b>Total other capital assets , net</b>	<b>31,770,823</b>	<b>5,426,975</b>		<b>37,197,798</b>
<b>Total business-type activities</b>	<b>\$ 32,998,255</b>	<b>\$ 8,702,559</b>	<b>\$ (701,350)</b>	<b>\$ 40,999,464</b>

Depreciation was charged to business-type functions as follows:

<b>Business-Type Activities</b>	
Fulshear facility fund	\$ 106,882
Cross Creek Ranch facility fund	810,473
<b>Total business-type activities depreciation expense</b>	<b>\$ 917,355</b>

Construction in progress for various projects as of September 30, 2016, is as follows:

<b>Project Description</b>	<b>Authorized Contracts</b>	<b>Total in Progress</b>	<b>Remaining Commitment</b>
Meter Replacement Program - Siemens	\$ 2,028,696	\$ 1,825,826	\$ 202,870
Water Well	229,000	218,398	10,602
Elevated Water Tower	625,100	613,550	11,550
Water Plant Improvements	677,150	617,810	59,340
<b>Total Construction in Progress</b>	<b>\$ 3,559,946</b>	<b>\$ 3,275,584</b>	<b>\$ 284,362</b>

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

**Note 7 - Long-Term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 74,584	\$ 95,980	\$ (80,757)	\$ 89,807	\$ 8,981
<b>Governmental Activities</b>	<u>\$ 74,584</u>	<u>\$ 95,980</u>	<u>\$ (80,757)</u>	<u>\$ 89,807</u>	<u>\$ 8,981</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are liquidated by the general fund.

**Note 8 - Employee Retirement System**

*Texas Municipal Retirement System*

**Plan Description and Provisions**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

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

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

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

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

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

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	Ad hoc

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>35</u>
	<u>47</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 4.70% for the months in 2015 and 4.93% for the months in 2016.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

**Actuarial Assumptions (continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non core fixed Incom	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
	<u>100%</u>	

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

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

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

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

	<b>1% Decrease 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
Total Pension Liability	\$ 761,005	\$ 648,746	\$ 557,075
Plan Fiduciary Net Position	446,510	446,510	446,510
Net Pension Liability	<u>\$ 314,495</u>	<u>\$ 202,236</u>	<u>\$ 110,565</u>

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Beginning Balance	\$ 454,539	\$ 295,014	\$ 159,525
Service Cost	156,945		156,945
Interest (on the Total Pension Liability)	36,771		36,771
Changes of benefit terms			
Difference between expected and actual experience	(9,944)		(9,944)
Changes of assumptions	25,851		25,851
Contributions – employer		80,804	(80,804)
Contributions – employee		85,950	(85,950)
Net investment income		436	(436)
Administrative Expense		(265)	265
Other		(13)	13
Benefit payments, including refunds of employee contributions	(15,416)	(15,416)	
Ending Balance	<u>\$ 648,746</u>	<u>\$ 446,510</u>	<u>\$ 202,236</u>

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

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

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$99,105.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,597	\$ 8,874
Difference in assumption changes	23,068	
Difference between projected and actual earnings	17,455	
Pension contributions made after measurement date	78,113	
	<u>\$ 155,233</u>	<u>\$ 8,874</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the city’s financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 11,712
2018	11,712
2019	11,711
2020	11,284
2021	7,241
2022	7,241
2023	5,139
2024	1,712
2025	494
	<u>\$ 68,246</u>

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

**Note 9 – Supplemental Death Benefits**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the fiscal year 2016 was \$2,720 which equaled the required contribution amount.

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**Note 11 - Regional Park Fund**

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

Similar agreements were signed with TMI, Inc., Fulshear Land Investment Partners, LTD., and Tamarron, L.P., excluding the five year utilization clause. During the year ended September 30, 2016, the City received \$222,000 in regional park fees. Since the inception of the agreements, the City has received \$1,653,983. During the year ended September 30, 2016, the City expended \$61,875 of regional park contributions received on park maintenance and beautification. As of September 30, 2016, the City has restricted net position of \$1,473,709 related to regional park fees.



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

**Note 12 - Developer Contributions Business-type Activities**

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

At September 30, 2016, the Fulshear enterprise fund had restricted net position of \$727,922 from these contributions.

**Note 13 – Developer Agreement**

The City's development agreements with two master planned communities state that the city rebate all but \$0.10 of the ad valorem tax rate without the clarification between maintenance and operation tax rate and the interest and sinking tax rate. During the current fiscal year, the City's rebate totaled \$482,653.

Because these communities represents approximately 95% of the total valuation of the city it was important for the city to issue debt without having to rebate the interest and sinking tax rate amount. Subsequent to year end, the City proceeded through legal channels to issue debt with the debt service to be paid with interest and sinking taxes. As a result of the courts approving the city's position the City currently plans to issue Certificates of Obligation for transportation projects in fiscal year 2017.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FULSHEAR, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

*For the Year Ended September 30, 2016*

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>				
Taxes:				
Property	\$ 1,299,509	\$ 1,299,509	\$ 1,556,311	\$ 256,802
Sales	806,000	806,000	689,508	(116,492)
Franchise	295,548	295,548	361,528	65,980
Public improvement fees	350,000	350,000	216,099	(133,901)
Licenses and permits	1,766,800	1,766,800	1,731,465	(35,335)
Charges for services	1,772,344	1,772,344	1,129,918	(642,426)
Fines and forfeitures	189,922	189,922	137,833	(52,089)
Investment earnings	4,800	4,800	16,940	12,140
Other revenues	234,000	234,000	156,027	(77,973)
<b>Total Revenues</b>	<u>6,718,923</u>	<u>6,718,923</u>	<u>5,995,629</u>	<u>(723,294)</u>
<b>Expenditures</b>				
Current:				
General government	3,117,287	3,117,287	2,636,771	(480,516)
Permits and inspections	865,091	865,091	297,752	(567,339)
Public works	1,048,526	1,048,526	740,437	(308,089)
Public safety	1,793,112	1,793,112	1,575,354	(217,758)
<b>Total Expenditures</b>	<u>6,824,016</u>	<u>6,824,016</u>	<u>5,250,314</u>	<u>(1,573,702)</u>
<b>Revenues over (under) expenditures</b>	(105,093)	(105,093)	745,315	850,408
<b>Other Financing Sources (Uses)</b>				
Transfers out	(2,978,254)	(2,978,254)	(2,978,254)	
<b>Total other financing sources (uses)</b>	<u>(2,978,254)</u>	<u>(2,978,254)</u>	<u>(2,978,254)</u>	
Changes in fund balance	(3,083,347)	(3,083,347)	(2,232,939)	850,408
<b>Fund Balance - Beginning of Year</b>	<u>5,438,943</u>	<u>5,438,943</u>	<u>5,438,943</u>	
<b>Fund Balance - End of Year</b>	<u>\$ 2,355,596</u>	<u>\$ 2,355,596</u>	<u>\$ 3,206,004</u>	<u>\$ 850,408</u>

**CITY OF FULSHEAR, TEXAS**  
***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***  
***For the year ended September 30, 2016***

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

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

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

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

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

**CITY OF FULSHEAR, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

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

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

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF FULSHEAR, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

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

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

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

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## **OTHER SUPPLEMENTAL INFORMATION**

**CITY OF FULSHEAR, TEXAS**  
**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<u>Capital Projects</u>	<u>Regional Park</u>	<u>Municipal Court</u>	<u>Total Nonmajor Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,460,870	\$ 1,243,166	\$ 90,225	\$ 2,794,261
Investments		239,588		239,588
Receivables, net		1,136		1,136
Due from other funds			994	994
<b>Total Assets</b>	<u>\$ 1,460,870</u>	<u>\$ 1,483,890</u>	<u>\$ 91,219</u>	<u>\$ 3,035,979</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 20,692</u>	<u>\$ 10,181</u>	<u>\$</u>	<u>\$ 30,873</u>
<b>Total Liabilities</b>	<u>20,692</u>	<u>10,181</u>	<u></u>	<u>30,873</u>
<b>Fund balances</b>				
Restricted for:				
Regional Park		1,473,709		1,473,709
Municipal Court			91,219	91,219
Committed	<u>1,440,178</u>			<u>1,440,178</u>
<b>Total Fund Balances</b>	<u>1,440,178</u>	<u>1,473,709</u>	<u>91,219</u>	<u>3,005,106</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,460,870</u>	<u>\$ 1,483,890</u>	<u>\$ 91,219</u>	<u>\$ 3,035,979</u>

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Capital Projects</u>	<u>Regional Park</u>	<u>Municipal Court</u>	<u>Total Nonmajor Funds</u>
<b>Revenues</b>				
Fines and forfeitures	\$	\$	\$ 32,459	\$ 32,459
Investment earnings	1,137	3,417	373	4,927
Other revenues		222,000	3,000	225,000
<b>Total Revenues</b>	<u>1,137</u>	<u>225,417</u>	<u>35,832</u>	<u>262,386</u>
<b>Expenditures</b>				
Current:				
General administration	14,287	61,875		76,162
Public safety			3,937	3,937
Capital Outlay	<u>525,545</u>	<u>12,000</u>	<u>2,375</u>	<u>539,920</u>
<b>Total Expenditures</b>	<u>539,832</u>	<u>73,875</u>	<u>6,312</u>	<u>620,019</u>
Revenues over (under) expenditures	<u>(538,695)</u>	<u>151,542</u>	<u>29,520</u>	<u>(357,633)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,707,760</u>			<u>1,707,760</u>
Net Changes in Fund Balances	1,169,065	151,542	29,520	1,350,127
<b>Fund Balances - beginning of year</b>	<u>271,113</u>	<u>1,322,167</u>	<u>61,699</u>	<u>1,654,979</u>
<b>Fund Balances - end of year</b>	<u>\$ 1,440,178</u>	<u>\$ 1,473,709</u>	<u>\$ 91,219</u>	<u>\$ 3,005,106</u>

**CITY OF FULSHEAR, TEXAS**  
**BALANCE SHEET AND STATEMENT OF NET POSITION**  
**DISCRETELY PRESETNED COMPONENT UNITS**  
*September 30, 2016*

	<b>Fulshear Development Corporation</b>		
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 509,653	\$ 150,010	\$ 659,663
Investments	252,273		252,273
Receivables, net	64,953		64,953
<b>Total Assets</b>	<b>\$ 826,879</b>	<b>\$ 150,010</b>	<b>\$ 976,889</b>
<b>Liabilities</b>			
Accounts payable	\$ 800	\$	\$ 800
<b>Total Liabilities</b>	<b>800</b>		<b>800</b>
<b>Fund balances</b>			
Restricted for:			
Economic Development	826,079	150,010	976,089
<b>Total Fund Balances</b>	<b>826,079</b>	<b>150,010</b>	<b>976,089</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 826,879</b>	<b>\$ 150,010</b>	<b>\$ 976,889</b>
<b>Net position of component units</b>			<b>\$ 976,089</b>

**City of Fulshear Development Corporation**

<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 368,214	\$ 150,010	\$ 518,224
250,000		250,000
64,953		64,953
<u>\$ 683,167</u>	<u>\$ 150,010</u>	<u>\$ 833,177</u>
\$ 23,779	\$	\$ 23,779
<u>23,779</u>		<u>23,779</u>
<u>659,388</u>	<u>150,010</u>	<u>809,398</u>
<u>659,388</u>	<u>150,010</u>	<u>809,398</u>
<u>\$ 683,167</u>	<u>\$ 150,010</u>	<u>\$ 833,177</u>
		<u>\$ 809,398</u>

**CITY OF FULSHEAR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES AND NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended September 30, 2016**

	<b>Fulshear Development Corporation</b>		
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes:			
Sales	\$ 333,467	\$	\$ 333,467
Investment earnings	2,746	10	2,756
<b>Total Revenues</b>	<u>336,213</u>	<u>10</u>	<u>336,223</u>
<b>Expenditures</b>			
Current:			
General administration	118,705		118,705
<b>Total Expenditures</b>	<u>118,705</u>		<u>118,705</u>
Revenues over (under) expenditures	<u>217,508</u>	<u>10</u>	<u>217,518</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in		150,000	150,000
Transfers out	(150,000)		(150,000)
<b>Total other financing sources (uses)</b>	<u>(150,000)</u>	<u>150,000</u>	
Net Changes in Fund Balances	67,508	150,010	217,518
<b>Fund Balances - beginning of year</b>	<u>758,571</u>		<u>758,571</u>
<b>Fund Balances - end of year</b>	<u>\$ 826,079</u>	<u>\$ 150,010</u>	<u>\$ 976,089</u>
<b>Changes in Net Position of Component Units</b>			<u>\$ 217,518</u>

**City of Fulshear Development Corporation**

<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 333,467	\$	\$ 333,467
976	10	986
<u>334,443</u>	<u>10</u>	<u>334,453</u>
102,559		102,559
<u>102,559</u>		<u>102,559</u>
231,884	10	231,894
	150,000	150,000
(150,000)		(150,000)
<u>(150,000)</u>	<u>150,000</u>	
81,884	150,010	231,894
577,504		577,504
<u>577,504</u>		<u>577,504</u>
\$ 659,388	\$ 150,010	\$ 809,398
		<u><u>\$ 231,894</u></u>