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CITY OF SUGAR LAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2011



CITY OF SUGAR LAND, TEXAS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2011**

Officials Issuing Report

**Allen Bogard
City Manager**

**Karen Glynn
Karen Daly
Steve Griffith
Assistant City Managers**

**Alka B. Shah
Chief Accountant**

MAYOR AND CITY COUNCIL MEMBERS



Front Row:

Jacqueline Baly Chaumette – At-Large, Position Two
James A. Thompson – Mayor

Back Row:

Bridget Yeung – District Two
Thomas Abraham – At-Large, Position One
Donald L. Smithers – District One
Amy Mitchell – District Three
Harish Jajoo – District Four

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Introductory Section

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CITY OF SUGAR LAND

February 7, 2012

Honorable Mayor James Thompson and
Members of the City Council
City of Sugar Land, Texas

Dear Mayor & Council Members

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Null-Lairson, P.C., Certified Public Accountants, have issued an unqualified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Sugar Land, incorporated in 1959, has adopted a Council-Manager form of government. The Council is comprised of a mayor and six council members. The Mayor and two Council members are elected at large, and the remaining four are elected by district. All elected officials serve two-year terms. No person can be elected to more than four consecutive regular two-year terms as mayor or council member. The City Manager is appointed by Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission and the Parks and Recreation Policy Advisory Board meet on a regular basis. Other boards and committees that meet as needed include the Zoning Board of Adjustment, Building Standards Commission, and Animal Control Advisory Board. Specialized committees such as the Mobility Advisory Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City’s success.

PROFILE OF THE GOVERNMENT (continued)

A full range of municipal services is provided by the City of Sugar Land including public safety (police, fire, dispatch and emergency management); water and wastewater utilities; planning; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal control; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), Imperial Redevelopment District (TIRZ 3) and Sugar Land Tax Increment Reinvestment Zone No. 4 (TIRZ 4) are considered to meet the criteria of component units. The SL4B, TIRZ 1, TIRZ 3 and TIRZ 4 have been included in the report as discretely presented component units. The SLDC has been included with the special revenue funds as it is treated as a blended component unit. The SLDC and the SL4B Corporations were created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City. TIRZ 1 was created in December 1998 and TIRZ 3 was created in December 2007 for the purposes of development and redevelopment in the Zone Area. TIRZ 4 was created in December 2009 for the purposes of development and redevelopment in the Zone Area. The City participates in each Zone by contributing tax increments produced in the Zone to the Tax Increment Fund.

LOCAL ECONOMY

In 2011, the economic conditions in the City began to turn around from the downturn seen in the previous year. Residential development within the City held steady with a slight increase of 10 permits from the 422 issued in the prior year. Commercial development activity picked back up but was led by City-owned projects. Net property valuation in the City held steady, showing a \$50 million increase to \$9.288 billion as of January 1, 2010. However, this increase included new value to the City from the annexation of River Park. This new value was offset by decreases in commercial revaluation across the City as the Central Appraisal District saw record numbers of protested property values. Despite an increase in the effective tax rate (due to the decrease in commercial valuation), the City maintained its tax rate at \$0.30 for the 2011 fiscal year and maintained the residential homestead exemption at 7%.

New single-family housing starts for fiscal year 2011 totaled 432, a 2.3% increase from the prior year, with an average permit value of \$276,795, down 7.3% from the prior year. Development continues in the Telfair and Lake Pointe developments with 415 of the 432 single family permits located in Telfair. A total of 2,470 single family homes have been permitted in Telfair since development began in 2006.

New commercial construction valuation totaled \$105.9 million in value for 21 permits issued; of these permits, 16 were taxable properties with \$35.4 million in construction value, up \$20.4 million from the prior year. Non-taxable commercial construction, which includes activity in the City's extraterritorial jurisdiction and City owned projects, totals \$70.5 million. Approximately \$66.8 million of non-taxable permits were for the City's minor league baseball stadium and surface water treatment plant.

The City saw an increase of approximately 4.5% in fiscal year 2011 sales tax as the economy began to turn around. Sales Tax revenues were budgeted flat from the previous year. The City ended the year better than anticipated; with sales tax revenues totaling \$40.4 million compared to \$37.58 million in the prior year.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The City annually adopts a one-year budget, including a five-year capital improvement program, through its fully coordinated long-range financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the City.

The City has adopted Financial Management Policy Statements (FMPS) that establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health. One benefit of this is reflected in the City's strong bond ratings as further described in Management's Discussion and Analysis.

As identified in the FMPS, a five year forecast has been prepared for each of the major operating funds. In the General Fund, the forecast shows a return to structural balance and a return to normal growth patterns, including the ability to provide merit increases to employees. The Debt Service Fund forecast shows that a dip below the policy requirements for FY12 ending fund balance can be replenished in FY13 and sustained throughout the forecast with a fund balance policy requirement of 10% of annual debt service. In addition, the Debt Service Fund shows capacity for additional debt issuance to support the rehabilitation of existing infrastructure. Both funds lack the capacity to support funding all identified capital projects; even if the Debt Service Fund could support the debt payments, the General Fund does not have the capacity to take on the additional operation & maintenance impacts. In the utility fund, rate adjustments are needed throughout the forecast to maintain self-sufficiency as new improvements are constructed to meet the mandated conversion to surface water.

The forecast outcome is highly dependent on several key assumptions that are based on information available at the time of preparation. A change in one or more of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity for future needs. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Build a funding source for the mandated conversion to surface water in 2013
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Fund the recommended Five-Year CIP and resulting operating expenditures

The City Council elected to maintain the homestead exemption at 7% for the 2011 tax year, with a \$5,000 minimum. According to the City's Financial Management Policy Statements, when the financial health of the City's finances and the economic and market conditions of the local economy justify, an increase may be considered. The 2011 tax roll showed minimal increases to residential values; and since the tax rate adopted was below the effective tax rate, no adjustment was made to the homestead exemption.

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as Public Safety, Parks, Fiscal Services, Community Development and Public Works operations. The General Fund continues to fund all current services throughout the forecast. The forecast includes additions to operating expenditures as identified in the Five Year CIP for FY12-16. Recurring operating expenditures increase by 5.6% from FY12 to FY16 due to additions to the budget for the operating impact of capital projects and growth in personnel costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast due to its return to structural balance in FY12.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES (continued)

The Debt Service Fund is anticipated to fall below policy requirement in FY12 by \$130,890 based on the budgeted ending balance, as the FY12 debt service requirement reaches a peak of \$18.1 million for existing debt obligations. This is due to lost tax revenues in FY11 as the City adopted a tax rate over one cent below the effective tax rate, plus reallocated ½ cent of the tax rate to operations to maintain service levels in FY11. The dip below the policy requirement is recovered in FY13 as the debt service requirements drop by \$1.7 million. The fund balance continues to grow through the forecast while the fund is able to support nearly \$41.8 million in new debt for projects in the five-year CIP.

The City's Five-Year CIP totals \$124.7 million for FY12-FY16 and consists of 128 projects, including 63 carryover projects. Funding sources were identified as capacity was determined in the various financial plans and the timing of projects was adjusted to meet affordability. All projects included in the approved CIP have identified funding sources. However, an additional \$51.3 million in projects that were requested are not funded in the five year CIP. Some projects exceed the available debt capacity, while some have an operating impact that cannot be supported within available resources. The list of unfunded projects is a good starting point for a future General Obligation Bond referendum.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City continues to receive recognitions as a well managed, economically growing city and a good place to live. The City received an upgrade from Standard & Poor's to AAA and now carries a AAA bond rating from both Fitch Ratings and Standard & Poor's. The City joins an elite group of cities in Texas to carry the AAA rating from two rating agencies.

Sugar Land Town Square, a 32-acre, award-winning, mixed-use, public-private development, completed construction of its final two buildings in FY 2010: a six story office building with 160,000 square feet of Class A office space and 15,000 square feet of retail, and a two story building with 18,000 square feet of retail. Sugar Land Town Square is now fully developed and contains a total of approximately 1.4 million square feet.

Lake Pointe Town Center, the 186-acre mixed-use development at State Highway 6 and U.S. 59, rounded out its 180,000-plus square feet of retail space with new tenants, including Post Oak Grill, Azuma Sushi and Robata Bar and Coal Vines. The largest Hyatt Place Hotel built to date also opened its doors in Lake Pointe in November 2010. This upscale, select service hotel features 214 rooms and more than 4,000 square feet of flexible, high-tech meeting and function space.

Construction of the City's minor league baseball stadium began in FY2011. The community vision to bring professional minor league baseball to Sugar Land came about with more than a decade of citizen surveys, parks master plans, City Comprehensive Plans and Economic Development plans, as well as the efforts of a citizen task force. The stadium is funded through a public/private partnership with funding from the Sugar Land 4B Corporation and Opening Day Partners. Opening day is planned for April 26, 2012, when the Sugar Land Skeeters will play their first home game at Constellation Field. The 4B Corporation's \$30-million contribution is funded through sales tax revenues that may only be used for economic development purposes.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued)

Imperial Redevelopment progressed in FY2011, and Sugar Land's public/private partnership with Johnson Development, the Texas General Land Office, Cherokee Investments and the Imperial Sugar Company remains strong. Following the City's selection of the Imperial / Tract 3 site as the preferred location for the minor league baseball stadium, Johnson Development began work with the City on a revised General Plan. The revised plan includes not only the 20-acre stadium tract and 7.5 acre off-site parking lot, but also a business park for the northern portion of the Tract 3 area. Prior to the end of 2010, the City, Johnson Development and the Imperial Redevelopment District were nearing completion on the terms of the First Amendment to the Redevelopment Agreement, which outlines public infrastructure responsibilities and land conveyance items associated with the baseball project. Johnson Development completed Phase 2 demolition of abandoned structures east of Oyster Creek and Phase 3 demolition of two buildings at the refinery site. The City's continued goal is to guide the redevelopment of the Imperial Sugar refinery site to accomplish historic preservation, continued aesthetic/ architectural quality and economic development objectives to create a successful and vibrant community project.

Other accomplishments included:

Sugar Land was again named among America's safest cities and the safest city in Texas, a distinction based on an analysis of FBI crime statistics published by Congressional Quarterly.

Aviation International News again rated Global Select at Sugar Land Regional Airport as one of the top Fixed Based Operators (FBO) in the Western Hemisphere.

The City's multicultural awareness programs were awarded a City Livability Award from the U.S. Conference of Mayors and a Community Sustainability Program Excellence Award from the International City/County Management Association.

The Sugar Land Development Corporation (SLDC) and the Sugar Land 4B Corporation (SL4B) were each awarded a Certificate for Achievement of Economic Excellence at the Texas Economic Development Council's spring 2011 conference.

The Anti-Defamation League recognized Sugar Land for the fourth straight year as a Community of Respect for its ongoing commitment to foster an inclusive and respectful community.

The Parks and Recreation Department was awarded an Arts and Humanitarian Award for the New Year's Eve on the Square celebration by the Texas Recreation and Parks Society.

The City received a Parks and Natural Areas Award from the Houston-Galveston Area Council (H-GAC) in the Planning Category for the Gannoway Park Master Plan.

FINANCIAL MANAGEMENT AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sugar Land for its Comprehensive Annual Financial Report for the year ended September 30, 2010.

This was the twenty-seventh year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2010- September 30, 2011. This was the fifteenth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efforts and dedicated services of the entire staff of the Accounting & Budget & Research Offices. Appreciation is also expressed to City employees throughout the organization, for their commitment to our financial policies & procedures. We also thank the Mayor and members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Allen Bogard, City Manager

CITY OF SUGAR LAND, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2011

City Officials	Elective Position	Term Expires
James A. Thompson	Mayor	2012
Thomas Abraham	Council Member at Large - Position One, Mayor Pro Tem	2012
Jacqueline Baly Chaumette	Council Member at Large - Position Two	2012
Donald L. Smithers	Council Member District One	2013
Bridget Yeung	Council Member District Two	2013
Amy Mitchell	Council Member District Three	2013
Harish Jajoo	Council Member District Four	2013

Key Staff	Position
Allen Bogard	City Manager
Karen Daly	Assistant City Manager
Karen Glynn	Assistant City Manager
Steve Griffith	Assistant City Manager
Alka B. Shah	Chief Accountant
Glenda A. Gundermann	City Secretary
Joe D. Morris	City Attorney
Jim Callaway	Executive Director of Community Development
Juan Adame	Fire Chief
Doug Brinkley	Police Chief

CITY OF SUGAR LAND

EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2011

**CITY OF SUGAR LAND
ORGANIZATIONAL CHART**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sugar Land
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor and Members
of the City Council
City of Sugar Land, Texas

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 City of Sugar Land, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sugar Land, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members
of the City Council
City of Sugar Land, Texas
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and budgetary comparison information on pages 70 through 73 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules and other supplementary information, and budgetary comparison schedules are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the introductory and statistical sections, listed in the foregoing table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Neil Larson, AC". The signature is written in a cursive, flowing style.

Houston, Texas
February 7, 2012

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Sugar Land offers 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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$502.6 million (*net assets*). Of this amount, \$42.6 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$54.9 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$73.3 million, a decrease of \$16.9 million over the prior year. Approximately 35% of this total amount, \$25.4 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 \$25.4 million, or 42% of total general fund expenditures.
- The City's total long-term liabilities increased by \$82.2 million due primarily to issuance of new debt.

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 comprise 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.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, administrative services, public safety, public works, parks and recreation and community development. The business-type activities of the City include utility system and solid waste operations as well as the operations of a regional airport facility.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements (continued)

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

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 19 through 21 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 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison *between governmental funds and governmental activities*.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report, with the three funds relating to debt reduction combined into one fund.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements (continued)

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds 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 utility system and solid waste operations as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

Combining Component Unit Financial Statements

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the 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 31 through 68 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 70 through 73 of this report.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$502.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 87%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. 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.

COMPARATIVE SCHEDULE OF NET ASSETS

September 30, 2011 and 2010

Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 98,231	\$ 105,525	\$ 135,339	\$ 45,090	\$ 233,570	\$ 150,615
Capital assets	330,897	283,929	296,097	274,893	626,994	558,822
Total Assets	<u>429,128</u>	<u>389,454</u>	<u>431,436</u>	<u>319,983</u>	<u>860,564</u>	<u>709,437</u>
Other liabilities	19,384	10,504	11,345	6,164	30,729	16,668
Long-term liabilities	154,473	166,919	172,764	78,162	327,237	245,081
Total Liabilities	<u>173,857</u>	<u>177,423</u>	<u>184,109</u>	<u>84,326</u>	<u>357,966</u>	<u>261,749</u>
Net Assets						
Invested in capital assets, net of related debt	213,684	161,857	224,092	218,494	437,776	380,351
Restricted	14,706	21,535	7,475	6,963	22,181	28,498
Unrestricted	26,882	28,639	15,760	10,200	42,642	38,839
Total Net Assets	<u>\$ 255,272</u>	<u>\$ 212,031</u>	<u>\$ 247,327</u>	<u>\$ 235,657</u>	<u>\$ 502,599</u>	<u>\$ 447,688</u>

An additional portion of the City's net assets (4.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$42.6 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The most significant change in net assets occurred with an increase to net assets invested in capital assets, net of related debt of \$57.4 million due primarily to an increase in capital contributions.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (continued)

COMPARATIVE SCHEDULE OF CHANGES IN NET ASSETS

For the Years Ended September 30, 2011 and 2010

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 11,382	\$ 10,701	\$ 55,245	\$ 43,538	\$ 66,627	\$ 54,239
Operating grants and contributions	1,019	1,481	355	217	1,374	1,698
Capital grants and contributions	42,497	8,421	8,193	12,164	50,690	20,585
General revenues:						
Property taxes	27,540	29,128			27,540	29,128
Sales and use taxes	37,107	34,731			37,107	34,731
Franchise taxes	4,732	4,920			4,732	4,920
Other	1,117	1,317	264	269	1,381	1,586
Total Revenues	<u>125,394</u>	<u>90,699</u>	<u>64,057</u>	<u>56,188</u>	<u>189,450</u>	<u>146,887</u>
Expenses						
General government	11,969	11,951			11,969	11,951
Administrative services	12,721	14,618			12,721	14,618
Public safety - Police	18,095	17,126			18,095	17,126
Public safety - Fire	10,200	10,326			10,200	10,326
Public works	17,028	16,674			17,028	16,674
Parks and recreation	7,264	9,159			7,264	9,159
Community development	4,039	4,073			4,039	4,073
Interest on long-term debt	6,556	5,394			6,556	5,394
Utility			26,487	22,249	26,487	22,249
Solid Waste Management			5,306	5,279	5,306	5,279
Regional Airport			14,874	11,367	14,874	11,367
Total Expenses	<u>87,872</u>	<u>89,321</u>	<u>46,668</u>	<u>38,895</u>	<u>134,539</u>	<u>128,216</u>
Increase (decrease) in net assets before special item and transfers	37,521	1,377	17,389	17,292	54,911	18,670
Special Item - annexation		(13,906)				(13,906)
Transfers	5,719	5,850	(5,719)	(5,850)		
Increase (decrease) in net assets	43,241	(6,678)	11,670	11,442	54,911	4,764
Net assets - beginning	<u>212,031</u>	<u>218,709</u>	<u>235,657</u>	<u>224,215</u>	<u>447,688</u>	<u>442,924</u>
Net assets - ending	<u>\$ 255,272</u>	<u>\$ 212,031</u>	<u>\$ 247,327</u>	<u>\$ 235,657</u>	<u>\$ 502,599</u>	<u>\$ 447,688</u>

The government's net assets increased by approximately \$54.9 million, which was a result of an increase in net assets of both governmental and business-type activities. The increase in net assets of governmental activities was primarily a result of an increase in capital contributions, increase in sales tax revenues and a decrease in expenses. The increase in net assets of business-type activities was primarily a result of increase in charges for services, capital contributions for the regional airport and the annexation of Eldridge Road MUD.

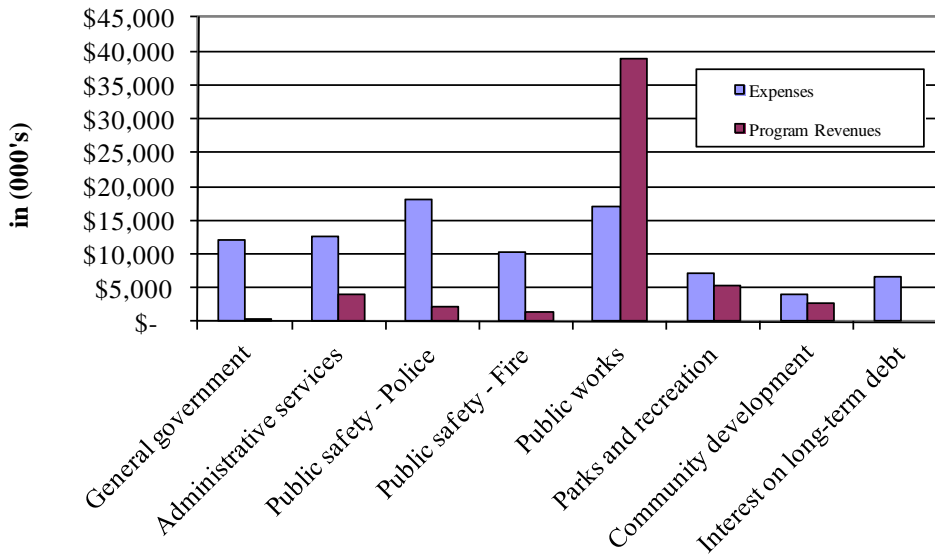
CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net assets by \$43.2 million. Key elements of this increase are as follows:

- An increase in sales & use tax revenues by \$2.4 million.
- An increase in capital grants & contribution by \$34 million consisting primarily of the minor league baseball stadium and an expansion of major thoroughfares.
- Decrease in expenses by \$1.5 million.

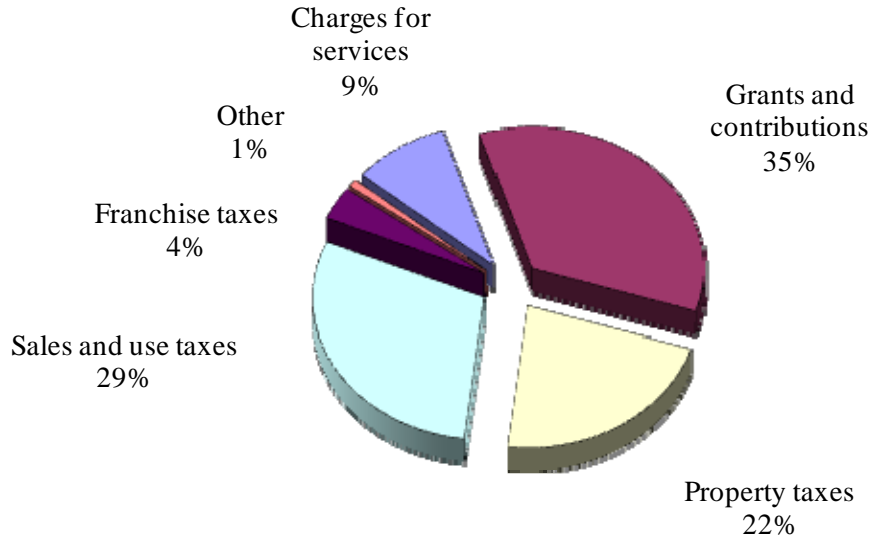
Expenses and Program Revenues - Governmental Activities



CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities (continued)

Revenues by Source - Governmental Activities



Business-type Activities

Business-type activities increased the City's net assets by \$11.7 million. Key elements of this increase are as follows:

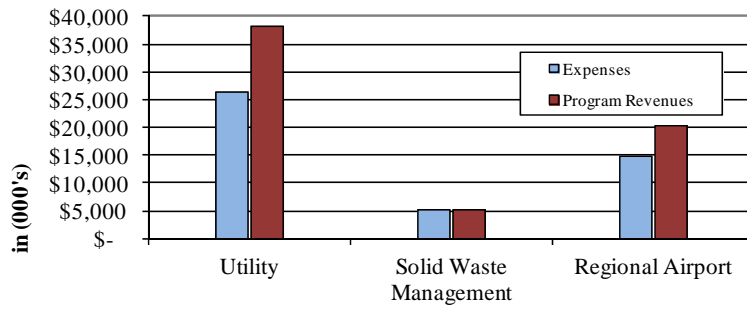
- Capital contribution of \$2.5 million from developers of subdivision assets.
- Capital grants of \$5.7 million for the regional airport.
- Charges for utility services resulted in an increase in revenues of approximately \$8.0 million as a result of an increase in rates and decrease in rainfall.
- Charges for service for Airport resulted in an increase in revenues of \$3.3 million as a result of increase in fuel sales, hanger leases & miscellaneous revenues.

The Airport increase noted above is offset by higher cost for fuel, as a result of increased activities.

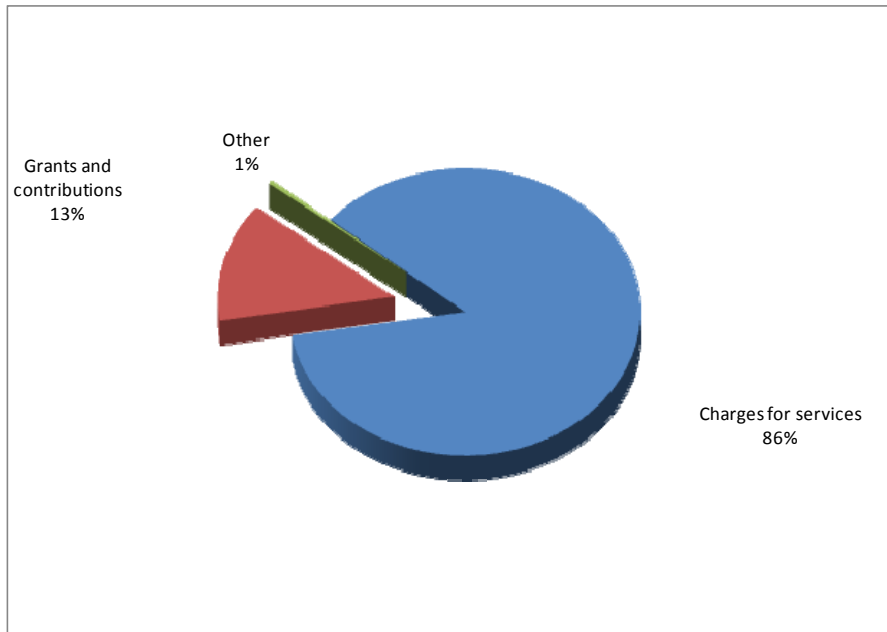
CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities (continued)

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of 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 fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$73.3 million, a decrease of \$16.9 million from the prior year. Approximately 35% of the combined ending fund balances, \$25.4 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with a decrease of \$8.2 million. This decrease is primarily due to capital outlay expenditures of \$44.2 million in the current year. The decrease in fund balance was offset by intergovernmental revenues of \$27.0 million and transfers from other funds of \$9.9 million. Other significant activity in governmental funds relates to the decrease of fund balance of approximately \$3.1 million in the Debt Service Fund and a decrease in fund balance of \$3.9 million in the other governmental funds. The decrease in the Debt Service Fund was primarily due to a combination of a decrease in property tax revenue and an increase in debt service expenditures. The decrease in the other governmental funds was primarily due to the Sugar Land Development Corporation Fund in which an \$8 million transfer was made to the Capital Projects Fund for capital projects.

Fund balance in the General Fund decreased from prior year, by \$1.7 million, with an ending fund balance of \$26.2 million at year end. Unassigned fund balance of \$25.4 million represents 42% of annual fund expenditures.

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

The Utility Fund has unrestricted net assets at fiscal year-end of \$13.0 million. The Solid Waste Fund has approximately \$22 thousand in unrestricted net assets, and the Airport Fund's unrestricted net assets amounted to just over \$3.8 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was an increase in appropriations between the original and final amended budget of \$3.2 million. The increase was primarily due to carryover of appropriations from the prior year, which included the purchase of two fire apparatus.

Budget estimates for revenues between the original and final amended budget decreased overall with a difference of \$2 million. This increase was primarily due to an increase in sales tax collections compared to the original budget, plus carryover of grant funding from the prior year. Fines and forfeitures trended higher than anticipated during the year, along with increases in franchise and property taxes compared to the original budget.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the City's governmental activities and business-type activities had invested \$330.9 million and \$296.1 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$47.0 million or 17% percent over the end of last fiscal year for the governmental activities' capital assets and a change of \$21.2 million or 8% percent for the business-type activities' capital assets.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land and intangibles	\$ 79,766	\$ 70,078	\$ 12,675	\$ 12,666	\$ 92,441	\$ 82,744
Construction in progress	50,436	17,460	51,320	25,584	101,756	43,044
Infrastructure	121,693	121,269	216,533	220,447	338,226	341,716
Buildings and improvements	68,860	65,638	12,239	12,761	81,099	78,399
Equipment and furniture	10,142	9,484	3,330	3,435	13,472	12,919
Total Capital Assets	\$ 330,896	\$ 283,929	\$ 296,097	\$ 274,893	\$ 626,995	\$ 558,822

Construction in progress at year-end represents numerous ongoing projects the largest of which relate to street, parks, and utility improvement projects including construction of a surface water treatment plant. Additional information on Capital Assets can be found in Note 4 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$327.2 million. Of this amount, \$83.9 million was general obligation debt (including \$5.85 million of annexed/dissolved utility district bonds), and \$72.2 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and capital lease obligations account for \$164.6 million and \$2.0 million respectively.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 83,855	\$ 93,815	\$	\$	\$ 83,855	\$ 93,815
Revenue bonds	10,010	10,515	62,225	65,940	72,235	76,455
Certificates of obligation	54,314	56,913	110,246	11,947	164,560	68,860
Premiums or discounts	1,333	1,561	184	221	1,517	1,782
Capital leases payable	2,031	2,431			2,031	2,431
Other obligations	2,930	1,684	109	54	3,039	1,738
	\$ 154,473	\$ 166,919	\$ 172,764	\$ 78,162	\$ 327,237	\$ 245,081

The net increase in debt for the year was \$82 million or 34% percent. This was primarily due to the issuance of new debt of \$98.81 million for a surface water treatment plant and an additional obligation to the State of Texas of \$1.1 million. These increases were offset by debt retirement totaling \$18.57 million.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

The most recent ratings on debt issues are as follows:

	Moody's Investors Service	Standard and Poor's	Fitch Investors Service
General obligation bonds	Aa1	AAA	AAA
Revenue bonds	Aa3	AA	

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. The bonds are rated "A1" and "A" from Moody's and Standard & Poor's, respectively. Their bonds have also qualified for bond insurance. Therefore, the SLDC and SL4B bonds are rated "Aaa" and "AAA" by Moody's and Standard & Poor's, respectively.

Additional information on long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate in the City of Sugar Land as of September 2011 was 6.5%, up from the 6.1% seen in the prior year. The U.S. unemployment rate in September 2011 was 8.1% while the Texas rate was 8.4% and the Houston-Sugar Land-Baytown MSA saw an 8.6% unemployment rate.

New single-family housing starts for fiscal year 2011 totaled 432, a 2.3% increase from the prior year, with an average permit value of \$276,795, down 7.3% from the prior year. Development continues in the Telfair and Lake Pointe developments with 415 of the 432 single family permits located in Telfair. A total of 2,470 single family homes have been permitted in Telfair since development began in 2006. New commercial construction valuation totaled \$105.85 million in value for 21 permits issued; of these permits, 16 were taxable properties with \$35.4 million in construction value, up \$20.4 million from the prior year. Non-taxable commercial construction, which includes activity in the City's extraterritorial jurisdiction and City owned projects, totals \$70.5 million. Approximately \$66.8 million of non-taxable permits were for the City's minor league baseball stadium and surface water treatment plant.

The City began to experience growth in sales tax revenues once again, ending the year approximately 5% higher than budgeted and above the prior year by the same amount. The twelve month moving average of sales tax revenues stopped declining early in the year, and by the end of the year the moving average was a strong 4% over the prior year.

The City achieved a reduction of \$1.1 Million in expenditures to the General Fund which included the elimination of 18 positions, approximately 6.2% of the non-public safety, general fund workforce. As planned and budgeted, this reduction was accomplished through attrition, reorganization and the commitment of staff with no layoffs. The City was quick to implement a hiring freeze in October 2008 when the first indications of an economic downturn appeared; the hiring freeze provided the basis to evaluate needs and positions and provide for reorganization and consolidation of services. In addition, departments reduced expenditures in FY09 and FY10 to offset anticipated revenue declines and continued with these reductions in Fiscal Year 2011. City employees received no annual merit increases in Fiscal Year 2011 and have foregone normal increases for the last several years.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates (continued)

The completion of the Town Square development marks a milestone in the development of the City, and allows focus to shift to other areas in the City, such as the Imperial Redevelopment area where the City is building Constellation Field and the developer is building infrastructure for the next mixed use development and activity center. Meanwhile, development interest in the US59/University Boulevard area is picking up as the City has targeted that area for a future indoor concert venue and potential location for another destination activity center.

It is anticipated that economic recovery will continue into FY12, with modest revenue growth continuing into the future. The Fiscal Year 2012 budget has been prepared to allow the City to maintain existing service levels, return to structural balance, and continue to implement our Capital Improvements Program and Strategic Planning efforts.

As with any financial forecast, strategies are in place to deal with any divergence from the planned course. Through the most recent downturn, the City's proactive approach to reducing costs in anticipation of decreases in revenues have helped the City to emerge with a stronger financial health than was seen prior to the downturn. It is our proven ability to tighten our belts when necessary that allows the comfort of a return to normalcy in light of current financial performance.

The total budget for FY12 is \$182 million and represents a 34.5% decrease from the FY11 budget. Decreases in the budget are driven by non-operating expenditures, mainly capital projects, which have decreased from a record \$145 million in FY11 (from major projects such as the minor league baseball stadium and surface water treatment plant) to \$35.03 million in FY12. The 2012 budget was adopted with a tax rate for 2011 of \$0.30245 per \$100 valuation, which is the effective tax rate for the 2011 tax year. The effective tax rates results in the same revenues to the City from properties taxed in both 2010 and 2011. The impact of the effective tax rate to tax bills depends on the change in individual property values. Overall, tax revenues are not increasing as a result of the tax rate, but as a result of new value added to the City's tax roll in 2011.

The budget includes CPI adjustments to General Fund fees. General fund fees were not adjusted in FY11 to help minimize impacts to residents during the economic downturn. The budget includes a 4.9% increase to reflect 2010 and 2011 CPI growth. The budget also includes a full year of revenues from residents in New Territory who will begin paying the full cost of fire service upon the opening of Fire Station #7 in October 2011.

There are increases that have been anticipated for years that need to occur in order to make the surface water conversion sustainable for all participants in the City's groundwater reduction plan (GRP). Participants pay a fee per 1,000 gallons of water pumped from groundwater sources. The current fee of \$0.70 will increase to \$1.32 in January 2012 and will be applied to all participants in the GRP. The planned fee increase is one step closer to reaching the ultimate cost when the surface water treatment plant begins operation in 2013. To minimize the impact to City utility customers, there are no increases included for the water or wastewater portion of the utility bill. City customers are billed based on metered usage at a rate of \$0.76 per 1,000 gallons; this rate will increase to \$1.42 per 1,000 gallons in January 2012; for a resident who uses an average of 11,000 gallons monthly, the overall utility bill will increase from the current \$60.52 to \$67.77 per month, a \$7.25 or 12% increase.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates (continued)

In April 2011, the City Council approved a contract with Republic Services to begin providing automated residential solid waste collection beginning in December 2011. Households in Sugar Land will receive garbage collection twice per week, recycling collection once per week, green waste collection once per week, bulky waste collection once per month and an on-call collection service. A test of the program in selected neighborhoods resulted in a 260 percent increase in recycling, a benefit that results in less waste in area landfills. Automated curbside collection contributes to the neighborhood's appearance and more efficient operations, resulting in savings to residents. Residents will save \$2.74 per month compared to the previously scheduled increase in the Allied contract; residents will see a \$1.63 per month decrease from the current rates.

All fee adjustments are effective in January 2012 and were approved by City Council Ordinance No. 1828 in September 2011.

Requests for Information

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Alka B. Shah, Chief Accountant, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general City information, visit the City's website at www.sugarlandtx.gov.

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Basic Financial Statements

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CITY OF SUGAR LAND, TEXAS

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and equivalents	\$ 58,142,720	\$ 19,422,840	\$ 77,565,560	\$ 800,285
Cash with fiscal agent	2,793,597		2,793,597	
Investments	22,073,180	3,004,450	25,077,630	499,640
Receivables, net of allowance for uncollectibles	11,473,152	4,742,964	16,216,116	890,095
Interest receivable	74,514	64,462	138,976	270
Internal balances	1,093,474	(1,093,474)		
Due from other governments	1,103,675	50,000	1,153,675	
Due from component units				
Inventories	169,208	318,383	487,591	
Prepaid items	94,467	15,172	109,639	1,639
Deferred charges	1,212,997	667,734	1,880,731	304,571
Restricted assets		108,146,661	108,146,661	22,929,174
Capital assets not being depreciated:				
Land	79,048,242	12,675,143	91,723,385	
Intangibles	717,883		717,883	
Construction in progress	50,436,177	51,319,882	101,756,059	
Capital assets net of depreciation:				
Infrastructure	121,692,610	216,532,898	338,225,508	
Buildings and improvements	68,860,322	12,239,093	81,099,415	
Equipment and furniture	10,142,088	3,330,346	13,472,434	
Total Capital Assets	330,897,322	296,097,362	626,994,684	
Total Assets	429,128,306	431,436,554	860,564,860	25,425,674
Liabilities				
Accounts payable and accrued expenses	17,944,771	7,706,525	25,651,296	61,536
Unearned revenue	599,918		599,918	
Customer deposits	55,988	2,713,307	2,769,295	
Accrued interest	782,838	925,401	1,708,239	225,874
Long-term liabilities:				
Due within one year	14,348,281	6,115,534	20,463,815	1,756,195
Due in more than one year	140,124,914	166,648,583	306,773,497	41,625,746
Total Liabilities	173,856,710	184,109,350	357,966,060	43,669,351
Net Assets				
Invested in capital assets, net of related debt	213,684,481	224,092,248	437,776,729	
Restricted for:				
Debt service	6,201,653	7,474,809	13,676,462	22,703,300
Development activities	7,015,201		7,015,201	
Public safety	1,488,292		1,488,292	
Unrestricted	26,881,970	15,760,147	42,642,117	(40,946,977)
Total Net Assets	\$ 255,271,596	\$ 247,327,204	\$ 502,598,800	\$ (18,243,677)

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 11,969,433	\$ 4,715	\$ 160,374	\$
Administrative services	12,721,478	3,916,555		
Public safety - Police	18,095,251	1,767,812	439,874	
Public safety - Fire	10,199,579	1,526,340	17,878	
Public works	17,027,897	1,358,938	88,704	37,497,257
Parks and recreation	7,264,499	402,696	12,150	5,000,000
Community development	4,038,545	2,404,638	300,343	
Interest on long-term debt	6,555,667			
Total governmental activities	87,872,349	11,381,694	1,019,323	42,497,257
Business-type activities:				
Utility	26,487,388	35,625,109		2,467,978
Solid Waste Management	5,305,970	5,264,072	17,492	
Regional Airport	14,874,179	14,355,810	337,373	5,725,052
Total business-type activities	46,667,537	55,244,991	354,865	8,193,030
Total primary government	\$ 134,539,886	\$ 66,626,685	\$ 1,374,188	\$ 50,690,287
Component Units				
Sugar Land 4B Corporation	\$ 17,747,005		\$ 147,420	
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1	937,568		4,468	
Sugar Land Reinvestment Zone No. 3	-		-	
Sugar Land Reinvestment Zone No. 4	-		-	
Total component units	\$ 18,684,573		\$ 151,888	

General revenues:

Property taxes
 Sales and use taxes
 Franchise taxes
 Investment earnings
 Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,804,344)	\$	\$ (11,804,344)	
(8,804,923)		(8,804,923)	
(15,887,565)		(15,887,565)	
(8,655,361)		(8,655,361)	
21,917,002		21,917,002	
(1,849,653)		(1,849,653)	
(1,333,564)		(1,333,564)	
(6,555,667)		(6,555,667)	
<u>(32,974,075)</u>		<u>(32,974,075)</u>	
	11,605,699	11,605,699	
	(24,406)	(24,406)	
	5,544,056	5,544,056	
	<u>17,125,349</u>	<u>17,125,349</u>	
<u>\$ (32,974,075)</u>	<u>\$ 17,125,349</u>	<u>\$ (15,848,726)</u>	
			\$ (17,599,585)
			(933,100)
			-
			-
			<u>(18,532,685)</u>
27,539,737		27,539,737	858,539
37,106,909		37,106,909	5,012,404
4,731,821		4,731,821	
360,902	263,593	624,495	45,536
756,532		756,532	
5,718,716	(5,718,716)		
<u>76,214,617</u>	<u>(5,455,123)</u>	<u>70,759,494</u>	<u>5,916,479</u>
43,240,542	11,670,226	54,910,768	(12,616,205)
<u>212,031,054</u>	<u>235,656,978</u>	<u>447,688,032</u>	<u>(5,627,472)</u>
<u>\$ 255,271,596</u>	<u>\$ 247,327,204</u>	<u>\$ 502,598,800</u>	<u>\$ (18,243,677)</u>

CITY OF SUGAR LAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 19,013,917	\$ 902,566	\$ 26,894,516	\$ 7,619,807	\$ 54,430,806
Cash with fiscal agent			2,793,597		2,793,597
Investments	5,534,470	2,998,910	11,036,370	2,503,430	22,073,180
Receivables, net of allowance for uncollectibles	6,559,839	164,865	2,089,941	2,648,133	11,462,778
Interest receivable	7,355	3,344	58,508	5,307	74,514
Due from other governments	525,495		459,691	118,489	1,103,675
Inventories	169,208				169,208
Prepaid items	49,727			9,740	59,467
Total Assets	\$ 31,860,011	\$ 4,069,685	\$ 43,332,623	\$ 12,904,906	\$ 92,167,225
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,824,196	\$	\$ 12,279,421	\$ 690,746	\$ 15,794,363
Accrued expenditures	1,616,356		5,382	3,283	1,625,021
Other payables	55,988				55,988
Deferred revenue	1,146,375	164,865	115,840		1,427,080
Total Liabilities	5,642,915	164,865	12,400,643	694,029	18,902,452
Fund balances:					
Nonspendable:					
Inventories	169,208				169,208
Prepaid items	49,727			9,740	59,467
Restricted:					
Debt service		3,904,820		3,697,644	7,602,464
Capital projects			30,931,980		30,931,980
Development activities				7,015,201	7,015,201
Public safety				1,488,292	1,488,292
Assigned for other purposes	638,523				638,523
Unassigned	25,359,638				25,359,638
Total Fund Balances	26,217,096	3,904,820	30,931,980	12,210,877	73,264,773
Total Liabilities and Fund Balances	\$ 31,860,011	\$ 4,069,685	\$ 43,332,623	\$ 12,904,906	\$ 92,167,225

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2011

Total fund balance, governmental funds \$ 73,264,773

Amounts reported for governmental activities in the Statement of Net Assets 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 Assets. The cost of the assets is \$556,773,525 and the accumulated depreciation is \$228,696,588. 328,076,937

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Deferred bond issuance costs	1,212,997	
Deferred revenue	827,163	
		2,040,160

Long-term liabilities, including bonds payable, compensated absences, and sales tax payable are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

Bonds payable, at maturity	\$ (148,178,990)	
Accrued interest on the bonds	(782,838)	
Deferred loss on refunding	1,367,268	
Premium/discount of bonds payable	(1,333,100)	
Capital lease obligation	(2,030,854)	
Compensated absences	(2,098,820)	
Sales tax payable	(1,447,557)	
		(154,504,891)

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 6,394,617

Net Assets of Governmental Activities in the Statement of Net Assets \$ 255,271,596

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ 15,272,934	\$ 12,315,349	\$	\$	\$ 27,588,283
Sales and use taxes	30,295,678			6,561,624	36,857,302
Franchise taxes	4,731,821				4,731,821
Licenses and permits	2,371,944				2,371,944
Fines and forfeitures	2,152,248			1,722,597	3,874,845
Charges for services	3,382,705		16,752		3,399,457
Investment earnings	135,940	27,260	148,024	41,245	352,469
Intergovernmental	565,549	1,378,168	26,975,358	1,183,315	30,102,390
Other	211,018	129,500	5,000,000	5,165	5,345,683
Total Revenues	<u>59,119,837</u>	<u>13,850,277</u>	<u>32,140,134</u>	<u>9,513,946</u>	<u>114,624,194</u>
Expenditures					
Current:					
General government	9,197,384			1,223,755	10,421,139
Administrative services	7,964,690	1,259,413		1,504,256	10,728,359
Public Safety - Police	16,702,376			830,798	17,533,174
Public Safety - Fire	11,325,376				11,325,376
Public Works	5,621,998		4,470,061		10,092,059
Parks and recreation	4,804,215		1,326,925		6,131,140
Community development	3,965,737				3,965,737
Debt Service:					
Principal	399,992	13,839,015		505,000	14,744,007
Interest and other charges	49,099	5,974,142		468,236	6,491,477
Capital Outlay			44,183,056	42,119	44,225,175
Total Expenditures	<u>60,030,867</u>	<u>21,072,570</u>	<u>49,980,042</u>	<u>4,574,164</u>	<u>135,657,643</u>
Excess (deficiency) of revenues over expenditures	<u>(911,030)</u>	<u>(7,222,293)</u>	<u>(17,839,908)</u>	<u>4,939,782</u>	<u>(21,033,449)</u>
Other Financing Sources (Uses)					
Sale of capital assets	125,995				125,995
Transfers in	2,710,073	4,164,430	9,869,334	450,138	17,193,975
Transfers (out)	(3,587,099)	(51,720)	(252,000)	(9,248,400)	(13,139,219)
Total other Financing Sources and Uses	<u>(751,031)</u>	<u>4,112,710</u>	<u>9,617,334</u>	<u>(8,798,262)</u>	<u>4,180,751</u>
Net change in fund balances	(1,662,061)	(3,109,583)	(8,222,574)	(3,858,480)	(16,852,698)
Fund balances - beginning	<u>27,879,157</u>	<u>7,014,403</u>	<u>39,154,554</u>	<u>16,069,357</u>	<u>90,117,471</u>
Fund balances - ending	<u>\$ 26,217,096</u>	<u>\$ 3,904,820</u>	<u>\$ 30,931,980</u>	<u>\$ 12,210,877</u>	<u>\$ 73,264,773</u>

See Notes to Financial Statements.

CITY OF SUGAR LAND, 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, 2011

Net change in fund balances - total governmental funds:		\$ (16,852,698)
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 outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation (\$11,211,158) is exceeded by capital outlays (\$46,639,474) in the current period.		35,428,316
Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue.		10,473,512
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 Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(18,810)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		234,808
Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds.		
Proceeds from sales tax over-payment	(1,084,351)	
Repayment of long term debt principal	14,744,007	
Repayment of sales tax over-payment	<u>18,082</u>	
		13,677,738
Bond issuance costs, deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Assets. The net change for each represents an increase/(decrease) in net assets.		
Bond issuance costs	(171,290)	
Bond premiums/discounts	227,971	
Gain/loss on refunding	<u>(211,019)</u>	
		(154,338)
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.		
Changes in accrued interest	90,148	
Changes in accrued compensated absences	<u>15,066</u>	
		105,214
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		346,800
Change in net assets of governmental activities		<u>\$ 43,240,542</u>

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Utility Fund	Airport Fund	Solid Waste Fund	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 16,386,115	\$ 3,036,725	\$	\$ 19,422,840	\$ 3,711,916
Investments	2,005,170	999,280		3,004,450	
Accounts receivable, net of allowance for doubtful accounts	3,964,530	213,651	564,783	4,742,964	10,373
Receivables from other governments		50,000		50,000	
Interest receivable	64,135	327		64,462	
Inventories	123,282	195,101		318,383	
Prepaid items	15,172			15,172	35,000
Deferred charges	621,374	46,360		667,734	
Restricted cash and investments	107,708,503	438,158		108,146,661	
Total current assets	130,888,281	4,979,602	564,783	136,432,666	3,757,289
Non-current assets:					
Capital Assets:					
Land and improvements	2,747,584	9,927,558		12,675,142	
Construction in progress	44,403,863	6,916,019		51,319,882	
Infrastructure	299,046,276	34,239,991		333,286,267	
Buildings	790,376	14,942,188		15,732,564	
Equipment and Furniture	2,856,771	3,231,626		6,088,397	7,543,987
Less Accumulated depreciation	(108,247,158)	(14,757,733)		(123,004,891)	(4,723,602)
Total non-current assets	241,597,712	54,499,649		296,097,361	2,820,385
Total assets	372,485,993	59,479,251	564,783	432,530,027	6,577,674
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	6,654,052	511,473	541,000	7,706,525	1,275,840
Accrued interest payable	861,906	63,496		925,402	
Customer deposits	2,642,430	70,877		2,713,307	691
Compensated absences	10,000			10,000	
Bonds and certificates of obligation payable	5,572,529	533,005		6,105,534	
Total current liabilities	15,740,917	1,178,851	541,000	17,460,768	1,276,531
Non-current liabilities:					
Compensated absences	159,163	87,963	1,853	248,979	
Bonds and certificates of obligation payable	155,496,598	10,903,005		166,399,603	
Total non-current liabilities	155,655,761	10,990,968	1,853	166,648,582	
Total liabilities	171,396,678	12,169,819	542,853	184,109,350	1,276,531
Net Assets					
Invested in capital assets, net of related debt	181,028,607	43,063,640		224,092,248	2,820,385
Restricted for debt service	7,036,651	438,158		7,474,809	
Unrestricted	13,024,058	3,807,634	21,930	16,853,621	2,480,758
Total net assets	\$ 201,089,316	\$ 47,309,432	\$ 21,930	\$ 248,420,678	\$ 5,301,143

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Assets.

(1,093,474)

Total net assets per Government-Wide financial statements

\$ 247,327,204

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Utility Fund	Airport Fund	Solid Waste Fund	Total	Internal Service Funds
Revenues					
Charges for services	\$ 35,625,109	\$ 14,355,810	\$ 5,264,072	\$ 55,244,991	\$ 5,571,323
Total Operating Revenues	<u>35,625,109</u>	<u>14,355,810</u>	<u>5,264,072</u>	<u>55,244,991</u>	<u>5,571,323</u>
Operating Expenses					
Personnel services	3,496,267	1,791,788	128,863	5,416,918	8,587
Supplies and materials	766,138	9,134,329	8,275	9,908,742	55,203
Contractual services	9,075,470	877,876	5,138,482	15,091,828	86,260
Repairs and maintenance	423,946	243,876	2,152	669,974	565,449
Other expenses	719,837	373,671	28,198	1,121,706	5,600,957
Depreciation	7,544,852	1,738,114		9,282,966	1,037,382
Total Operating Expenses	<u>22,026,510</u>	<u>14,159,654</u>	<u>5,305,970</u>	<u>41,492,134</u>	<u>7,353,838</u>
Operating income (loss)	<u>13,598,599</u>	<u>196,156</u>	<u>(41,898)</u>	<u>13,752,857</u>	<u>(1,782,515)</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	254,103	9,453	36	263,592	8,434
Intergovernmental		337,373	17,492	354,865	
Operating grants and contributions					
Gain (loss) on disposal of capital assets	6,304			6,304	32,141
Interest expense	(4,245,711)	(511,215)		(4,756,926)	
Total Non-operating Revenue (expenses)	<u>(3,985,304)</u>	<u>(164,389)</u>	<u>17,528</u>	<u>(4,132,165)</u>	<u>40,575</u>
Income (loss) before contributions and transfers	9,613,295	31,767	(24,370)	9,620,692	(1,741,940)
Capital contributions	2,467,978	5,725,052		8,193,030	
Transfers in		224,933		224,933	1,663,959
Transfers out	(5,525,192)	(405,187)	(13,270)	(5,943,649)	
Change in net assets	<u>6,556,081</u>	<u>5,576,565</u>	<u>(37,640)</u>	<u>12,095,006</u>	<u>(77,981)</u>
Total net assets - beginning	<u>194,533,235</u>	<u>41,732,867</u>	<u>59,570</u>	<u>236,325,672</u>	<u>5,379,124</u>
Total net assets - ending	<u>\$ 201,089,316</u>	<u>\$ 47,309,432</u>	<u>\$ 21,930</u>	<u>\$ 248,420,678</u>	<u>\$ 5,301,143</u>
Change in net assets, per above				\$ 12,095,006	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.				(424,780)	
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements				<u>\$ 11,670,226</u>	

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Utility Fund	Airport Fund	Solid Waste Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 35,376,917	\$ 14,285,771	\$ 5,231,153	\$ 54,893,841	\$ 5,570,700
Disbursed for personnel services	(3,501,655)	(1,776,254)	(131,064)	(5,408,973)	(8,587)
Disbursed for goods and services	(7,531,129)	(10,496,218)	(5,104,347)	(23,131,694)	(6,037,430)
Net cash provided (used) by operating activities	24,344,133	2,013,299	(4,258)	26,353,174	(475,317)
Cash Flows from Non-Capital Financial Activities:					
Transfers from other funds		224,933		224,933	1,663,959
Transfers to other funds	(5,525,192)	(405,187)	(13,270)	(5,943,649)	
Operating grants and contributions		930,472	17,492	947,964	
Net cash provided (used) by noncapital financing activities	(5,525,192)	750,218	4,222	(4,770,752)	1,663,959
Cash Flows from Capital and Related Financing Activities:					
Proceeds from the sale of equipment	6,304			6,304	48,101
Proceeds from the sale of bonds	98,810,000			98,810,000	
Principal payments on debt	(3,715,000)	(510,985)		(4,225,985)	
Acquisition and construction of capital assets	(22,950,920)	(174,471)		(23,125,391)	(859,038)
Net cash used by capital and related financing activities	72,150,384	(685,456)		71,464,928	(810,937)
Cash Flows from Investing Activities					
Purchase of investments	(31,086,655)	(499,102)		(31,585,757)	
Interest received	254,103	9,453	36	263,592	8,435
Interest paid	(3,719,645)	(513,912)		(4,233,557)	
Net cash provided (used) by investing activities	(34,552,197)	(1,003,561)	36	(35,555,722)	8,435
Net increase (decrease) in cash and equivalents	56,417,128	1,074,500		57,491,628	386,140
Cash and equivalents, beginning of year	30,068,198	2,400,383		32,468,581	3,325,775
Cash and equivalents, at end of year	\$ 86,485,326	\$ 3,474,883	\$	\$ 89,960,209	\$ 3,711,915
Unrestricted cash and equivalents	\$ 16,386,115	\$ 3,036,725	\$	\$ 19,422,840	\$ 3,711,916
Restricted cash and equivalents	70,099,211	438,158		70,537,369	
	\$ 86,485,326	\$ 3,474,883	\$	\$ 89,960,209	\$ 3,711,916
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 13,598,599	\$ 196,156	\$ (41,898)	\$ 13,752,857	\$ (1,782,515)
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation	7,544,852	1,738,114		9,282,966	1,037,382
(Increase) decrease in accounts receivable	(1,229,991)	(74,057)	(32,919)	(1,336,967)	(623)
(Increase) decrease in inventory	(2,399)	987		(1,412)	
(Increase) decrease in prepaid expenses and deferred assets	(14,704)	4,874	180	(9,650)	
Increase (decrease) in accounts payable	3,471,365	127,673	72,580	3,671,618	270,439
Increase (decrease) in salaries payable	(5,388)	15,534	(2,201)	7,945	
Increase (decrease) in customer deposits	1,031,475	4,018		1,035,493	
Increase (decrease) in deferred revenue	(49,676)			(49,676)	
Net cash provided by operating activities	\$ 24,344,133	\$ 2,013,299	\$ (4,258)	\$ 26,353,174	\$ (475,317)
Non-cash Transactions:					
Capital assets contributed to City	\$ 2,467,978	\$ 5,725,052	\$	\$ 8,193,030	

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF NET ASSETS
September 30, 2011

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total Component Units
Assets					
Cash and equivalents	\$ 700,826	\$ 69,782	\$ 28,613	\$ 1,064	\$ 800,285
Investments	499,640				499,640
Receivables-less allowance for uncollectibles	880,327	10,038			890,365
Prepaid items	1,639				1,639
Restricted cash and investments	22,926,005		3,169		22,929,174
Deferred items	304,571				304,571
Total Assets	25,313,008	79,820	31,782	1,064	25,425,674
Liabilities					
Accounts payable and accrued expenses	61,536				61,536
Accrued interest	225,874				225,874
Non-current liabilities:					
Due within one year	1,756,195				1,756,195
Due in more than one year	41,625,746				41,625,746
Total Liabilities	43,669,351				43,669,351
Net Assets					
Restricted-debt service	22,700,131				22,700,131
Restricted-development activities			3,169		3,169
Unrestricted	(41,056,474)	79,820	28,613	1,064	(40,946,977)
Total Net Assets	\$ (18,356,343)	\$ 79,820	\$ 31,782	\$ 1,064	\$ (18,243,677)

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets				Totals
		Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	
Component Unit:							
Sugar Land 4B Corporation	\$ 17,747,005	\$ 147,420	\$ (17,599,585)	\$	\$	\$	\$ (17,599,585)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	937,568	4,468		(933,100)			(933,100)
Sugar Land Reinvestment Zone No. 3	-				-		
Sugar Land Reinvestment Zone No. 4	-					-	
	<u>\$ 18,684,573</u>	<u>\$ 151,888</u>	<u>(17,599,585)</u>	<u>(933,100)</u>			<u>(18,532,685)</u>
General revenues							
Taxes:							
Property taxes				846,899	10,576	1,064	858,539
Sales and use tax			5,012,404				5,012,404
Unrestricted investment earnings			43,896	1,582	58		45,536
Total general revenues			<u>5,056,300</u>	<u>848,481</u>	<u>10,634</u>	<u>1,064</u>	<u>5,916,479</u>
Change in net assets			(12,543,285)	(84,619)	10,634	1,064	(12,616,205)
Net assets, beginning			<u>(5,813,058)</u>	<u>164,439</u>	<u>21,148</u>		<u>(5,627,471)</u>
Net assets, ending			<u>\$ (18,356,343)</u>	<u>\$ 79,820</u>	<u>\$ 31,782</u>	<u>\$ 1,064</u>	<u>\$ (18,243,676)</u>

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of which are elected at large and four of which are elected by District, each serving two-year terms. The Mayor and Council Members can serve no more than four consecutive regular two-year terms.

The Mayor presides at Council meetings and is entitled to vote on all matters considered by Council. All powers of the City are vested in the Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

A. Financial 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 accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. 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 other 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. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Unit:

Sugar Land Development Corporation

The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the Board of Directors consists of members of the City Council. In the event of dissolution, net assets of the Corporation shall be conveyed to the City.

Discretely Presented Component Units:

Sugar Land 4B Corporation

In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The 4B Corporation, which has one fund, has been included as a discretely presented component unit in the City's financial statements. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net assets of the 4B Corporation shall be conveyed to the City.

Sugar Land Town Square Tax Increment Reinvestment Zone No. 1

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

Sugar Land Reinvestment Zone No. 3

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property and sales taxes to be utilized in providing public improvements in TIRZ 3. TIRZ 3, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members. The City Council has the authority to appoint the members; however, Fort Bend County shall be entitled to appoint a member if the County approves a payment to the tax increment fund in which the tax collections will be held. The remaining four members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 3 projects.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Sugar Land Reinvestment Zone No. 4

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use urban center with retail, office and entertainment uses. The City will participate at a rate of 50 percent of their ad valorem tax rate over the 30 year life of the Zone. Fort Bend County Municipal Utility District No. 138 and 139 have agreed to contribute the same amount as the City, while Fort Bend County, the Fort Bend County Drainage District and Fort Bend County Municipal Utility District No. 137 have yet to formalize participation agreements. The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

Separately issued audited financial statements are not issued for the discretely presented component units. Unaudited financial statements may be obtained from the City's Fiscal Services Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 services.

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

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

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that 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 to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts 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. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

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, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

The City's Business type activities consist of the following major proprietary funds:

The *Utility Service Fund* is used to account for the City's water and utility services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for service and the expenditures relate to operating expenses.

The *Enterprise Funds* are used to account for the operations that provide water and wastewater utility services to the public, solid waste disposal operations, and general aviation services. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City maintains *Internal Service Funds* used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the Internal Service Funds include employee health benefits, fleet replacement and high technology replacement.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel and depreciation. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds.

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." City Council approved its *Fund Balance Policy for GASB 54 Implementation*, which incorporates GASB Statement No. 54, on September 20, 2011. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2011, outstanding purchase orders totaled \$639 thousand. These were the result of normal operations. As such, the City has assigned this amount in the General Fund.

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in a privately managed public funds investment pool ("TexPool") 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.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

F. Investments

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposits. The City reports all investments at fair value based on quoted market prices at year-end date.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility System Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

H. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. These receivables and payables are classified as "due from other funds" or "due to other funds" or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit. Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds, component units, or primary government

I. Inventories and Prepaid Items

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

J. Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

K. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis. Property, Plant, and Equipment in the Proprietary Funds of the government are recorded at cost or at the estimated fair value at the date of donation if donated to the City. Property, Plant, and Equipment acquired from Municipal Utility Districts (MUDs) are recorded at the book value of the MUD at the date of annexation by the City. Major outlays for capital assets and improvements are capitalized in Proprietary Funds as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

Depreciation has been provided for plant and equipment with estimated useful lives of three or more years and individual cost in excess of \$5,000 using the straight-line method over the following estimated useful life for the type of assets as follows:

Asset Description	Estimated Useful Life
Vehicles	3 to 7 years
Office furniture and equipment	3 to 20 years
Machinery and equipment	6 to 15 years
Water and wastewater system	10 to 50 years
Airport facilities and improvements	20 to 45 years
Buildings, facilities and land improvements	15 to 45 years
Infrastructure	20 to 50 years
Organizational cost of acquired MUDs	40 years

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

L. Compensated Absences

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 160 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service.

The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

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

N. Deficit Equity

The Sugar Land 4B Corporation had deficit net assets of approximately \$18.4 million as of September 30, 2011. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government as required by law.

O. Reclassifications

Certain reclassifications to prior-year balances have been made to conform to current-year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Budgets

Annual appropriated budgets are adopted for the General, Special Revenue (with the exception of Law Enforcement Grant Funds) and Debt Service Funds, using the same cash basis of accounting.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker's acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is two years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

Deposit and Investment Amounts

The City's cash and investments are classified as: Cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account (TexPool). The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use. The restricted cash and investments include cash on deposit with financial institutions, TexPool, and U.S. Government Securities. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank accounts, in short-term investments with TexPool, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits (Cash) and Investments (continued)

The following schedule shows the City’s recorded cash and investments at year-end:

	Total Fair Value	
	Primary Government	Component Units
Cash Deposits	\$ 131,837,719	\$ 21,085,000
Certificates of Deposit	1,499,083	
Temporary Investments:		
Government securities:		
FHLB	24,627,820	498,980
FHLMC	2,995,320	
FFCB	33,564,700	499,640
Public Funds Investment Pools:		
TexPool	19,058,806	2,145,479
	<u>\$ 213,583,448</u>	<u>\$ 24,229,099</u>

At September 30, 2011, the City reported cash deposits in the amount of \$152,922,719 and the bank balance was \$154,206,880. \$2,793,597 of these totals represented cash deposits with a fiscal agent. The City's collateral requirement, in accordance with its investment policy is 102%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the City's agent in the City's name, which totaled \$179,224,188 as of September 30, 2011.

Quoted market prices are the basis of the fair value for U.S. Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City’s investment income as follows:

	Primary Government	Component Units
	Interest income	\$ 818,485
Unrealized gain (loss) on temporary investments	(193,989)	(5,265)
Investment earnings	<u>\$ 624,497</u>	<u>\$ 45,536</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits (Cash) and Investments (continued)

Investment Risks:

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Fair Value</u>		<u>Weighted Average Maturity (days)</u>
	<u>Primary Government</u>	<u>Component Units</u>	
Certificate of Deposits	\$ 1,499,083		729
Temporary Investments:			
Government securities:			
U.S. Agency Securities	61,187,840	998,620	489
Public Funds Investment Pools:			
TexPool	19,058,806	2,145,479	48
	<u>\$ 81,745,729</u>	<u>\$ 3,144,099</u>	
Portfolio weighted average maturity (days)	<u>371</u>	<u>115</u>	

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City’s investment policy specifies a maximum weighted average maturity of 90 days for public fund investment pools and 730 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 365 days or 12 months.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The settlement date is considered the date of purchase.

Local Government Investment Pools

As of September 30, 2011, the City’s investments included TexPool Investment Pools. The investment pool’s investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

The value of the City’s portions in TexPool is the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits (Cash) and Investments (continued)

Concentration of Credit Risk

The City’s investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Certificates of Deposit	1,499,083	1.8%
Temporary Investments:		
Government securities:		
FHLB	25,126,800	29.6%
FHLMC	2,995,320	3.5%
FFCB	34,064,340	40.1%
Total government securities	62,186,460	73.3%
Public Funds Investment Pools:		
TexPool	21,204,286	25.0%
	<u>\$ 84,889,828</u>	<u>100.0%</u>

Credit Risk

At year-end balances in TexPool, a privately managed public funds investment pool was rated AAAM by Standard & Poor’s.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor’s, AAA by Fitch Ratings, and Aaa by Moody’s Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits (Cash) and Investments (continued)

Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

The amounts of the restricted cash and investments and their respective purpose are as follows:

Restricted Purpose	Cash	Investments
Restricted for Capital Projects	\$ 63,880,067	\$ 36,603,913
Restricted for Debt Service	6,657,302	1,005,380
Total	\$ 70,537,369	\$ 37,609,293

Additionally, the Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

Note 3 - Receivables

Receivables at September 30, 2011, consist of the following:

Primary Government:

Governmental Funds:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Non - Major Governmental Funds	Internal Service Funds	Total
Property taxes, including penalties and interest	\$ 444,732	\$ 164,865	\$	\$	\$	\$ 609,597
Sales and other taxes	5,749,073					5,749,073
Fines and forfeitures	866,927					866,927
Interest	7,355	3,344	58,508	5,307		74,514
Other	93,724		2,089,941	2,648,133	10,373	4,842,171
Allowance for uncollectibles	(594,617)					(594,617)
	\$6,567,194	\$ 168,209	\$2,148,449	\$ 2,653,440	\$ 10,373	\$11,547,665

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 – Receivables (continued)

Proprietary Funds:

	<u>Utilities Fund</u>	<u>Airport Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Customer accounts	\$ 4,011,799	\$ 215,849	\$ 571,283	\$ 4,798,931
Interest	64,135	327		64,462
Other		50,000		50,000
Allowance for uncollectibles	(47,269)	(2,198)	(6,500)	(55,967)
	<u>\$ 4,028,665</u>	<u>\$ 263,978</u>	<u>\$ 564,783</u>	<u>\$ 4,857,426</u>

Component Units:

	<u>Sugar Land 4B Corporation</u>	<u>Sugar Land TIRZ #1</u>	<u>Total</u>
Sales and other taxes	\$ 880,058	\$ 10,038	\$ 890,096
Interest	270		270
Total	<u>\$ 880,328</u>	<u>\$ 10,038</u>	<u>\$ 890,366</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 384,880	\$
Delinquent property taxes receivable - debt service fund	164,865	
Adjudicated claims	277,417	
Surety - public improvements - capital projects fund		115,840
Developer advances		484,078
Total Deferred Revenue for Governmental Funds	<u>\$ 827,162</u>	<u>\$ 599,918</u>

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 – Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2011, follows:

Primary Government	Balance September 30, 2010	Increases	(Decreases)	Balance September 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 69,360,073	\$ 9,688,169	\$	\$ 79,048,242
Intangibles	717,883			717,883
Construction in progress	17,459,904	45,253,445	(12,277,172)	50,436,177
Total capital assets not being depreciated	87,537,860	54,941,614	(12,277,172)	130,202,302
Other capital assets:				
Infrastructure	310,851,055	7,147,424		317,998,479
Buildings and improvements	82,858,834	6,143,261		89,002,095
Equipment and furniture	24,891,413	3,296,898	(1,073,675)	27,114,636
Total other capital assets	418,601,302	16,587,583	(1,073,675)	434,115,210
Less accumulated depreciation for:				
Infrastructure	(189,582,313)	(6,723,556)		(196,305,869)
Buildings and improvements	(17,220,813)	(2,920,960)		(20,141,773)
Equipment and furniture	(15,407,427)	(2,608,492)	1,043,371	(16,972,548)
Total accumulated depreciation	(222,210,553)	(12,253,008)	1,043,371	(233,420,190)
Other capital assets, net	196,390,749	4,334,575	(30,304)	200,695,020
Totals	\$ 283,928,609	\$ 59,276,189	\$ (12,307,476)	\$ 330,897,322
	Balance September 30, 2010	Increases	(Decreases)	Balance September 30, 2011
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,665,817	\$ 9,326	\$	\$ 12,675,143
Construction in progress	25,584,167	27,571,529	(1,835,814)	51,319,882
Total capital assets not being depreciated	38,249,984	27,580,855	(1,835,814)	63,995,025
Other capital assets:				
Infrastructure	328,775,759	4,510,508		333,286,267
Buildings and improvements	15,735,062			15,735,062
Equipment and furniture	5,873,071	231,311	(18,482)	6,085,900
Total other capital assets	350,383,892	4,741,819	(18,482)	355,107,229
Less accumulated depreciation for:				
Infrastructure	(108,328,170)	(8,425,199)		(116,753,369)
Buildings and improvements	(2,974,342)	(521,627)		(3,495,969)
Equipment and furniture	(2,437,895)	(336,141)	18,482	(2,755,554)
Total accumulated depreciation	(113,740,407)	(9,282,967)	18,482	(123,004,892)
Other capital assets, net	236,643,485	(4,541,148)		232,102,337
Totals	\$ 274,893,469	\$ 23,039,707	\$ (1,835,814)	\$ 296,097,362

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 – Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$ 689,066
Administrative services	1,184,494
Public works	6,934,173
Parks and recreation	1,102,922
Community development	72,371
Public safety-Police	575,796
Public safety-Fire	656,804
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets	1,037,382
Total Governmental Activities	<u><u>\$ 12,253,008</u></u>
Water and wastewater	\$ 7,544,852
Airport	1,738,115
Total Business-Type Activities	<u><u>\$ 9,282,967</u></u>

The City has active construction projects as of September 30, 2011. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

<u>Project Description</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Drainage improvement	\$ 2,365,570	\$ 1,649,327
Park improvement	13,482,192	19,056,681
Municipal improvements	4,255,750	204,998
Street improvement	23,046,192	16,108,846
Traffic improvement	7,286,473	929,900
Total Governmental	<u>50,436,177</u>	<u>37,949,752</u>
Business-type Activities:		
Municipal improvements	9,000	
Street improvement	763,743	
Water and wastewater improvements	43,631,120	69,305,866
Airport improvement	6,916,019	
Total Business-type	<u>51,319,882</u>	<u>69,305,866</u>
Totals	<u><u>\$ 101,756,059</u></u>	<u><u>\$ 107,255,619</u></u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt

A. Governmental Activity Debt

The City issues general obligation bonds and certificates of obligation and upon annexation or dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved and annexed areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2011. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	Balance September 30, 2010	Increases	(Decreases)	Balance September 30, 2011	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 87,580,000	\$	\$ (9,575,000)	\$ 78,005,000	\$ 9,840,000
Annexed utility district bonds	6,235,000	1,280,000	(1,665,000)	5,850,000	325,000
Certificates of obligation	56,913,005		(2,599,015)	54,313,990	2,586,995
Sales tax revenue bonds	10,515,000		(505,000)	10,010,000	525,000
Less deferred amounts:					
For issuance premiums/discounts	1,561,071		(227,971)	1,333,100	203,370
Gain or loss on refunding bonds	(1,578,287)		211,019	(1,367,268)	
	<u>161,225,789</u>	<u>1,280,000</u>	<u>(14,360,967)</u>	<u>148,144,822</u>	<u>13,480,365</u>
Other liabilities:					
Obligations under capital leases	2,430,846		(399,992)	2,030,854	366,300
Other Post Employment Benefit Obligation (OPEB)	517,725	233,417		751,142	
Obligation to State	630,894	1,084,351	(267,688)	1,447,557	426,616
Compensated absences	2,113,886	2,380,020	(2,395,086)	2,098,820	75,000
Total Governmental Activities	<u>\$ 166,919,140</u>	<u>\$ 4,977,788</u>	<u>\$ (17,423,733)</u>	<u>\$ 154,473,195</u>	<u>\$ 14,348,281</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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Utility System Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2011, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Series 2001 general obligation & refunding	12,085,000	2021	4.0-5.25	\$ 2,580,000
Series 2003 general obligation refunding	18,350,000	2015	2.5-5.0	2,700,000
Series 2003-A general obligation refunding	8,400,000	2017	2.0-4.0	3,335,000
Series 2004 general obligation bonds	5,435,000	2024	2.5-4.0	3,510,000
Series 2004 general obligation & refunding	5,360,000	2015	3.0-4.0	715,000
Series 2005 general obligation & refunding	8,060,000	2025	3.0-4.75	3,550,000
Series 2006 general obligation & refunding	34,685,000	2026	3.75-5.0	28,150,000
Series 2008 general obligation bonds	6,925,000	2028	4.0-5.0	6,290,000
Series 2009 general obligation & refunding	4,520,000	2016	3.0-3.25	3,075,000
Series 2010 general obligation & refunding	22,290,000	2026	2.0-5.0	21,725,000
Series 2010 general obligation bonds	2,435,000	2030	3.0-4.125	2,375,000
Total General Obligation Bonds				<u>\$ 78,005,000</u>
Certificates of Obligation				
Series 2003 Tax and revenue certificates of obligation	\$ 15,600,000	2018	3.4-4.4	8,515,000
Series 2005B Tax and revenue certificates of obligation	2,115,000	2025	4.38-5.25	1,630,000
Series 2006 Tax and revenue certificates of obligation	990,000	2026	4.5-5.0	825,000
Series 2008 Tax and revenue certificates of obligation	4,460,000	2028	3.75-5.0	4,050,000
Series 2009 Tax and revenue certificates of obligation	17,370,000	2029	2.0-4.5	16,443,990
Series 2010 Tax and revenue certificates of obligation	23,405,000	2030	2.5-4.0	22,850,000
Total Certificates of Obligation				<u>\$ 54,313,990</u>
Sales Tax Revenue Bonds				
Series 2005 Sales Tax Revenue Bonds	\$ 12,365,000	2025	4.0-6.25	\$ 10,010,000
Total Sales Tax Revenue Bonds				<u>\$ 10,010,000</u>
Annexed Utility District Bonds				
<i>First Colony Municipal Utility District No. 1 (FC MUD 1)</i>				
Series 2005 Unlimited Tax Refunding	6,355,000	2025	3.0-4.50	\$ 5,850,000
Total Annexed Utility District Bonds				<u>\$ 5,850,000</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize governmental activity general obligation bonds, certificates of obligation, and annexed utility district bonds outstanding at September 30, 2011, are as follows:

Year Ending Sept. 30	Governmental Activities					
	General Obligation Bonds		Certificates of Obligation		Annexed Utility District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 9,840,000	\$ 3,097,761	\$ 2,586,995	\$ 2,020,049	\$ 325,000	\$ 246,493
2013	8,155,000	2,751,605	3,047,399	1,930,818	335,000	233,493
2014	7,400,000	2,429,018	3,337,601	1,831,130	355,000	220,093
2015	6,110,000	2,151,559	3,452,601	1,714,351	370,000	205,893
2016	5,200,000	1,923,497	3,562,601	1,582,847	385,000	191,093
2017	5,160,000	1,708,011	3,692,601	1,448,016	405,000	175,693
2018	4,860,000	1,496,989	3,817,601	1,303,842	430,000	159,088
2019	4,280,000	1,305,403	2,585,328	1,177,686	450,000	141,243
2020	4,440,000	1,114,415	2,372,525	1,084,973	465,000	122,343
2021	4,425,000	911,413	2,457,525	995,847	485,000	102,580
2022	4,085,000	716,635	2,537,525	900,541	510,000	81,725
2023	3,775,000	535,827	2,622,525	799,824	535,000	59,540
2024	3,520,000	373,193	2,707,525	695,144	560,000	36,000
2025	3,075,000	232,275	2,792,652	585,432	240,000	10,800
2026	1,935,000	123,363	2,737,652	473,406		
2027	670,000	64,538	2,752,778	359,828		
2028	705,000	31,813	2,847,778	241,225		
2029	180,000	11,438	2,587,778	126,500		
2030	190,000	3,919	1,815,000	36,300		
	<u>\$ 78,005,000</u>	<u>\$ 20,982,669</u>	<u>\$ 54,313,990</u>	<u>\$ 19,307,760</u>	<u>\$ 5,850,000</u>	<u>\$ 1,986,073</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Sales Tax Revenue Bonds

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2011 are as follows:

Sugar Land Development Corporation		
Blended Component Unit		
Sales Tax Revenue Bonds		
Year Ending Sept. 30	Principal	Interest
2012	\$ 525,000	\$ 433,249
2013	550,000	405,499
2014	575,000	382,655
2015	595,000	359,106
2016	625,000	334,089
2017	650,000	307,308
2018	685,000	278,596
2019	715,000	247,968
2020	750,000	215,363
2021	785,000	180,825
2022	825,000	144,394
2023	865,000	105,946
2024	910,000	65,338
2025	955,000	22,204
	<u>\$ 10,010,000</u>	<u>\$ 3,482,538</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Capital Lease Obligations

The City has entered into certain capital lease agreements in order to purchase fire equipment, public safety and management information systems equipment. The capital lease obligations are paid out of the General Fund.

Following is a summary of future lease payments due on this equipment:

<u>Fiscal Year</u>	<u>Obligations</u>
2012	\$ 418,561
2013	418,561
2014	365,050
2015	365,050
2016	365,050
2017	264,945
Total	<u>2,197,217</u>
Less interest portion	(166,363)
Obligations under Capital Leases	<u><u>\$ 2,030,854</u></u>

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$2.8 million and accumulated depreciation of approximately \$666 thousand.

Obligations to State - Refund of Sales Tax

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest. During the 2008 fiscal year, the State identified approximately \$587,000 in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end September 30, 2012. During the 2011 fiscal year, the State identified approximately \$1.2 million in overpayments from prior years, which the State has allowed to be repaid over four-year period, which will end June 2015.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

B. Business Activity Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2011.

	<u>Balance September 30, 2010</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2011</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Water and wastewater revenue bonds	\$ 65,940,000		\$ (3,715,000)	\$ 62,225,000	\$ 3,750,000
Certificates of obligation	11,946,995	98,810,000	(510,985)	110,246,010	2,278,005
Less deferred amounts:					
For issuance premiums/discounts	220,808	4,941	(41,515)	184,234	36,830
Gain or loss on refunding bonds	(197,196)		47,089	(150,107)	40,699
	<u>77,910,607</u>	<u>98,814,941</u>	<u>(4,220,411)</u>	<u>172,505,137</u>	<u>6,105,534</u>
Other liabilities:					
Compensated absences	251,035	296,504	(288,559)	258,980	10,000
Total Business-type Activities	<u>\$ 78,161,642</u>	<u>\$ 99,111,445</u>	<u>\$ (4,508,970)</u>	<u>\$ 172,764,117</u>	<u>\$ 6,115,534</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2011 follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Utility System Fund				
Series 2002 Waterworks and Sewer System Revenue Bonds	\$ 3,215,000	2022	3.60-3.95	\$ 1,975,000
Series 2002A Waterworks and Sewer System Revenue Bonds	1,440,000	2022	4.0-5.5	940,000
Series 2005 Waterworks and Sewer System Revenue Bonds	12,625,000	2030	3.5-4.5	8,120,000
Series 2006 Waterworks and Sewer System Revenue Bonds	5,410,000	2026	4.125-5.50	4,475,000
Series 2008 Waterworks and Sewer System Revenue Bonds	14,780,000	2028	3.5-5.0	13,400,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	6,260,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	27,055,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	98,810,000
Total Utility System Fund				<u>\$ 161,035,000</u>
Airport Fund				
Series 2003A Combination Tax and Revenue Certificates of Obligation	\$ 1,465,000	2023	3.625-5.50	\$ 1,035,000
Series 2005A Tax and Revenue Certificates of Obligation	7,410,000	2025	4.0-5.5	5,990,000
Series 2007 Combination Tax and Revenue Certificates of Obligation	4,400,000	2028	4.0-4.625	3,985,000
Series 2010 Combination Tax and Revenue Certificates of Obligation	450,000	2030	2.0-4.5	426,010
Total Airport Fund				<u>11,436,010</u>
Total Enterprise Long-Term Debt				<u>\$ 172,471,010</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

B. Business Activity Debt (continued)

The annual requirements to amortize business type activity revenue bonds and certificates of obligation outstanding at September 30, 2011 are as follows:

Year Ending Sept. 30	Business-Type Activities			
	Revenue Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 3,750,000	\$ 2,518,210	\$ 2,278,005	\$ 4,693,927
2013	3,805,000	2,403,960	2,362,601	4,632,575
2014	3,840,000	2,284,933	2,447,399	4,568,857
2015	3,900,000	2,158,773	2,522,399	4,505,143
2016	3,635,000	2,028,809	2,607,399	4,430,905
2017	3,710,000	1,885,191	2,697,399	4,343,683
2018	3,800,000	1,744,639	2,792,399	4,253,537
2019	3,260,000	1,587,834	2,914,672	4,159,475
2020	3,375,000	1,451,855	3,027,475	4,061,200
2021	3,200,000	1,308,005	3,207,475	3,954,306
2022	3,330,000	1,172,135	3,342,475	3,829,214
2023	3,130,000	1,030,643	3,507,475	3,689,127
2024	3,250,000	897,818	3,672,475	3,542,303
2025	3,390,000	753,553	3,822,348	3,387,220
2026	3,530,000	601,139	3,262,348	3,241,886
2027	3,260,000	436,764	3,407,222	3,092,900
2028	3,405,000	282,320	3,557,222	2,933,901
2029	2,365,000	119,475	3,362,222	2,784,975
2030	290,000	13,050	3,495,000	2,624,038
2031			3,655,000	2,454,425
2032			3,835,000	2,285,900
2033			4,025,000	2,098,988
2034			4,225,000	1,892,738
2035			4,440,000	1,676,113
2036			4,660,000	1,454,438
2037			4,895,000	1,227,506
2038			5,145,000	982,625
2039			5,410,000	718,750
2040			5,690,000	441,250
2041			5,980,000	149,500
	<u>\$ 62,225,000</u>	<u>\$ 24,679,103</u>	<u>\$ 110,246,010</u>	<u>\$ 88,111,402</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

C. Component Unit Long-Term Debt

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2011:

	<u>Balance September 30, 2010</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance September 30, 2011</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Sales tax revenue bonds	\$ 13,655,000	\$ 30,145,000	\$ (1,195,000)	\$ 42,605,000	\$ 1,635,000
Less deferred amounts:					
For issuance premiums/discounts	(46,274)		6,417	(39,857)	6,207
Gain or loss on refunding bonds	(409,954)		56,849	(353,105)	54,987
Other liabilities:					
Note Payable		980,100		980,100	
Obligation to State	72,194	154,907	(37,297)	189,804	60,001
	<u>\$ 13,270,966</u>	<u>\$ 31,280,007</u>	<u>\$ (1,169,031)</u>	<u>\$ 43,381,942</u>	<u>\$ 1,756,195</u>

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2011 follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Series 2005 Sales Tax Revenue Bonds	5,530,000	2025	4.0-6.0	\$ 3,375,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	9,085,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	30,145,000
Total Component Unit Long-Term Debt				<u>\$ 42,605,000</u>

Note Payable

Sugar Land 4B Corporation purchased 5 acres of land for baseball stadium parking and related improvements. There are two notes for \$490,000 each payable to the State of Texas and Amegy Bank National Association. The interest rate is 6% per annum. Interest shall accrue commencing on January 1, 2012 and unless sooner paid, all outstanding principal and interest shall be due and payable on December 15, 2015.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

C. Component Unit Long-Term Debt (continued)

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2011 are as follows:

Year Ending Sept. 30	Sugar Land 4B Corporation	
	Revenue Bonds	
	Principal	Interest
2012	\$ 1,635,000	\$ 1,742,456
2013	1,660,000	1,691,606
2014	1,705,000	1,639,706
2015	1,780,000	1,583,844
2016	1,840,000	1,522,638
2017	1,885,000	1,457,419
2018	1,960,000	1,388,781
2019	2,025,000	1,316,344
2020	2,115,000	1,239,175
2021	2,195,000	1,156,850
2022	1,900,000	1,076,631
2023	1,330,000	1,011,694
2024	1,390,000	953,169
2025	1,460,000	888,863
2026	1,225,000	828,269
2027	1,290,000	771,681
2028	1,355,000	712,169
2029	1,425,000	648,728
2030	1,500,000	580,150
2031	1,580,000	506,013
2032	1,670,000	425,750
2033	1,765,000	339,875
2034	1,865,000	249,125
2035	1,970,000	153,250
2036	2,080,000	52,000
	<u>\$ 42,605,000</u>	<u>\$ 23,936,185</u>

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Long-Term Debt (continued)

D. Legal Compliance

Long-term debt assumed by the City upon dissolution of annexed municipal utility districts in the current and previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The annexed area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$3.5 million.

Note 6 - Fund Equity/Net Assets

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net asset balance at year-end of approximately \$41.0 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

The Employee Benefits Fund, an internal service fund of the City, had a negative unrestricted net asset balance at year-end of approximately \$188.3 thousand. This deficit balance is due to the expense and liability created by the other post employment benefit (OPEB) obligation.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 – Interfund Transactions

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2011 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Airport Fund	\$ 63,213	Transfer to Airport for taxes collected on taxable value at the airport
General Fund	Capital Projects Fund	1,605,116	Transfer to CIP fund from the General Fund for pay-as-you go CIP projects
General Fund	Fleet Replacement Fund	611,528	Transfer to the fleet replacement fund for General Fund vehicle replacement
General Fund	Hi-Tech Replacement Fund	857,103	Transfer to the high tech replacement fund for General Fund technology replacement
General Fund	Debt Reduction:	450,139	Transfer to debt reduction funds based on strategic partnership agreements (Tara
		<u>3,587,099</u>	Plantation, Greatwood, and New Territory MUDs)
Debt Service Fund	Airport Fund	51,720	Transfer to Airport for taxes collected on taxable value at the airport
Capital Projects Fund	Airport Fund	50,000	Contribution to green space at the SLRA (project became an Airport asset)
Capital Projects Fund	General Fund	202,000	Transfer to the General Fund for administrative overhead costs
		<u>252,000</u>	
Tourism Fund	Debt Service Fund	641,528	Transfer to Debt Service fund for conference center debt service
Photographic Traffic Enforcement Fund	General Fund	366,261	Transfer to General Fund for traffic enforcement for city portion of red light camera revenues
SLDC Fund	Airport Fund	60,000	Transfer to Airport for US Customs payment reimbursement
SLDC Fund	Capital Projects Fund	8,180,611	Transfer to CIP fund from SLDC for capital projects
		<u>8,240,611</u>	
Utility System Fund	Debt Service Fund	3,522,902	Transfer to debt service fund for annexed MUD debt
Utility System Fund	Fleet Replacement Fund	124,100	Transfer to the fleet replacement fund for Utility Fund vehicle replacement
Utility System Fund	General Fund	1,709,700	Transfer to the General Fund for administrative overhead costs
Utility System Fund	Hi-Tech Replacement Fund	34,383	Transfer to the high tech replacement fund for Utility Fund technology replacement
Utility System Fund	General Fund	50,500	Administrative overhead provided by the General Fund
Utility System Fund	Capital Projects Fund	83,607	Funding for drainage projects per contract with WCID#1 (85% of water rights cost)
		<u>5,525,192</u>	
Airport Fund	Fleet Replacement Fund	20,565	Transfer to the fleet replacement fund for Airport Fund vehicle replacement
Airport Fund	General Fund	371,012	Transfer to the General Fund for administrative overhead costs
Airport Fund	Hi-Tech Replacement Fund	13,610	Transfer to the high tech replacement fund for Airport Fund technology replacement
		<u>405,187</u>	
Solid Waste Fund	Fleet Replacement Fund	2,375	Transfer to the fleet replacement fund for Solid Waste vehicle replacement
Solid Waste Fund	General Fund	10,600	Transfer to the General Fund for administrative overhead costs
Solid Waste Fund	Hi-Tech Replacement Fund	295	Annual contributions based on the purchase price and useful life of the computer equipment
		<u>13,270</u>	
		<u>\$ 19,082,868</u>	

Note 8 - Deferred Compensation Plan

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions, SRC Retirement Corporation and ICMA were appointed as plan administrators. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and makes investment decisions and disburse funds to employees in accordance with plan provisions.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 842 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions adopted by the City are within the options available in the governing state statutes of TMRS. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with 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 a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City has adopted another type of monetary credit referred to as an updated service credit (USC). This provision may increase the value of employee retirement benefits by accounting for increases in salary later in the employee's career and factoring in City plan improvements. The City chose the percentage of USC it will provide of 100%. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity. The City also participates in the Supplemental Death Benefits Fund. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The death benefits for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earning during the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit."

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

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years Required for Vesting	5 years	5 years
Updated Service Credit	100%	100%
Annuity Increase	70%	70%
Restricted Prior Service Credit	Yes	Yes
Supplemental Death Benefits –		
Employees and Retirees	Yes	Yes

Members can retire at age 60 and above with five or more years of service or with 20 years of service regardless of age.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System (continued)

Contributions

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

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

Three-year trend information for the annual pension cost and net pension obligation are as follows:

Fiscal Year Ending	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Pension Cost (APC)	\$ 5,850,596	\$ 5,693,306	\$ 4,814,464
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period	\$ -	\$ -	\$ -

The City's total payroll in fiscal year 2011 was \$35.5 million and the City's contributions were based on a payroll of \$35.1 million. Contributions made by employees totaled \$2.4 million, and the City made contributions of \$5.8 million during the fiscal year ended September 30, 2011.

Funding Policy

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. TMRS changed to the Projected Unit Credit actuarial cost method with actuarial valuations beginning on December 31, 2007.

The change to Projected Unit Credit caused significant contribution increases (beginning with the January 2009 contribution rate) for many cities that had adopted annually repeating benefits. Cities that experienced a rate increase of 0.50% or more were given the opportunity to phase-in the increase over an eight-year period. The City of Sugar Land chose to fully fund the new rate in 2009 and not use the phase-in program.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System (continued)

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status of the Plan as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	((b-a)/c)
12/31/2010 (1)	\$ 82,399,874	\$ 112,181,668	\$ 29,781,794	73.5%	\$36,245,939	82.2%
12/31/2010 (2)	97,156,861	122,327,452	25,170,591	79.4%	36,245,939	69.4%

- (1) Actuarial valuation performed under the original fund structure
- (2) Actuarial valuation performed under the new fund structure

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

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

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	12/31/2008	12/31/2009	12/31/2010 (1)	12/31/2010 (2)
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29 Years; Closed Period	27.9 Years; Closed Period	27.1 Years; Closed Period	27.1 Years; Closed Period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

- (1) Actuarial valuation performed under the original fund structure
- (2) Actuarial valuation performed under the new fund structure

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System (continued)

City of Sugar Land Retiree Health Care Plan

GASB Statement 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Sugar Land was October 1, 2009. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of December 31, 2010 and discloses the following:

Plan Description and Funding Policy

The City of Sugar Land Retiree Health Care Plan is a single-employer defined benefit plan. Employees who retire from the City of Sugar Land and receive an annuity from TMRS upon leaving the City's employment, and eligible dependents and survivors, are eligible to continue to participate in the City's health insurance programs at the "blended" employee group rate which is determined annually by the City of Sugar Land and approved by the City Council. Prior to retiring employees may elect to continue to participate in the City's medical and dental benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2010, a total of eleven (11) retirees had elected to receive retiree health care coverage through the City of Sugarland Retiree Health Care Plan.

Retirees pay 100% of the premium for self, spouse, and dependents. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, is higher than active employee healthcare costs. The plan is not accounted for as a trust fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is .8% percent of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The City’s annual OPEB cost for the year ending September 30, 2011, is as follows:

Determination of Net OPEB Obligation	
Annual required contribution	\$ 233,417
Annual OPEB cost	<u>233,417</u>
Increase in net OPEB obligation	233,417
Net OPEB obligation – beginning of year	517,725
Net OPEB obligation – end of year	<u><u>\$ 751,142</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed*</u>	<u>Net OPEB Obligation</u>
2011	\$ 233,417	0.0%	\$ 751,142
2010	262,688	0.0%	517,725
2009	255,037	0.0%	255,037

Funded Status and Funding Progress

The funded status of the City’s retiree health care plan, under GASB Statement No. 45 as of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date as of December 31,	2010
Actuarial accrued liability (AAL)	\$2,056,551
Actuarial value of plan assets	-\$0-
Unfunded actuarial accrued liability (UAAL)	\$2,056,551
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$36,245,839
UAAL as a percentage of covered payroll	5.67%

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Employee Retirement System (continued)

Funded Status and Funding Progress (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, no prior-year information is available.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used for this valuation are as follows:

Measurement Date	12/31/2010
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	Open 30-year
Amortization Method	Level Percent of Payroll
Discount Rate	4.50%
CPI	3.00%
Healthcare Cost Trend Rate	10% initial rate, 4.5% ultimate rate, 11 yr grade in period
Payroll Growth Rate	3.00%

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 – Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 21, 10, 137, 138, Eldridge Road MUD and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.

The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. Eldridge Road MUD was dissolved as of March 1, 2011, but rebates were paid to the district prior to dissolution. The rebates for the year ended September 30, 2011, were \$2.797 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) within the Greatwood, River Park and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$694,000 thousand from the participating MUDs for the year ending September 30, 2011, in connection with this agreement.

Note 11 – Lease Agreement with Sugar Land Hotel Associates, L.P.

In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of \$1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 – Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2011. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

Federally Assisted Programs - Compliance Audits

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2011.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Economic Development Grant Commitments

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

Fiscal Year	Grant Commitments
2012	\$ 1,195,000
2013	220,000
2014	220,000
2015	220,000
2016	700,000
2017	145,000
2018	145,000
2019	505,000
Totals	\$ 3,350,000

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 13 - 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; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2011, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

Employee Benefits Fund

The City has established an Employee Benefits Fund - Internal Service Fund. The purpose of this fund is to provide health insurance and other benefits for the City employees and their covered dependents to minimize the total cost of annual medical insurance to the City. During 2006, the City contracted with a commercial insurance carrier to provide health coverage for all City employees. Premium payments and collection of employee contributions and City contributions from the General Fund and Enterprise funds are recorded in the Employee Benefits Fund. Payments of premiums and administrative fees are paid out of this fund. The City's liability is limited to payment of premiums to the insurance carrier.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Subsequent Events

Issuance of General Obligation Refund Bonds, Series 2012

On November 1, 2011 the City Council approved the issuance of up to \$10 million in general obligation refunding bonds with a minimum net present value savings of 5% of the refunded principal. The refunding transaction occurred on December 6, 2011 with the issuance of \$9,440,000 in General Obligation Refunding Bonds, Series 2012.

The bonds refunded the following series of outstanding debt at par:

2001 G.O. and Refunding Bonds

2013	390,000	1/17/2012
2014	180,000	1/17/2012
2015	185,000	1/17/2012
2016	185,000	1/17/2012
2017	195,000	1/17/2012
2018	205,000	1/17/2012
2019	215,000	1/17/2012
2020	225,000	1/17/2012
2021	<u>240,000</u>	1/17/2012
	2,020,000	

2003 Certificates of Obligation

2014	1,155,000	2/15/2013
2015	1,210,000	2/15/2013
2016	1,265,000	2/15/2013
2017	1,325,000	2/15/2013
2018	<u>1,395,000</u>	2/15/2013
	6,350,000	

2003 G.O. and Refunding Bonds

2013	530,000	2/15/2012
2014	485,000	2/15/2012
2015	<u>475,000</u>	2/15/2012
	1,490,000	

\$ 9,860,000

Required Supplementary Information

CITY OF SUGAR LAND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2011

	<i>General Fund</i>			Variance with Final Budget Positive / (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property taxes	\$ 15,241,305	\$ 15,320,077	\$ 15,272,934	\$ (47,143)
Sales and use taxes	28,435,625	29,561,142	30,295,678	734,536
Franchise taxes	4,766,290	4,801,647	4,731,821	(69,826)
Licenses and permits	2,225,800	2,238,615	2,371,944	133,329
Fines and forfeitures	1,755,200	2,021,155	2,152,248	131,093
Intergovernmental	199,322	567,411	565,549	(1,862)
Charges for services	3,630,767	3,561,362	3,382,705	(178,657)
Investment earnings	200,000	150,105	135,940	(14,165)
Other	4,600	42,011	211,018	169,007
Total Revenues	56,458,909	58,263,525	59,119,837	856,312
Expenditures				
Current:				
General government	9,541,623	9,534,447	9,197,384	337,063
Administrative services	7,470,839	8,664,049	7,964,690	699,359
Public Safety - Police	16,341,338	16,725,823	16,702,376	23,447
Public Safety - Fire	9,628,083	11,366,319	11,325,376	40,943
Public Works	5,462,743	5,679,313	5,621,998	57,315
Parks and recreation	5,002,148	4,906,573	4,804,215	102,358
Community development	4,220,982	4,033,638	3,965,737	67,901
Debt Service	492,877	492,877	449,091	43,786
Total Expenditures	58,160,633	61,403,039	60,030,867	1,372,172
Excess (deficiency) of revenues over expenditures	(1,701,724)	(3,139,514)	(911,030)	2,228,484
Other Financing Sources (Uses)				
Debt proceeds				
Transfers in	2,701,230	2,704,207	2,710,073	5,866
Transfers (out)	(3,587,281)	(3,587,098)	(3,587,099)	(1)
Sale of capital assets	50,000	67,000	125,995	58,995
Total Other Financing Sources (Uses)	(836,051)	(815,891)	(751,031)	64,860
Net change in fund balances	(2,537,775)	(3,955,405)	(1,662,061)	2,293,344
Fund balances - beginning	27,879,157	27,879,157	27,879,157	
Fund balances - ending	\$ 25,341,382	\$ 23,923,752	\$ 26,217,096	\$ 2,293,344

CITY OF SUGAR LAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
For the Year ended September 30, 2011

Budgetary Compliance

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2011.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the directors and department heads of the City and the Budget Manager, the City Manager prepares an annual budget for the General Fund, Special Revenue Funds, and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2011

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2010 (2)	\$ 97,156,861	\$ 122,327,452	79.4%	\$ 25,170,591	\$ 36,245,839	69.4%
2010 (1)	82,399,874	112,181,668	73.5%	29,781,794	36,245,839	82.2%
2009	71,221,777	98,649,078	72.2%	27,427,301	32,942,985	83.3%
2008	62,974,845	91,265,671	69.0%	28,290,826	33,298,702	85.0%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

CITY OF SUGAR LAND, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2011

CITY OF SUGAR LAND RETIREE HEALTH CARE PLAN (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2010	\$0	\$ 2,056,551	0%	\$ 2,056,551	\$ 36,245,839	5.67%
2009	\$0	1,972,533	0%	1,972,533	32,942,985	5.99%
2008	\$0	1,972,533	0%	1,972,533	33,298,702	5.92%

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Other Supplementary Information

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CITY OF SUGAR LAND, TEXAS SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

Tourism Fund – This special revenue fund is used to account for revenues received from a room occupancy tax and expenditures for the promotion of tourism and the convention and hotel industry

Court Security Fund – This special revenue fund is used to account for the revenues and expenditures related to the fees from court fines used for Court Security as set up by State Statute.

Community Development Block Grant Fund – This special revenue fund is used to account for the block grant that the City can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low and moderate income persons.

Court Technology Fund – This fund is used to account for revenues and expenditures related to fees from court fines used for Court Technology improvements as set up by State Statute.

Law Enforcement Grant Fund – This fund is used to account for grants and asset forfeitures. The proceeds are restricted for use by the Police Department.

Photographic Traffic Enforcement Fund – This fund is used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system.

Debt Reduction Fund – This fund is used to account for activities as a result of agreements with the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon annexation with such entities.

The Sugar Land Development Corporation Fund – This fund is used to account for the promoting of economic and development activities on behalf of the City. The Sugar Land Development Corporation is a blended component unit for financial reporting purposes.

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Tourism Fund	Court Security Fund	Community Development Block Grant Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 2,332,591	\$ 42,968	\$
Investments			
Receivables (net of allowance for uncollectibles)	413,305		
Interest receivable			
Due from other governments			109,279
Prepaid items	7,000		
Total Assets	<u><u>\$ 2,752,896</u></u>	<u><u>\$ 42,968</u></u>	<u><u>\$ 109,279</u></u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 61,108	\$ 1,969	\$ 109,279
Accrued expenditures	3,283		
Total Liabilities	<u><u>64,391</u></u>	<u><u>1,969</u></u>	<u><u>109,279</u></u>
 Fund Balances:			
Nonspendable:			
Prepaid expenses	7,000		
Restricted:			
Debt service			
Development activities	2,681,505		
Public safety		40,999	
Total Fund Balances	<u><u>2,688,505</u></u>	<u><u>40,999</u></u>	
Total Liabilities and Fund Balances	<u><u>\$ 2,752,896</u></u>	<u><u>\$ 42,968</u></u>	<u><u>\$ 109,279</u></u>

Court Technology Fund	Law Enforcement Grant Fund	Photographic Traffic Enforcement Fund	Debt Reduction Fund	Sugar Land Development Corporation Fund	Totals
\$ 117,722	\$ 31,095	\$ 439,384	\$ 1,228,333	\$ 3,427,714	\$ 7,619,807
			1,004,810	1,498,620	2,503,430
		1,288,075	67,339	879,414	2,648,133
			5,000	307	5,307
	9,210				118,489
				2,740	9,740
<u>\$ 117,722</u>	<u>\$ 40,305</u>	<u>\$ 1,727,459</u>	<u>\$ 2,305,482</u>	<u>\$ 5,808,795</u>	<u>\$ 12,904,906</u>
\$	\$ 9,210	\$ 428,983	\$	\$ 80,197	\$ 690,746
					3,283
	<u>9,210</u>	<u>428,983</u>		<u>80,197</u>	<u>694,029</u>
				2,740	9,740
			2,305,482	1,392,162	3,697,644
				4,333,696	7,015,201
117,722	31,095	1,298,476			1,488,292
<u>117,722</u>	<u>31,095</u>	<u>1,298,476</u>	<u>2,305,482</u>	<u>5,728,598</u>	<u>12,210,877</u>
<u>\$ 117,722</u>	<u>\$ 40,305</u>	<u>\$ 1,727,459</u>	<u>\$ 2,305,482</u>	<u>\$ 5,808,795</u>	<u>\$ 12,904,906</u>

CITY OF SUGAR LAND, TEXAS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2011*

	Tourism Fund	Court Security Fund	Community Development Block Grant Fund
Revenues			
Sales and use taxes	\$ 1,584,878	\$	\$
Fines and forfeitures		57,278	
Investment earnings	5,504	86	
Intergovernmental			292,607
Other			
Total Revenues	<u>1,590,382</u>	<u>57,364</u>	<u>292,607</u>
Expenditures			
Current:			
General government	566,474		292,607
Administrative services		54,334	
Public Safety - Police			
Debt Service:			
Principal			
Interest and other charges			
Capital Outlay	42,119		
Total Expenditures	<u>608,593</u>	<u>54,334</u>	<u>292,607</u>
Excess (deficiency) of revenues over expenditures	<u>981,789</u>	<u>3,030</u>	
Other Financing Sources (Uses)			
Transfers in			
Transfers out	(641,528)		
Total other financing sources and uses	<u>(641,528)</u>		
Net change in fund balances	340,261	3,030	
Fund balances - beginning	<u>2,348,244</u>	<u>37,969</u>	
Fund balances - ending	<u>\$ 2,688,505</u>	<u>\$ 40,999</u>	<u>\$</u>

Court Technology Fund	Law Enforcement Grant Fund	Photographic Traffic Enforcement Fund	Debt Reduction Fund	Sugar Land Development Corporation Fund	Totals
\$	\$	\$	\$	\$ 4,976,746	\$ 6,561,624
76,386		1,588,933			1,722,597
230	91	1,254	8,233	25,847	41,245
	9,210		423,498	458,000	1,183,315
	5,165				5,165
<u>76,616</u>	<u>14,466</u>	<u>1,590,187</u>	<u>431,731</u>	<u>5,460,593</u>	<u>9,513,946</u>
				364,674	1,223,755
52,775				1,397,147	1,504,256
	17,324	813,474			830,798
				505,000	505,000
				468,236	468,236
					42,119
<u>52,775</u>	<u>17,324</u>	<u>813,474</u>		<u>2,735,057</u>	<u>4,574,164</u>
<u>23,841</u>	<u>(2,858)</u>	<u>776,713</u>	<u>431,731</u>	<u>2,725,536</u>	<u>4,939,782</u>
			450,138		450,138
		(366,261)		(8,240,611)	(9,248,400)
		(366,261)	450,138	(8,240,611)	(8,798,262)
23,841	(2,858)	410,452	881,869	(5,515,075)	(3,858,480)
93,881	33,953	888,024	1,423,613	11,243,673	16,069,357
<u>\$ 117,722</u>	<u>\$ 31,095</u>	<u>\$ 1,298,476</u>	<u>\$ 2,305,482</u>	<u>\$ 5,728,598</u>	<u>\$ 12,210,877</u>

CITY OF SUGAR LAND, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance	2010
	Budget	Actual	Positive / (Negative)	
Revenues				
Taxes:				
Property taxes	\$ 12,350,613	\$ 12,315,349	\$ (35,264)	\$ 14,339,895
Intergovernmental	1,378,178	1,378,168	(10)	1,650,250
Investment earnings	26,000	27,260	1,260	19,018
Other		129,500	129,500	
Total Revenues	<u>13,754,791</u>	<u>13,850,277</u>	<u>95,486</u>	<u>16,009,163</u>
Expenditures				
Current:				
Administrative services	1,390,724	1,259,413	131,311	1,307,626
Debt Service:				
Principal	13,838,951	13,839,015	(64)	11,751,995
Interest and other charges	6,028,176	5,974,142	54,034	5,350,101
Total Expenditures	<u>21,257,851</u>	<u>21,072,570</u>	<u>185,281</u>	<u>18,409,722</u>
Revenues over (under) expenditures	<u>(7,503,060)</u>	<u>(7,222,293)</u>	<u>280,767</u>	<u>(2,400,559)</u>
Other Financing Sources (Uses)				
Refunding bonds issued				26,810,000
Premium on general obligation debt				1,351,472
Payments to refunding escrow agent				(28,296,220)
Transfers in	4,164,430	4,164,430		4,395,701
Transfers (out)	(51,720)	(51,720)		(72,149)
Total other financing sources (uses)	<u>4,112,710</u>	<u>4,112,710</u>		<u>4,188,804</u>
Changes in fund balance	(3,390,350)	(3,109,583)	280,767	1,788,245
Fund balances, beginning of year	<u>7,014,403</u>	<u>7,014,403</u>		<u>5,226,158</u>
Fund balances, end of year	<u>\$ 3,624,053</u>	<u>\$ 3,904,820</u>	<u>\$ 280,767</u>	<u>\$ 7,014,403</u>

CITY OF SUGAR LAND, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual totals for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Charges for services	\$	\$ 16,752	\$ 16,752	\$
Intergovernmental	62,463,069	26,975,358	(35,487,711)	5,230,235
Investment earnings	54,400	148,024	93,624	175,853
Other	6,000,000	5,000,000	(1,000,000)	3,000
Total Revenues	<u>68,517,469</u>	<u>32,140,134</u>	<u>(36,377,335)</u>	<u>5,409,088</u>
Expenditures				
Current:				
Public works	(466,799)	4,470,061	(4,936,860)	4,008,610
Parks and recreation	223,417	1,326,925	(1,103,508)	3,559,607
Debt Service:				
Bond issuance costs	57,700		57,700	611,160
Capital outlay	112,518,494	44,183,056	68,335,438	12,099,869
Total Expenditures	<u>112,332,812</u>	<u>49,980,042</u>	<u>62,352,770</u>	<u>20,279,246</u>
Revenues over (under) expenditures	<u>(43,815,343)</u>	<u>(17,839,908)</u>	<u>25,975,435</u>	<u>(14,870,158)</u>
Other Financing Sources (Uses)				
Bond proceeds				43,210,000
Premium on debt issued				356,258
Transfers in	10,817,199	9,869,334	(947,865)	2,747,711
Transfers (out)	(252,000)	(252,000)		(699,131)
Total other financing sources (uses)	<u>10,565,199</u>	<u>9,617,334</u>	<u>(947,865)</u>	<u>45,614,838</u>
Changes in fund balance	(33,250,144)	(8,222,574)	25,027,570	30,744,680
Fund balances, beginning of year	<u>39,154,554</u>	<u>39,154,554</u>		<u>8,409,874</u>
Fund balances, end of year	<u>\$ 5,904,410</u>	<u>\$ 30,931,980</u>	<u>\$ 25,027,570</u>	<u>\$ 39,154,554</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Budget	Actual		
Revenues				
Hotel occupancy tax	\$ 1,417,529	\$ 1,584,878	\$ 167,349	\$ 1,329,022
Investment Income	9,517	5,504	(4,013)	9,646
Total Revenues	<u>1,427,046</u>	<u>1,590,382</u>	<u>163,336</u>	<u>1,338,668</u>
Expenditures				
Current:				
General government	917,769	566,474	351,295	198,451
Capital Outlay	60,000	42,119	17,881	
Total Expenditures	<u>977,769</u>	<u>608,593</u>	<u>369,176</u>	<u>198,451</u>
Revenues over (under) expenditures	<u>449,277</u>	<u>981,789</u>	<u>532,512</u>	<u>1,140,217</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(641,528)</u>	<u>(641,528)</u>		<u>(729,608)</u>
Changes in fund balance	(192,251)	340,261	532,512	410,609
Fund balances, beginning of year	<u>2,348,244</u>	<u>2,348,244</u>		<u>1,937,635</u>
Fund balances, end of year	<u>\$ 2,155,993</u>	<u>\$ 2,688,505</u>	<u>\$ 532,512</u>	<u>\$ 2,348,244</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COURT SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 59,987	\$ 57,278	\$ (2,709)	\$ 46,011
Investment earnings	91	86	(5)	86
Total Revenues	<u>60,078</u>	<u>57,364</u>	<u>(2,714)</u>	<u>46,097</u>
Expenditures				
Current:				
Administrative services	54,986	54,334	652	50,394
Total Expenditures	<u>54,986</u>	<u>54,334</u>	<u>652</u>	<u>50,394</u>
Changes in fund balance	<u>5,092</u>	<u>3,030</u>	<u>(2,062)</u>	<u>(4,297)</u>
Fund balances, beginning of year	<u>37,969</u>	<u>37,969</u>		<u>42,266</u>
Fund balances, end of year	<u>\$ 43,061</u>	<u>\$ 40,999</u>	<u>\$ (2,062)</u>	<u>\$ 37,969</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Intergovernmental	\$ 331,634	\$ 292,607	\$ (39,027)	\$ 314,505
Total Revenues	<u>331,634</u>	<u>292,607</u>	<u>(39,027)</u>	<u>314,505</u>
Expenditures				
Current:				
General government	331,634	292,607	39,027	314,505
Total Expenditures	<u>331,634</u>	<u>292,607</u>	<u>39,027</u>	<u>314,505</u>
Changes in fund balance				
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 80,000	\$ 76,386	\$ (3,614)	\$ 61,341
Investment earnings	247	230	(17)	338
Total Revenues	80,247	76,616	(3,631)	61,679
Expenditures				
Current:				
Administrative services	79,850	52,775	27,075	96,316
Total Expenditures	79,850	52,775	27,075	96,316
Changes in fund balance	397	23,841	23,444	(34,637)
Fund balances, beginning of year	93,881	93,881		128,518
Fund balances, end of year	\$ 94,278	\$ 117,722	\$ 23,444	\$ 93,881

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 101	\$ 91	\$ (10)	\$ 67
Intergovernmental	10,701	9,210	(1,491)	26,284
Other	5,164	5,165	1	7,813
Total Revenues	15,966	14,466	(1,500)	34,164
Expenditures				
Current:				
Public Safety - Police	19,599	17,324	2,275	27,569
Total Expenditures	19,599	17,324	2,275	27,569
Changes in fund balance	(3,633)	(2,858)		6,595
Fund balances, beginning of year	33,953	33,953		27,358
Fund balances, end of year	\$ 30,320	\$ 31,095	\$ 775	\$ 33,953

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 1,178,149	\$ 1,588,933	\$ 410,784	\$ 1,656,677
Investment earnings	1,125	1,254	129	1,233
Total Revenues	<u>1,179,274</u>	<u>1,590,187</u>	<u>410,913</u>	<u>1,657,910</u>
Expenditures				
Current:				
Public Safety - Police	818,879	813,474	5,405	887,666
Total Expenditures	<u>818,879</u>	<u>813,474</u>	<u>5,405</u>	<u>887,666</u>
Revenues over (under) expenditures	360,395	776,713	416,318	770,244
Other Financing Sources (Uses)				
Transfers (out)	<u>(360,395)</u>	<u>(366,261)</u>	<u>(5,866)</u>	<u>(360,460)</u>
Total other financing sources (uses)	<u>(360,395)</u>	<u>(366,261)</u>	<u>(5,866)</u>	<u>(360,460)</u>
Changes in fund balance		410,452	410,452	409,784
Fund balances, beginning of year	<u>888,024</u>	<u>888,024</u>		<u>478,240</u>
Fund balances, end of year	<u>\$ 888,024</u>	<u>\$ 1,298,476</u>	<u>\$ 410,452</u>	<u>\$ 888,024</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - DEBT REDUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011			2010
	Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 9,622	\$ 8,233	\$ (1,389)	\$ 6,324
Intergovernmental	322,772	423,498	100,726	309,857
Total Revenues	<u>332,394</u>	<u>431,731</u>	<u>99,337</u>	<u>316,181</u>
Other Financing Sources (Uses)				
Transfers in	450,138	450,138		507,844
	<u>450,138</u>	<u>450,138</u>		<u>507,844</u>
Changes in fund balance	782,532	881,869	99,337	824,025
Fund balances, beginning of year	<u>1,423,613</u>	<u>1,423,613</u>		<u>599,588</u>
Fund balances, end of year	<u>\$ 2,206,145</u>	<u>\$ 2,305,482</u>	<u>\$ 99,337</u>	<u>\$ 1,423,613</u>

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual amounts for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Budget	Actual		
Revenues				
Sales and use taxes	\$ 4,858,966	\$ 4,976,746	\$ 117,780	\$ 4,698,560
Investment earnings	39,672	25,847	(13,825)	63,975
Intergovernmental	458,000	458,000		325,000
Other	2,000		(2,000)	3,197
Total Revenues	5,358,638	5,460,593	101,955	5,090,732
Expenditures				
Current:				
General government	1,786,268	364,674	1,421,594	371,024
Administrative services	1,453,812	1,397,147	56,665	2,283,448
Debt Service:				
Principal	505,000	505,000		490,000
Interest	465,936	468,236	(2,300)	496,830
Total Expenditures	4,211,016	2,735,057	1,475,959	3,641,302
Revenues over (under) expenditures	1,147,622	2,725,536	1,577,914	1,449,430
Other Financing Sources (Uses)				
Transfers (out)	(9,188,476)	(8,240,611)		(1,174,669)
Changes in fund balance	(8,040,854)	(5,515,075)	1,577,914	274,761
Fund balances, beginning of year	11,243,673	11,243,673		10,968,912
Fund balances, end of year	\$ 3,202,819	\$ 5,728,598	\$ 1,577,914	\$ 11,243,673

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CITY OF SUGAR LAND, TEXAS

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund - This fund is used to account for all financial resources for employee benefits provided to employees except for workers' compensation and retirement.

Fleet Replacement Fund - This fund is used to account for all financial resources for vehicle and equipment replacement.

High-Technology Replacement Fund - This fund is used to account for all financial resources for electronic and radio equipment replacement.

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2011

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 977,961	\$ 1,782,252	\$ 951,703	\$ 3,711,916
Accounts receivables, net	10,373			10,373
Prepaid Expenses	35,000			35,000
Total current assets	<u>1,023,334</u>	<u>1,782,252</u>	<u>951,703</u>	<u>3,757,289</u>
Non-current assets:				
Capital Assets:				
Equipment and furniture		4,864,467	2,679,520	7,543,987
Less accumulated depreciation		<u>(3,259,946)</u>	<u>(1,463,656)</u>	<u>(4,723,602)</u>
Total non-current assets		<u>1,604,521</u>	<u>1,215,864</u>	<u>2,820,385</u>
Total assets	<u>1,023,334</u>	<u>3,386,773</u>	<u>2,167,567</u>	<u>6,577,674</u>
Liabilities				
Current Liabilities:				
Accounts payable	1,210,968		64,872	1,275,840
Other accrued expenses	691			691
Total liabilities	<u>1,211,659</u>		<u>64,872</u>	<u>1,276,531</u>
Net Assets				
Invested in capital assets, net of related debt		1,604,521	1,215,864	2,820,385
Unrestricted	(188,325)	1,782,252	886,831	2,480,758
Total net assets	<u>\$ (188,325)</u>	<u>\$ 3,386,773</u>	<u>\$ 2,102,695</u>	<u>\$ 5,301,143</u>

CITY OF SUGAR LAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2011

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Revenues				
Charges for services	\$ 5,571,323	\$	\$	\$ 5,571,323
Total operating revenues	<u>5,571,323</u>			<u>5,571,323</u>
Operating Expenses				
Personnel services		8,587		8,587
Supplies and materials		9,509	45,694	55,203
Contractual services	77,219	9,041		86,260
Repairs and maintenance		4,064	561,385	565,449
Other expenses	5,600,957			5,600,957
Depreciation		683,057	354,325	1,037,382
Total operating expenses	<u>5,678,176</u>	<u>714,258</u>	<u>961,404</u>	<u>7,353,838</u>
Operating income (loss)	<u>(106,853)</u>	<u>(714,258)</u>	<u>(961,404)</u>	<u>(1,782,515)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	1,919	3,442	3,073	8,434
Gain (loss) on disposal of capital assets		43,328	(11,187)	32,141
Total non-operating revenue (expenses)	<u>1,919</u>	<u>46,770</u>	<u>(8,114)</u>	<u>40,575</u>
Income (loss) before transfers	(104,934)	(667,488)	(969,518)	(1,741,940)
Transfers in		758,568	905,391	1,663,959
Change in net assets	(104,934)	91,080	(64,127)	(77,981)
Total net assets - beginning	<u>(83,391)</u>	<u>3,295,693</u>	<u>2,166,822</u>	<u>5,379,124</u>
Total net assets - ending	<u>\$ (188,325)</u>	<u>\$ 3,386,773</u>	<u>\$ 2,102,695</u>	<u>\$ 5,301,143</u>

CITY OF SUGAR LAND, TEXAS

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2011

	Employee Benefits Fund	Fleet Replacement Fund	High- Technology Replacement Fund	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 5,570,700	\$	\$	\$ 5,570,700
Disbursed for personnel services		(8,587)		(8,587)
Disbursed for goods and services	(5,409,945)	(22,614)	(604,871)	(6,037,430)
Net cash provided (used) by operating activities	<u>160,755</u>	<u>(31,201)</u>	<u>(604,871)</u>	<u>(475,317)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds		758,568	905,391	1,663,959
Net cash provided by (used by) noncapital financing activities		<u>758,568</u>	<u>905,391</u>	<u>1,663,959</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment		48,101		48,101
Acquisition and construction of capital assets		(376,969)	(482,068)	(859,038)
Net cash used by capital and related financing activities		<u>(328,868)</u>	<u>(482,068)</u>	<u>(810,937)</u>
Cash Flows from Investing Activities				
Interest received	1,918	3,443	3,074	8,435
Net cash provided by (used by) investing activities	<u>1,918</u>	<u>3,443</u>	<u>3,074</u>	<u>8,435</u>
Net increase/(decrease) in cash and equivalents	162,673	401,942	(178,474)	386,140
Cash and equivalents, beginning of year	815,288	1,380,310	1,130,177	3,325,775
Cash and equivalents, at end of year	<u>\$ 977,961</u>	<u>\$ 1,782,252</u>	<u>\$ 951,703</u>	<u>\$ 3,711,915</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (106,853)	\$ (714,258)	\$ (961,404)	\$ (1,782,515)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		683,057	354,325	1,037,382
(Increase) decrease in accounts receivable	(623)			(623)
Increase (decrease) in accounts payable	268,231		2,208	270,439
Net cash provided by operating activities	<u>\$ 160,755</u>	<u>\$ (31,201)</u>	<u>\$ (604,871)</u>	<u>\$ (475,317)</u>

**Discretely Presented Component Units
Fund Based Financial Statements**

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2011

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total
Assets					
Cash and equivalents	\$ 700,825	\$ 69,782	\$ 28,613	\$ 1,064	\$ 800,284
Investments	499,640				499,640
Receivables-less allowance for uncollectibles	880,328	10,038			890,366
Prepaid items	1,639				1,639
Restricted cash and investments	22,926,005		3,169		22,929,174
Total Assets	<u>25,008,437</u>	<u>79,820</u>	<u>31,782</u>	<u>1,064</u>	<u>25,121,103</u>
Liabilities					
Accounts payable and accrued expenses	61,537				61,537
Total Liabilities	<u>61,537</u>				<u>61,537</u>
Fund Balance					
Nonspendable - prepaid items	1,639				1,639
Restricted - debt service	22,926,005				22,926,005
Restricted - economic development	2,019,256	79,820	31,782	1,064	2,131,922
Total Fund Balance	<u>24,946,900</u>	<u>79,820</u>	<u>31,782</u>	<u>1,064</u>	<u>25,059,566</u>
Total Liabilities and Fund Balance	<u>\$ 25,008,437</u>	<u>\$ 79,820</u>	<u>\$ 31,782</u>	<u>\$ 1,064</u>	<u>\$ 25,121,103</u>
Reconciliation from Fund balance to Net Assets					
Fund Balance	\$ 24,946,900	\$ 79,820	\$ 31,782	\$ 1,064	\$ 25,059,566
Plus long-term assets	304,571				304,571
Less long-term liabilities	(43,381,941)				(43,381,941)
Less interest payable	(225,873)				(225,873)
Net Assets	<u>\$ (18,356,343)</u>	<u>\$ 79,820</u>	<u>\$ 31,782</u>	<u>\$ 1,064</u>	<u>\$ (18,243,677)</u>

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total Component Units
Revenues					
Taxes:					
Property taxes	\$	\$ 846,899	\$ 10,576	\$ 1,064	\$ 858,539
Sales and use taxes	4,976,746				4,976,746
Intergovernmental	147,420				147,420
Investment earnings	43,896	1,582	58		45,536
Other		4,468			4,468
Total Revenues	<u>5,168,062</u>	<u>852,949</u>	<u>10,634</u>	<u>1,064</u>	<u>6,032,709</u>
Expenditures					
Current:					
General government	16,412,128	937,568			17,349,696
Debt Service:					
Principal	1,195,000				1,195,000
Interest	1,033,177				1,033,177
Total Expenditures	<u>18,640,305</u>	<u>937,568</u>			<u>19,577,873</u>
Revenues over (under) expenditures	<u>(13,472,243)</u>	<u>(84,619)</u>	<u>10,634</u>	<u>1,064</u>	<u>(13,545,164)</u>
Other Financing Sources (Uses)					
Proceeds from long-term debt, net	31,125,100				31,125,100
Total other financing sources (uses)	<u>31,125,100</u>				<u>31,125,100</u>
Changes in fund balance	17,652,857	(84,619)	10,634	1,064	17,579,936
Fund balances, beginning of year	<u>7,294,043</u>	<u>164,439</u>	<u>21,148</u>		<u>7,479,630</u>
Fund balances, end of year	<u>\$ 24,946,900</u>	<u>\$ 79,820</u>	<u>\$ 31,782</u>	<u>\$ 1,064</u>	<u>\$ 25,059,566</u>
Reconciliation from changes in fund balance to changes in net assets					
Change in Fund Balance	\$ 17,652,857	\$ (84,619)	\$ 10,634	\$ 1,064	\$ 17,579,937
Add Principal payments	1,195,000				1,195,000
Add other changes in long-term assets and liabilities	(266,042)				(266,042)
Less proceeds from long-term debt	(31,125,100)				(31,125,100)
Changes in Net Assets	<u>\$ (12,543,285)</u>	<u>\$ (84,619)</u>	<u>\$ 10,634</u>	<u>\$ 1,064</u>	<u>\$ (12,616,205)</u>

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CITY OF SUGAR LAND, TEXAS
UNAUDITED STATISTICAL SECTION

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

	Page
Financial Trends	102
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
Revenue Capacity	112
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
Debt Capacity	121
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	126
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	128
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF SUGAR LAND, TEXAS**NET ASSETS BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities				
Invested in capital assets, net of related debt	\$ 45,222	\$ 40,369	\$ 79,902	\$ 88,966
Restricted	20,133	30,268	6,397	5,564
Unrestricted	16,024	16,771	26,348	27,568
Total governmental activities net assets	\$ 81,379	\$ 87,408	\$ 112,647	\$ 122,098
Business-type				
Invested in capital assets, net of related debt	\$ 112,987	\$ 111,753	\$ 123,911	\$ 124,387
Restricted	7,868	11,975	1,079	2,598
Unrestricted	8,330	3,312	3,872	7,421
Total business-type net assets	\$ 129,185	\$ 127,040	\$ 128,862	\$ 134,406
Primary government				
Invested in capital assets, net of related debt	\$ 158,209	\$ 152,122	\$ 203,813	\$ 213,353
Restricted	28,001	42,243	7,476	8,162
Unrestricted	24,354	20,083	30,220	34,989
Total primary government net assets	\$ 210,564	\$ 214,448	\$ 241,509	\$ 256,504

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 92,005	\$ 116,539	\$ 124,219	\$ 170,519	\$ 161,857	\$ 213,684
7,667	12,838	14,508	18,259	21,535	14,705
38,331	33,552	35,199	29,931	28,639	26,882
<u>\$ 138,003</u>	<u>\$ 162,929</u>	<u>\$ 173,926</u>	<u>\$ 218,709</u>	<u>\$ 212,031</u>	<u>\$ 255,272</u>
\$ 143,028	\$ 195,126	\$ 199,679	\$ 210,123	\$ 218,494	\$ 224,092
2,673	3,011	3,464	5,478	6,963	7,475
7,166	4,802	7,531	8,613	10,200	15,760
<u>\$ 152,867</u>	<u>\$ 202,939</u>	<u>\$ 210,674</u>	<u>\$ 224,214</u>	<u>\$ 235,657</u>	<u>\$ 247,327</u>
\$ 235,033	\$ 311,665	\$ 323,898	\$ 380,643	\$ 380,352	\$ 437,777
10,340	15,849	17,972	23,738	28,498	22,180
45,497	38,354	42,730	38,543	38,838	42,642
<u>\$ 290,870</u>	<u>\$ 365,868</u>	<u>\$ 384,600</u>	<u>\$ 442,924</u>	<u>\$ 447,688</u>	<u>\$ 502,599</u>

CITY OF SUGAR LAND, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental Activities:				
General government	\$ 3,721,656	\$ 3,565,235	\$ 4,556,424	\$ 5,515,474
Administrative services	4,047,094	4,938,322	6,117,246	5,574,377
Public safety - Police	8,992,413	9,764,347	9,777,071	10,706,162
Public safety - Fire	6,076,324	6,613,822	7,461,306	8,029,497
Public works	21,554,299	13,685,380	14,564,970	15,227,593
Parks and recreation	2,088,616	2,339,733	2,837,255	2,675,897
Community development	1,865,965	2,157,745	2,248,632	3,636,045
Interest on long-term debt	4,740,455	6,247,290	5,637,729	4,461,193
Total governmental activities expenses	53,086,822	49,311,874	53,200,633	55,826,238
Business-Type Activities:				
Utility	13,065,853	13,084,344	15,079,772	12,067,059
Solid waste management	2,363,912	2,401,184	2,667,768	2,707,293
Regional airport	4,038,808	4,530,302	5,599,018	6,809,363
Total business-type activities expenses	19,468,573	20,015,830	23,346,558	21,583,715
Total primary government expenses	\$ 72,555,395	\$ 69,327,704	\$ 76,547,191	\$ 77,409,953
Program Revenues				
Governmental Activities:				
Charges for services:				
Administrative services	\$ 1,255,397	\$ 1,539,826	\$ 1,686,975	\$ 1,100,157
Public safety - Fire	705,374	1,890,955	1,477,288	1,814,332
Community development	1,066,788	1,242,360	1,086,479	1,527,899
Other	525,290	139,947	1,700,679	1,340,834
Operating grants and contributions	483,227	709,289	347,253	1,966,820
Capital grants and contributions	13,633,774	6,621,344	9,855,155	2,695,329
Total governmental activities program revenues	17,669,850	12,143,721	16,153,829	10,445,371
Business-Type Activities				
Charges for services:				
Utility	14,583,293	15,278,512	15,813,812	17,152,477
Solid waste management	2,249,799	2,290,724	2,575,996	2,679,622
Regional airport	4,291,119	4,747,403	6,112,367	7,294,538
Operating grants and contributions	104,363	29,894	31,487	22,354
Capital grants and contributions	200,085	131,974	1,524,039	4,844,233
Total business-type activities program revenues	21,428,659	22,478,507	26,057,701	31,993,224
Total primary government program revenues	\$ 39,098,509	\$ 34,622,228	\$ 42,211,530	\$ 42,438,595
Net (Expense) Revenue				
Governmental activities	\$ (35,416,972)	\$ (37,168,153)	\$ (37,046,804)	\$ (45,380,867)
Business-type activities	1,960,086	2,462,677	2,711,143	10,409,509
Total primary government net expense	\$ (33,456,886)	\$ (34,705,476)	\$ (34,335,661)	\$ (34,971,358)

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 9,495,752	\$ 10,423,331	\$ 12,688,528	\$ 14,638,050	\$ 11,950,794	\$ 11,969,433
6,350,781	10,298,466	11,295,777	15,469,507	14,617,875	12,721,478
12,352,022	13,854,658	15,560,440	16,045,992	17,126,183	18,095,251
8,476,255	9,088,288	11,075,689	14,530,795	10,325,782	10,199,579
21,727,624	14,478,873	13,334,139	14,136,657	16,673,481	17,027,897
3,158,684	3,151,255	3,575,583	3,944,900	9,159,332	7,264,499
3,764,431	2,421,116	3,648,038	3,812,432	4,073,334	4,038,545
3,356,457	4,907,490	5,451,419	5,490,374	5,394,340	6,555,667
<u>68,682,006</u>	<u>68,623,477</u>	<u>76,629,613</u>	<u>88,068,707</u>	<u>89,321,121</u>	<u>87,872,349</u>
15,377,787	16,893,917	17,579,117	21,943,160	22,248,954	26,487,388
3,054,482	3,200,763	3,864,419	4,538,631	5,279,327	5,305,970
9,334,903	9,486,024	12,932,066	9,879,544	11,366,997	14,874,179
<u>27,767,172</u>	<u>29,580,704</u>	<u>34,375,602</u>	<u>36,361,335</u>	<u>38,895,278</u>	<u>46,667,537</u>
<u>\$ 96,449,178</u>	<u>\$ 98,204,181</u>	<u>\$ 111,005,215</u>	<u>\$ 124,430,042</u>	<u>\$ 128,216,399</u>	<u>\$ 134,539,886</u>
\$ 1,885,020	\$ 2,046,873	\$ 3,483,298	\$ 3,839,810	\$ 3,352,232	\$ 3,916,555
1,771,151	1,674,410	1,682,088	1,908,129	1,552,253	1,526,340
2,052,192	2,783,375	2,564,604	2,364,539	2,188,436	2,404,638
1,163,433	588,174	1,762,088	1,967,236	3,608,192	3,534,161
1,593,649	1,672,011	2,090,204	5,139,071	1,480,490	1,019,323
3,160,386	15,149,904	4,125,123	42,710,113	8,420,807	42,497,257
<u>11,625,831</u>	<u>23,914,747</u>	<u>15,707,405</u>	<u>57,928,898</u>	<u>20,602,410</u>	<u>54,898,274</u>
19,179,355	21,612,433	25,166,996	29,085,428	27,593,557	35,625,109
3,018,814	3,138,901	3,980,877	4,497,802	4,859,770	5,264,072
9,391,418	10,121,153	13,074,539	8,843,750	11,084,688	14,355,810
3,371,408	92,406	18,426	59,880	216,570	354,865
<u>15,812,287</u>	<u>50,077,524</u>	<u>7,415,849</u>	<u>12,531,211</u>	<u>12,163,511</u>	<u>8,193,030</u>
<u>50,773,282</u>	<u>85,042,417</u>	<u>49,656,687</u>	<u>55,018,071</u>	<u>55,918,096</u>	<u>63,792,886</u>
<u>\$ 62,399,113</u>	<u>\$ 108,957,164</u>	<u>\$ 65,364,092</u>	<u>\$ 112,946,969</u>	<u>\$ 76,520,506</u>	<u>\$ 118,691,160</u>
\$ (57,056,175)	\$ (44,708,730)	\$ (60,922,208)	\$ (30,139,809)	\$ (68,718,711)	\$ (32,974,075)
23,006,110	55,461,713	15,281,085	18,656,736	17,022,818	17,125,349
<u>\$ (34,050,065)</u>	<u>\$ 10,752,983</u>	<u>\$ (45,641,123)</u>	<u>\$ (11,483,073)</u>	<u>\$ (51,695,893)</u>	<u>\$ (15,848,726)</u>

CITY OF SUGAR LAND, TEXAS

CHANGES IN NET ASSETS

*Last Nine Fiscal Years**

(Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property taxes	\$ 17,466,943	\$ 17,854,691	\$ 18,681,254	\$ 19,279,037
Sales and use taxes	18,555,477	21,086,231	22,651,738	25,047,623
Franchise taxes	4,062,920	3,971,709	3,927,334	4,174,190
Unrestricted grants and contributions				
Investment earnings	1,025,395	663,536	526,503	1,053,641
Miscellaneous	209,890	97,020	74,042	5,722
Special Item				
Transfers	4,129,616	4,836,560	1,037,359	5,271,350
Total governmental activities	45,450,241	48,509,747	46,898,230	54,831,563
Business-Type Activities:				
Investment earnings	363,913	228,668	148,344	405,720
Transfers	(4,129,616)	(4,836,560)	(1,037,359)	(5,271,350)
Total business-type activities	(3,765,703)	(4,607,892)	(889,015)	(4,865,630)
Total primary government	\$ 41,684,538	\$ 43,901,855	\$ 46,009,215	\$ 49,965,933
Changes in Net Assets:				
Governmental activities	\$ 10,033,269	\$ 11,341,594	\$ 9,851,426	\$ 9,450,696
Business-type activities	(1,805,617)	(2,145,215)	1,822,128	5,543,879
Total primary government	\$ 8,227,652	\$ 9,196,379	\$ 11,673,554	\$ 14,994,575

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 21,110,181	\$ 21,773,074	\$ 22,716,623	\$ 26,207,576	\$ 29,128,113	\$ 27,539,737
32,217,608	34,161,008	36,048,286	36,539,563	34,731,398	37,106,909
4,300,140	4,231,716	4,485,754	4,661,287	4,920,376	4,731,821
1,056,108					
2,529,438	3,126,277	1,999,308	1,194,603	467,715	360,902
26,412	20,311	441,804	729,542	849,701	756,532
				(13,906,224)	
5,463,678	6,322,645	6,112,688	5,590,028	5,849,543	5,718,716
<u>66,703,565</u>	<u>69,635,031</u>	<u>71,804,463</u>	<u>74,922,599</u>	<u>62,040,622</u>	<u>76,214,617</u>
918,322	975,420	710,680	473,837	269,249	263,593
(5,463,678)	(6,322,645)	(6,109,242)	(5,590,028)	(5,849,543)	(5,718,716)
<u>(4,545,356)</u>	<u>(5,347,225)</u>	<u>(5,398,562)</u>	<u>(5,116,191)</u>	<u>(5,580,294)</u>	<u>(5,455,123)</u>
<u>\$ 62,158,209</u>	<u>\$ 64,287,806</u>	<u>\$ 66,405,901</u>	<u>\$ 69,806,408</u>	<u>\$ 56,460,328</u>	<u>\$ 70,759,494</u>
\$ 9,647,390	\$ 24,926,301	\$ 10,882,255	\$ 44,782,790	\$ (6,678,089)	\$ 43,240,542
18,460,754	50,114,488	9,882,523	13,540,545	11,442,524	11,670,226
<u>\$ 28,108,144</u>	<u>\$ 75,040,789</u>	<u>\$ 20,764,778</u>	<u>\$ 58,323,335</u>	<u>\$ 4,764,435</u>	<u>\$ 54,910,768</u>

CITY OF SUGAR LAND
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005*
General fund				
Nonspendable:				
Inventories	\$ 88,696	\$ 120,339	\$ 103,509	\$ 137,055
Prepaid items	25,545	49,004	40,220	25,643
Assigned for other purposes	786,281	1,056,239	1,028,035	1,185,961
Unassigned	10,083,633	9,271,426	10,135,414	19,287,577
Total General fund	<u>\$10,984,155</u>	<u>\$10,497,008</u>	<u>\$11,307,178</u>	<u>\$20,636,236</u>
All other governmental funds				
Nonspendable:				
Prepaid items	\$	\$	\$ 27,580	\$ 26,820
Restricted:				
Debt service	7,355,602	7,325,562	6,653,939	5,408,932
Capital projects	12,016,741	22,341,384	10,940,601	10,953,828
Development activities	366,111	214,291	199,792	436,335
Public safety	143,055	172,010	250,810	349,647
Drainage improvement				
Unassigned		(13,241)		
Total all other governmental funds	<u>\$19,881,509</u>	<u>\$30,040,006</u>	<u>\$18,072,722</u>	<u>\$17,175,562</u>

* In fiscal year 2005 a formerly discretely presented component unit, the Sugar Land Development Corporation, was blended.

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 131,789	\$ 149,015	\$ 214,910	\$ 160,160	\$ 170,230	\$ 169,208
22,381	24,722	35,264	49,701	48,690	49,727
570,325	736,341	3,239,821	877,578	1,259,302	25,359,638
22,970,366	25,350,615	23,284,240	26,649,204	26,400,935	-
<u>\$ 23,694,861</u>	<u>\$ 26,260,693</u>	<u>\$ 26,774,235</u>	<u>\$ 27,736,643</u>	<u>\$ 27,879,157</u>	<u>\$ 31,860,011</u>
\$ 600,104	\$ 599,557	\$	\$ 2,740	\$ 2,740	\$ 9,740
7,742,929	6,760,482	6,831,645	7,473,977	9,822,105	7,602,464
17,023,058	10,107,767	16,612,280	8,409,874	39,154,554	30,931,980
6,473,506	5,963,238	8,759,190	11,255,576	12,205,088	1,488,292
371,250	330,232	377,885	676,382	1,053,827	
	245,497				
	(83,290)				
<u>\$ 32,210,847</u>	<u>\$ 23,923,483</u>	<u>\$ 32,581,000</u>	<u>\$ 27,818,549</u>	<u>\$ 62,238,314</u>	<u>\$ 40,032,476</u>

CITY OF SUGAR LAND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes:				
General property	\$ 17,428,801	\$ 17,854,269	\$ 18,728,864	\$ 19,242,598
Sales and use taxes	18,769,482	20,141,219	22,723,128	25,032,282
Franchise taxes	4,277,940	3,920,930	3,966,827	4,174,190
Licenses and permits	993,957	1,110,548	1,086,479	1,453,888
Fines and forfeitures	1,255,397	1,539,826	1,377,622	1,312,202
Charges for services	811,171	1,081,942	2,346,494	2,777,499
Investment earnings	992,757	600,082	498,644	991,168
Intergovernmental	4,560,122	4,515,700	10,788,662	4,528,755
Other	3,964,555	1,695,897	264,435	567,062
Total Revenues	<u>53,054,182</u>	<u>52,460,413</u>	<u>61,781,155</u>	<u>60,079,644</u>
Expenditures				
General government	3,493,543	3,785,019	4,467,824	5,499,979
Administrative services	2,920,320	4,335,232	5,424,946	5,155,481
Public safety	15,973,059	16,489,648	16,504,535	18,591,158
Public works	5,391,219	5,490,831	5,796,088	6,505,895
Parks and recreation	1,798,629	1,958,525	1,968,563	2,148,540
Community development	2,153,109	2,140,039	2,244,372	3,045,013
Debt Service:				
Principal	7,614,557	8,966,153	10,893,930	11,166,491
Interest and other charges	8,433,898	7,408,145	6,148,688	6,161,161
Capital outlay	16,758,395	13,017,150	24,999,470	8,255,603
Total Expenditures	<u>64,536,729</u>	<u>63,590,742</u>	<u>78,448,416</u>	<u>66,529,321</u>
Excess of revenues over (under) expenditures	(11,482,547)	(11,130,329)	(16,667,261)	(6,449,677)
Other Financing Sources (Uses)				
Certificates of obligation issued				
General obligation bonds issued	10,100,707	42,936,473	5,435,000	15,535,000
Revenue bonds issued				
Refunding bonds issued				
Premium (discount) on debt issued				149,578
Payments to refunded bond escrow agent		(26,889,670)		(11,482,431)
Proceeds of the sale of capital assets				
Capital leases	1,224,316	807,437		
Transfers in	11,015,243	8,523,016	8,456,237	7,811,190
Transfers (out)	(13,610,403)	(4,575,577)	(8,429,792)	(3,490,133)
Total other financing sources (uses)	<u>8,729,863</u>	<u>20,801,679</u>	<u>5,461,445</u>	<u>8,523,204</u>
Net change in fund balances	<u>\$ (2,752,684)</u>	<u>\$ 9,671,350</u>	<u>\$ (11,205,816)</u>	<u>\$ 2,073,527</u>
Debt service as a percentage of noncapital expenditures	33.6%	32.4%	31.9%	29.7%

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 21,063,738	\$ 21,654,619	\$ 22,648,350	\$ 26,145,691	\$ 29,102,845	\$ 27,588,283
32,217,608	34,161,008	36,048,286	36,389,644	34,581,479	36,857,302
4,300,140	4,231,716	4,485,754	4,661,287	4,920,376	4,731,821
1,993,057	2,713,913	2,398,765	2,160,999	2,163,562	2,371,944
1,376,926	1,666,349	2,845,153	3,088,489	3,273,032	3,874,845
2,776,596	3,283,310	4,056,076	4,849,709	3,694,519	3,399,457
2,419,131	2,960,813	1,882,428	1,128,345	461,633	352,469
3,133,325	2,273,746	3,883,420	12,865,312	8,183,086	30,102,390
454,938	77,914	814,787	364,509	308,694	5,345,683
<u>69,735,459</u>	<u>73,023,388</u>	<u>79,063,019</u>	<u>91,653,985</u>	<u>86,689,226</u>	<u>114,624,194</u>
8,930,578	9,146,314	14,563,908	9,451,503	10,682,661	10,421,139
5,282,580	8,684,560	5,415,343	14,039,145	12,200,260	10,728,359
19,736,392	22,322,526	25,354,202	30,413,697	26,263,330	28,858,550
7,415,075	5,503,132	6,045,538	6,205,250	9,397,495	10,092,059
2,476,977	2,501,447	2,777,315	2,960,890	8,088,715	6,131,140
3,097,520	3,434,872	3,794,196	3,747,772	3,981,327	3,965,737
12,634,438	12,283,907	11,139,672	11,104,420	12,458,335	14,744,007
7,269,724	5,718,988	5,338,204	5,341,234	6,486,624	6,491,477
<u>20,391,276</u>	<u>14,469,153</u>	<u>11,185,254</u>	<u>18,745,284</u>	<u>12,099,869</u>	<u>44,225,175</u>
<u>87,234,560</u>	<u>84,064,899</u>	<u>85,613,632</u>	<u>102,009,195</u>	<u>101,658,616</u>	<u>135,657,643</u>
(17,499,101)	(11,041,511)	(6,550,613)	(10,355,210)	(14,969,390)	(21,033,449)
9,980,000		11,385,000		40,775,000	
12,365,000				2,435,000	
25,695,000				26,810,000	
980,763				1,707,730	
(26,292,055)				(28,296,220)	
			1,668,756	78,465	125,995
			623,300	1,709,042	
12,371,780	13,942,261	11,479,267	10,350,336	10,438,670	17,193,975
(7,893,696)	(8,622,276)	(7,142,591)	(6,087,227)	(6,126,018)	(13,139,219)
<u>27,206,792</u>	<u>5,319,985</u>	<u>15,721,676</u>	<u>6,555,165</u>	<u>49,531,669</u>	<u>4,180,751</u>
<u>\$ 9,707,691</u>	<u>\$ (5,721,526)</u>	<u>\$ 9,171,063</u>	<u>\$ (3,800,045)</u>	<u>\$ 34,562,279</u>	<u>\$ (16,852,698)</u>
29.8%	25.9%	22.1%	19.8%	21.2%	23.2%

CITY OF SUGAR LAND, TEXAS**TAXABLE SALES****LAST NINE CALENDAR YEARS**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Retail trade	\$ 601,573,858	\$ 616,289,926	\$ 657,467,599
Accommodation/Food Services	98,076,261	105,560,725	125,217,312
Wholesale trade	30,086,383	96,449,810	96,106,760
Construction	57,431,743	63,843,608	72,931,141
Information	81,370,349	85,072,570	87,687,807
Professional/Scientific/Technical Services	37,776,031	34,519,737	28,645,267
Arts/Entertainment/Recreation	23,261,347	24,389,367	26,134,716
Manufacturing	15,734,195	11,400,245	13,681,238
Other services	17,206,536	16,850,842	17,337,139
Admin/Support/Waste Mgmt/Remediation Services	30,264,771	30,571,686	17,515,112
Real Estate/Rental/Leasing	11,002,119	6,477,192	7,257,766
Utilities	147,560	183,838	313,337
Management of Companies/Enterprises	17,032,207	16,474,969	55,506,334
Transportation/Warehousing	1,430,468	1,189,290	1,180,345
Health Care/Social Assistance	104,003	369,558	834,120
Finance/Insurance	4,287,685	2,548,467	2,054,983
Educational services	384,871	402,074	467,134
Mining/Quarrying/Oil and Gas Extraction	166,524,897	191,950,135	220,761,732
Public administration	2,265,899	2,348,823	2,577,332
Other	3,061,814	533,213	126,528
	<u>\$ 1,199,022,997</u>	<u>\$ 1,307,426,075</u>	<u>\$ 1,433,803,702</u>

Source of information: Texas State Comptrollers Office.
Information prior to 2002 is not available.

<http://ecpa.cpa.state.tx.us/allocation/HistSales.jsp>

Sales tax rates for the past ten fiscal years were as follows:

City of Sugar Land	1.50%
Sugar Land Development Corporation	0.25%
Sugar Land 4B Corporation	0.25%
Totals	<u>2.00%</u>

2005	2006	2007	2008	2009	2010
\$ 705,149,129	\$ 809,548,650	\$ 1,041,357,085	\$ 845,579,899	\$ 809,900,384	\$ 797,609,932
141,406,079	160,203,538	183,194,577	192,532,921	192,249,613	201,788,407
129,590,118	100,998,889	126,340,529	145,219,665	181,374,863	182,318,563
82,435,685	148,647,428	125,525,252	76,785,094	36,651,229	25,341,501
79,106,766	69,933,126	63,304,095	58,277,031	38,724,172	42,562,500
30,343,466	32,611,442	43,007,134	44,337,155	47,152,301	50,205,059
30,944,499	35,683,686	40,367,297	40,622,857	39,254,647	39,319,401
14,117,095	18,053,650	30,304,881	33,737,478	35,916,467	38,556,143
19,531,951	22,030,038	23,548,996	25,214,386	26,365,210	25,206,445
21,806,271	23,392,488	19,226,638	18,437,657	18,392,831	19,013,407
6,757,160	13,336,535	13,107,901	20,196,130	24,123,822	28,589,598
336,228	213,895	7,257,357	15,208,544	14,793,208	31,999,808
60,297,155	18,611,026	5,418,090	5,144,574	117,446	60,298
817,070	1,010,732	1,331,028	1,049,859	1,007,624	958,673
776,749	990,456	1,255,260	1,645,260	2,604,444	3,180,679
5,634,975	1,850,429	1,207,585	1,673,015	2,060,437	1,690,868
587,445	783,940	918,972	899,505	953,485	884,432
254,887,878	409,616,155	226,213,432	501,668,924	314,960,195	454,487,641
1,990,407	744,017				
8,483				17,250	37,492
<u>\$ 1,586,524,609</u>	<u>\$ 1,868,260,120</u>	<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,619,628</u>	<u>\$ 1,943,810,847</u>

CITY OF SUGAR LAND
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property		Personal Property		Less Tax Exempt Real Property
		Residential Property	Commercial Property	Motor Vehicles	Other	
2002	2001	\$ 3,505,598,123	\$ 1,398,538,840	\$ 25,627,384	\$ 820,944,886	\$ 212,414,320
2003	2002	3,688,263,419	1,457,499,570	27,496,242	875,411,826	235,511,160
2004	2003	3,906,238,377	1,537,139,500	31,423,395	844,205,627	262,341,230
2005	2004	4,052,206,317	1,624,421,340	36,731,735	872,591,115	275,878,570
2006	2005	4,323,808,102	1,788,953,340	40,183,652	852,712,174	329,143,990
2007	2006	5,004,383,727	1,993,984,330	50,625,468	909,034,631	342,153,402
2008	2007	5,293,822,227	2,309,295,100	54,542,255	1,038,400,912	504,240,160
2009	2008	5,964,689,707	2,940,782,650	63,824,522	1,148,686,784	717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976

Source: Treasury Department of the City.

Note: All properties are assessed at 100% of actual taxable value. Tax rates are per \$100 of assessed value.

	Less Other Exemptions and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	346,369,568	\$ 5,191,925,345	\$ 0.33330	\$ 5,191,925,345	100.00%
	333,995,122	5,479,164,775	0.32886	5,479,164,775	100.00%
	363,724,651	5,692,941,018	0.32840	5,692,941,018	100.00%
	374,516,941	5,935,554,996	0.32568	5,935,554,996	100.00%
	379,916,920	6,296,596,358	0.31711	6,296,596,358	100.00%
	512,828,996	7,103,045,758	0.30655	7,103,045,758	100.00%
	570,215,378	7,621,604,956	0.30000	7,621,604,956	100.00%
	674,751,010	8,725,649,555	0.30000	8,725,649,555	100.00%
	889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
	908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%

CITY OF SUGAR LAND, TEXAS**PROPERTY TAX RATES (A)****DIRECT AND OVERLAPPING GOVERNMENTS (B)***Last Ten Fiscal Years*

Fiscal Year	2002	2003	2004	2005
Tax Year	2001	2002	2003	2004
Tax Rates				
City of Sugar Land				
Operating tax rate	\$ 0.09330	\$ 0.10407	\$ 0.11588	\$ 0.13130
Debt service tax rate	0.24000	0.22479	0.21252	0.19438
Total tax rate	<u>\$ 0.33330</u>	<u>\$ 0.32886</u>	<u>\$ 0.32840</u>	<u>\$ 0.32568</u>
Fort Bend County	\$ 0.56410	\$ 0.53870	\$ 0.52370	\$ 0.52370
Fort Bend ISD	1.68250	1.68250	1.67000	1.70750
Fort Bend LID 2	0.23000	0.23000	0.21000	0.20000
Fort Bend County MUD No. 21	0.49000	0.49000	0.49000	0.49000
First Colony LID	0.21500	0.20500	0.19500	0.20500
Eldridge Road MUD	0.72000	0.67000	0.60000	0.50000
Fort Bend WCID No. 2	0.16290	0.16290	0.16290	0.18000
First Colony LID No. 2	0.34200	0.39200	0.39200	0.38500
Burney Road MUD	0.75000	0.74000	0.74000	0.67000

Source: CAD Website

- (A) Tax rate per \$100 assessed valuation
- (B) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

<u>2006</u> <u>2005</u>	<u>2007</u> <u>2006</u>	<u>2008</u> <u>2007</u>	<u>2009</u> <u>2008</u>	<u>2010</u> <u>2009</u>	<u>2011</u> <u>2010</u>
\$ 0.14783	\$ 0.15307	\$ 0.15000	\$ 0.15575	\$ 0.16000	\$ 0.16500
0.16928	0.15348	0.15000	0.14425	0.14000	0.13500
<u>\$ 0.31711</u>	<u>\$ 0.30655</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>
\$ 0.51674	\$ 0.51674	\$ 0.51674	\$ 0.49976	\$ 0.49976	\$ 0.48556
1.67748	1.54000	1.25000	1.27000	1.30500	1.34000
0.18400	0.17700	0.16500	0.14500	0.13400	0.13400
0.47000	0.44000	0.39000	0.39000	0.27000	0.26000
0.19000	0.18500	0.19460	0.19460	0.19460	0.19460
0.43000	0.39000	0.32000	0.25000	0.22000	0.08000
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.37500	0.31500	0.31500	0.29500	0.28500	0.27500
0.35500	0.33000	0.30000	0.30000	0.24250	0.26750

CITY OF SUGAR LAND, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount	Percent of Levy
2002	2001	\$ 0.33330	\$ 17,251,497	\$ 17,097,945	99.1%
2003	2002	0.32886	17,752,277	17,611,167	99.2%
2004	2003	0.32840	18,661,475	18,509,816	99.2%
2005	2004	0.32568	19,208,470	19,068,084	99.3%
2006	2005	0.31711	19,979,657	19,783,102	99.0%
2007	2006	0.30655	21,811,519	21,617,919	99.1%
2008	2007	0.30000	22,930,414	22,655,023	98.8%
2009	2008	0.30000	26,034,143	25,953,447	99.7%
2010	2009	0.30000	27,596,391	27,577,848	99.9%
2011	2010	0.30000	27,841,421	27,744,644	99.7%

Collections (Refunds) in Subsequent Years	Total Collections to Date	
Amount	Amount	Percent of Levy
\$ 150,115	\$ 17,248,060	100.0%
136,910	17,748,077	100.0%
144,410	18,654,226	100.0%
124,233	19,192,317	99.9%
179,033	19,962,135	99.9%
176,177	21,794,096	99.9%
244,486	22,899,509	99.9%
18,979	25,972,426	99.8%
(60,538)	27,517,310	99.7%
	27,744,644	99.7%

CITY OF SUGAR LAND
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago

Taxpayer	Fiscal Year 2011			Fiscal Year 2001		
	Tax Year 2010		% of Total Assessed Valuation	Tax Year 2000		% of Total Assessed Valuation
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
First Colony Mall LLC	\$ 97,210,240	1	1.0%	\$ 52,413,910	6	1.1%
Tramontina USA Inc	81,494,190	2	0.9%			
Schlumberger Tech Corp - SPC	80,466,920	3	0.9%	108,399,020	2	2.3%
Lakepointe Assets, LLC	74,000,000	4	0.8%			
Medistar Sugar Land Medical Center, Ltd	62,174,530	5	0.7%			
Weingarten Realty Investors & WRI/Post Oak Inc	49,864,650	6	0.5%			
Amerisource Bergen Drug Corp.	44,943,060	7	0.5%			
Covington First Colony Acquisition LLC etal	42,709,960	8	0.5%			
Sugar Land Telephone Company	38,405,570	9	0.4%	54,623,390	5	1.1%
NNP-Telfair	37,327,640	10	0.4%			
Fluor Daniels, Inc.				121,520,980	1	2.5%
Kent Electronics				78,642,290	3	1.6%
Imperial Holly Sugar				58,984,600	4	1.2%
Bergen Brunswing Drug Co.				51,506,530	7	1.1%
Acquiport Sugar Creek, Inc.				51,504,940	8	1.1%
Gables Ltd				47,689,460	9	1.0%
Nalco/Exxon Energy Chemicals, L.P.				46,109,870	10	1.0%
	<u>608,596,760</u>		6.6%	<u>671,394,990</u>		14.0%
Other taxpayers	<u>8,680,349,289</u>		93.4%	<u>4,115,901,955</u>		86.0%
Total Assessed Valuation	<u><u>\$ 9,288,946,049</u></u>		<u>100.0%</u>	<u><u>\$ 4,787,296,945</u></u>		<u>100.0%</u>

Source - Tax assessor/collector's records
Note - Assessed valuation is net of exemptions

CITY OF SUGAR LAND, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2002	104,498,075	7,355,602	97,142,473	1.9%	1,489
2003	96,235,445	7,325,562	88,909,883	1.6%	1,344
2004	92,283,988	6,653,939	85,630,049	1.5%	1,239
2005	84,932,230	4,627,154	80,305,076	1.4%	1,135
2006	96,505,000	5,029,013	91,475,987	1.5%	1,228
2007	87,105,001	5,993,163	81,111,838	1.1%	1,064
2008	84,800,000	4,808,870	79,991,130	1.0%	1,026
2009	75,795,000	5,226,158	70,568,842	0.8%	887
2010	93,815,000	7,014,403	86,800,597	0.9%	1,027
2011	83,855,000	4,069,685	79,785,315	0.9%	944

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF SUGAR LAND
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Governmental Activities

Fiscal Year	General Obligation Bonds	Annexed MUD Debt	Certificates of Obligation	Capital Leases	Sales Tax Revenue Bonds
2002	\$ 72,023,075	\$ 32,475,000	\$ 10,100,000	\$ 1,493,978	
2003	83,755,445	12,480,000	25,700,000	1,822,892	
2004	80,538,988	11,745,000	24,700,000	1,699,183	
2005	76,717,230	8,215,000	25,770,000	1,139,451	
2006	93,000,000	3,505,000	25,595,000	777,242	13,415,000
2007	84,480,001	2,625,000	24,345,000	628,336	11,930,000
2008	82,895,000	1,905,000	27,505,000	474,264	11,475,000
2009	74,310,000	1,485,000	26,035,000	938,143	11,005,000
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-Type Activities

Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Total Primary Government	Percentage of Personal Income*	Percentage of Actual Taxable value of Property	Per Capita*
\$ 19,270,000	\$ 800,000	\$ 200,000	\$ 136,362,053	5.7%	2.6%	2,090
19,415,000	600,000	1,615,000	145,388,337	7.1%	2.7%	2,199
18,165,000	400,000	1,525,000	138,773,171	5.5%	2.4%	2,007
29,535,000	200,000	8,835,000	150,411,681	5.8%	2.5%	2,126
32,860,000		8,685,000	177,837,242	6.4%	2.8%	2,388
30,600,000		8,375,000	162,983,337	5.8%	2.3%	2,138
43,100,000		12,455,000	179,809,264	6.1%	2.4%	2,306
40,420,000		11,990,000	166,183,143	5.6%	1.9%	2,088
65,940,000		11,946,995	241,560,846	7.2%	2.6%	2,858
62,225,000		110,246,010	322,680,854	12.1%	3.5%	3,818

*See the Schedule of Demographic and Economic Statistics for personnel income and population data.

CITY OF SUGAR LAND, TEXAS
DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
September 30, 2011

<u>Taxing Jurisdiction</u>	<u>Gross Debt</u>	<u>Overlapping</u>	
		<u>Estimated Percentage *</u>	<u>Amount</u>
Burney Road MUD	\$ 11,770,000	100.00%	\$ 11,770,000
First Colony LID No. 2	1,935,000	100.00%	1,935,000
First Colony MUD No. 10	15,785,000	100.00%	15,785,000
Fort Bend County **	452,755,000	23.33%	105,627,742
Fort Bend County LID No. 2	1,190,000	100.00%	1,190,000
Fort Bend County LID No. 14	5,525,000	100.00%	5,525,000
Fort Bend County LID No. 17	47,820,000	100.00%	47,820,000
Fort Bend County MUD No. 21	10,525,000	100.00%	10,525,000
Fort Bend County MUD No. 116	32,015,000	0.14%	44,821
Fort Bend County MUD No. 137	30,510,000	100.00%	30,510,000
Fort Bend County MUD No. 138	23,015,000	100.00%	23,015,000
Fort Bend County WC&ID No. 2	52,895,000	0.63%	333,239
Fort Bend ISD	951,714,425	41.71%	396,960,087
Total Overlapping Debt			\$ 651,040,888
City of Sugar Land	149,605,000	100.00%	<u>149,605,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 800,645,888</u></u>
Ratio of Direct and Overlapping Funded Debt to 2010 Taxable Assessed Valuation			8.63%
Per Capita Debt - Direct and Overlapping			\$ 9,474

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values.

** Includes the \$63,695,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and the \$72,195,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004.

Source-Tax Department records of the various governments and the financial advisor for the City.

CITY OF SUGAR LAND, TEXAS
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for Debt Service	Debt Service Requirements (C)			Times Coverage
				Principal	Interest	Total	
Utility System - Waterworks and Sewer System Revenue Bonds and Combination Tax and Revenue Certificates of Obligation							
2002	\$ 14,940,922	\$ 8,254,580	\$ 6,686,342	\$ 1,235,000	\$ 811,184	\$ 2,046,184	3.27
2003	15,496,354	8,121,718	7,374,636	1,250,000	837,972	2,087,972	3.53
2004	15,941,085	9,931,943	6,009,142	1,255,000	788,056	2,043,056	2.94
2005	17,449,478	6,639,195	10,810,283	2,085,000	1,370,560	3,455,560	3.13
2006	23,319,289	9,212,745	14,106,544	2,260,000	1,412,483	3,672,483	3.84
2007	22,492,174	9,672,726	12,819,448	2,280,000	1,319,533	3,599,533	3.56
2008	25,758,079	11,821,825	13,936,254	2,280,000	1,969,366	4,249,366	3.28
2009	29,493,918	12,534,620	16,959,298	2,535,000	1,777,648	4,312,648	3.93
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75
Airport - Combination Tax and Revenue Certificates of Obligation							
2002	\$ 4,300,880	\$ 3,227,639	\$ 1,073,241	\$ 250,000	\$ 55,225	\$ 305,225	3.52
2003	4,758,212	3,651,828	1,106,384	290,000	110,106	400,106	2.77
2004	6,132,075	4,730,288	1,401,787	300,000	86,349	386,349	3.63
2005	7,400,503	5,897,970	1,502,533	350,000	400,314	750,314	2.00
2006	9,523,197	8,319,812	1,203,385	310,000	383,839	693,839	1.73
2007	10,216,832	8,414,435	1,802,397	320,000	370,451	690,451	2.61
2008	13,264,297	11,587,030	1,677,267	465,000	532,008	997,008	1.68
2009	8,909,097	7,389,197	1,519,900	480,000	512,208	992,208	1.53
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91
Sugar Land Development Corporation - Sales Tax Revenue Bonds							
2002	\$ 3,230,044	\$ 1,493,660	\$ 1,736,384	\$ 895,000	\$ 198,869	\$ 1,093,869	1.59
2003	3,425,222	698,133	2,727,089	920,000	160,300	1,080,300	2.52
2004	3,757,325	462,848	3,294,477	900,000	121,625	1,021,625	3.22
2005	4,415,608	470,896	3,944,712	1,000,000	77,500	1,077,500	3.66
2006	5,521,594	2,450,638	3,070,956	1,485,000	609,499	2,094,499	1.47
2007	5,087,031	1,561,471	3,525,560	455,000	555,436	1,010,436	3.49
2008	5,492,177	1,904,422	3,587,755	470,000	526,530	996,530	3.60
2009	5,126,108	1,864,368	3,261,740	490,000	496,530	986,530	3.31
2010	4,765,732	2,654,472	2,111,260	505,000	465,436	970,436	2.18
2011	5,002,593	1,761,821	3,240,772	525,000	433,249	958,249	3.38
Sugar Land 4B Corporation - Sales Tax Revenue Bonds							
2002	\$ 3,209,496	\$ 1,720,701	\$ 1,488,795	\$ 890,000	\$ 779,354	\$ 1,669,354	0.89
2003	3,383,331	392,250	2,991,081	935,000	726,885	1,661,885	1.80
2004	3,728,784	287,230	3,441,554	980,000	671,829	1,651,829	2.08
2005	4,415,608	206,110	4,209,498	1,030,000	617,641	1,647,641	2.55
2006	4,933,007	258,236	4,674,771	1,470,000	693,373	2,163,373	2.16
2007	5,089,765	306,390	4,783,375	935,000	746,523	1,681,523	2.84
2008	5,557,492	825,646	4,731,846	975,000	696,910	1,671,910	2.83
2009	6,776,475	930,587	5,845,888	1,025,000	647,116	1,672,116	3.50
2010	4,735,081	546,578	4,188,503	1,195,000	429,231	1,624,231	2.58
2011	5,020,642	983,093	4,037,549	1,635,000	1,742,456	3,377,456	1.20

(A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.

(B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.

(C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

CITY OF SUGAR LAND, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income¹ (\$000's)	Per Capita Income¹	Median Age²	Educational¹ Attainment*	School Enrollment³	Unemployment Rate²
2002	65,255	\$ 2,391,400	\$ 36,647	37.1	53%	18,153	3.8%
2003	66,129	2,044,246	30,913	37.4	53%	18,183	5.1%
2004	69,129	2,545,053	36,816	37.2	54%	18,493	4.1%
2005	70,758	2,607,432	36,850	39.0	54%	19,847	4.7%
2006	74,472	2,782,795	37,367	35.4	54%	19,487	3.5%
2007	76,228	2,807,477	36,830	37.4	54%	19,786	3.4%
2008	77,982	2,930,953	37,585	37.6	54%	19,741	3.7%
2009	79,573	2,986,693	37,534	36.4	53%	18,196	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	18,802	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	18,793	6.5%

Data Sources:

- 1 - U.S. Census; Claritas iXpress
- 2 - Texas Workforce Commission
- 3 - Fort Bend Independent School District

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

* Percent of population over the age of 25 with Bachelor or Graduate degrees

CITY OF SUGAR LAND, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago (A)

Employer	2011			2003		
	Employees	Rank	Percentage of Total City Employment (B)	Employees	Rank	Percentage of Total City Employment (B)
Fort Bend ISD	8,500	1	21%			
Fluor Corporation	2,100	2	5%	2,800	1	7%
Schlumberger	2,100	3	5%	1,800	2	5%
Methodist Hospital	1,000	4	2%	436	6	1%
City of Sugar Land	642	5	2%			
Nalco Energy Services	570	6	1%	450	5	1%
Baker Petrolite Corp.	450	7	1%	350	8	1%
Tramontina USA, Inc.	388	8	1%			
St. Luke's Hospital	360	9	1%			
Noble Drilling	350	10	1%			
UNOCAL Corp.				950	3	3%
Suntron Corp.				900	4	2%
Aetna US Healthcare				430	7	1%
MCI Communications				350	9	1%
Bill Heard Chevrolet				300	10	1%
	<u>16,460</u>		<u>41%</u>	<u>8,766</u>		<u>23%</u>

(A) Information prior to fiscal year 2003 not readily available.

(B) For 2011, estimated total employment was 40,394. For 2003, estimated total employment was 37,796.

Sources: Human Resources Department of each company except for Nalco and

Noble Drilling. Estimates for Nalco by City's Fire Department and for Noble

by Costar Real Estate database. Total employment estimates were obtained from the City's Economic Development department.

CITY OF SUGAR LAND, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of September 30,			
	2002	2003	2004	2005
Governmental Activities:				
General government	32.7	36.7	38.2	45.2
Administrative services	44.0	46.5	47.0	50.0
Public safety - Police	136.5	144.5	149.5	158.5
Public safety - Fire	90.0	103.0	103.0	103.0
Public works	39.0	41.0	42.0	41.0
Parks and recreation	17.0	18.2	19.2	20.7
Community development	32.0	31.0	31.0	35.0
Business-type activities:				
Utility	28.0	28.5	28.5	30.5
Solid waste management	2.0	1.5	1.5	1.5
Regional Airport	20.0	20.0	20.0	24.0
Total	441.2	470.9	479.9	509.4

Source: City Finance Department.

Full-time Equivalent Employees as of September 30,

2006	2007	2008	2009	2010	2011
51.2	54.7	65.7	64.7	77.7	80.2
49.5	71.5	63.0	62.5	58.5	29.2
173.5	176.5	183.5	193.5	190.5	192.8
104.0	105.0	110.0	112.0	108.0	107.0
45.5	37.9	34.9	38.9	41.9	52.5
22.7	26.3	27.3	29.3	34.4	34.3
40.0	38.0	52.5	53.0	54.1	55.0
35.0	39.0	55.0	51.5	56.5	55.5
1.5	1.0	2.0	2.0	2.0	2.0
27.5	29.5	29.5	33.5	33.5	33.5
550.4	579.4	623.4	640.9	657.1	642.0

CITY OF SUGAR LAND, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year			
	2002	2003	2004	2005
City of Sugar Land				
Population	64,895	66,129	69,129	70,758
Square miles	25.8	25.9	25.9	29.4
Acres	16,518	16,557	16,557	18,816
Budgeted full time employees	447.9	472.9	483.4	511.2
Police				
Physical arrests	2,212	2,658	2,818	2,468
Traffic violations	12,212	15,875	10,731	10,297
Parking violations	254	290	203	250
Calls for service	77,237	83,705	73,820	54,216
Fire				
Number of calls answered	5,666	5,310	6,198	5,894
Sanitation				
Number of annual pickups:				
Residential	2,939,111	3,047,510	3,087,979	3,122,793
Multi-family	249	249	249	249
Parks and recreation				
Athletic field permits (\$)	\$ 513	\$ 4,245	\$ 5,305	\$ 10,929
Community Cntr. Admissions (\$)	\$ 5,421	\$ 4,138	\$ 3,892	\$ 5,249
Special events	11	12	12	11
Water				
New connections	310	368	264	341
Water main breaks	55	57	78	121
Average daily consumption (thousands of gallons)	11,506	11,020	10,375	11,807
Sewer				
Average daily sewage treatment (thousands of gallons)	8,398	8,545	8,687	8,423
Community Development				
Building Permits issued	4,614	4,917	4,884	5,224
Airport				
No. of fuel gallons sold	1,844,507	1,929,213	2,325,386	2,140,159
Fuel Sales	\$3,630,709	\$3,849,834	\$5,367,820	\$6,344,836
Aircraft served	13,195	12,798	13,466	12,272

Source: Various City Departments.

(A) Beginning in fiscal year 2011, the number of annual residential pick-ups was no longer tracked.

Fiscal Year					
2006	2007	2008	2009	2010	2011 (A)
74,472	76,228	77,982	79,732	84,511	84,511
29.4	32.2	32.2	32.2	33.5	33.5
18,816	20,597	20,618	20,618	21,451	21,451
550.4	578.4	623.4	640.9	657.1	642.0
2,455	2,702	2,577	3,044	3,212	3,914
12,190	17,006	15,243	22,056	21,370	27,053
73	139	158	285	203	615
98,868	73,304	66,666	66,711	69,298	162,669
6,018	6,264	6,296	6,253	6,106	6,293
3,278,520	3,390,000	3,463,200	3,552,495	3,771,709	(A)
249	249	249	249	249	249
\$ 9,285	\$ 9,236	\$ 10,035	\$ 10,198	\$ 7,121	\$ 7,629
\$ 3,375	\$ 3,763	\$ 4,000	\$ 1,450	\$ 950	\$ 19,095
12	12	7	19	19	15
452	677	663	527	1,656	448
136	65	117	209	51	357
13,358	11,223	13,642	16,768	12,993	18,006
8,112	8,475	8,144	7,812	7,805	7,712
6,679	8,385	7,906	8,115	7,982	8,629
2,461,798	2,641,000	2,560,240	2,053,874	2,418,443	2,714,881
\$8,423,636	\$8,939,866	\$11,915,051	\$7,437,870	\$9,530,961	\$12,766,985
13,696	13,446	13,608	12,663	12,309	13,160

CITY OF SUGAR LAND, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year			
	2002	2003	2004	2005
General government				
Municipal buildings	35	35	36	36
Conference center		1	1	1
Vehicles	87	91	98	102
Public safety				
Police Protection				
Stations	1	1	1	1
Patrol units	55	82	80	84
Fire Protection				
Stations within city limits	5	5	5	5
Stations operated through agreements with MUDs served in ETJ		1	1	1
Fire apparatus				
Highways and streets				
Streets (lane miles)	796	802	804	809
Linear miles of sidewalks	332	350	360	362
Storm sewers (miles)	210	224	224	231
Traffic signals	60	60	60	67
Parks and recreation				
Parks	18	18	18	19
Pools	1	1	1	1
Community centers	5	6	6	6
Parks acreage				
Developed	302	348	351	351
Undeveloped	470	529	547	578
Water				
Water wells	12	13	13	13
Water mains (miles)	321	323	329	332
Fire hydrants	2,685	2,724	2,747	2,747
Maximum daily production (millions of gallons)	23.24	29.04	21.61	23.30
Waste water				
Waste water treatment plants	1	1	1	1
Sanitary sewers (miles)	315	316	317	318
Maximum daily treatment capacity (thousands of gallons)	7.5	7.5	7.5	7.5

Source: Various City Departments.

Fiscal Year						
2006	2007	2008	2009	2010	2011	
36	36	36	36	36	36	38
1	1	1	1	1	1	1
102	102	102	102	102	114	122
1	1	1	1	1	1	1
102	81	81	81	81	81	80
5	5	5	5	5	5	5
1	1	1	1	1	1	1
811	813	881	881	912	912	912
366	367	405	405	432	432	432
231	280	242	242	246	246	246
68	70	74	74	80	78	78
19	20	22	22	24	23	23
1	1	1	1	1	1	1
6	6	6	6	6	6	6
358	508	507	507	562	562	562
579	429	569	569	695	695	695
14	15	15	15	17	17	17
335	360	370	370	415	421	421
2,952	3,257	3,363	3,363	3,610	3,817	3,817
24.47	21.57	42.90	42.90	27.20	36.07	36.07
2	2	2	2	2	2	2
331	331	338	338	381	395	395
13.5	16.9	13.5	13.5	13.5	14.0	14.0

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