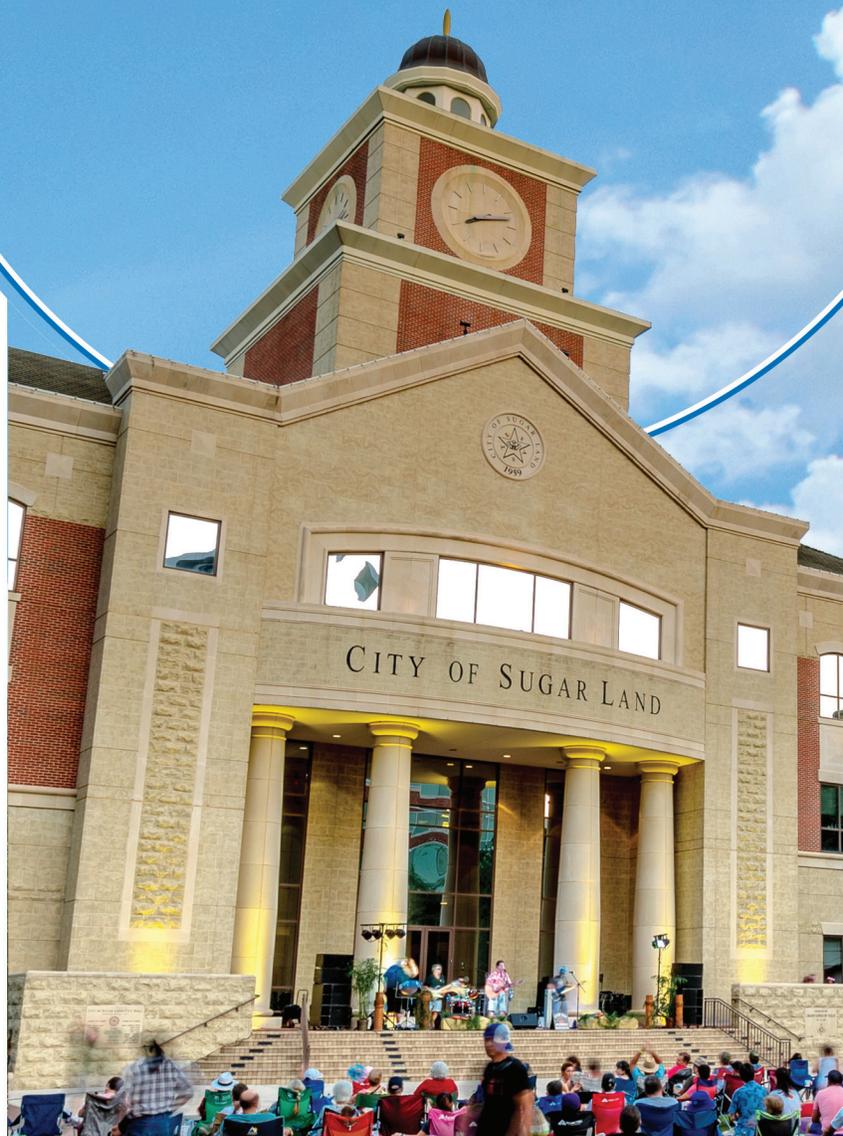
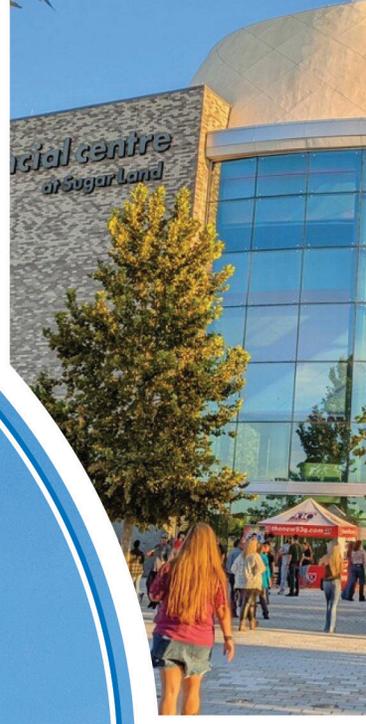




Annual

COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED SEPTEMBER 30, 2023

City of Sugar Land, Texas

Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2023



Issued by:
Finance Department

Michael W. Goodrum, City Manager
Jennifer May, Deputy City Manager
Jennifer Brown, Director of Special Projects
Glenda Aragon, Interim Finance Director
Ariel Carmona, Controller

City of Sugar Land, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2023
 Table of Contents – Continued

**Page
Number**

Introductory Section

| | |
|--------------------------------------|------|
| Letter of Transmittal | vii |
| Principal Officials..... | xii |
| Organizational Chart..... | xiii |
| GFOA Certificate of Achievement..... | xiv |

Financial Section

| | |
|---|---|
| Independent Auditor's Report | 3 |
| Management's Discussion and Analysis..... | 7 |

Basic Financial Statements

| | |
|--|----|
| Government-Wide Financial Statements: | |
| Statement of Net Position | 21 |
| Statement of Activities | 22 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 24 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 27 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 28 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 31 |
| Statement of Net Position – Proprietary Funds | 32 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 33 |
| Statement of Cash Flows – Proprietary Funds | 34 |
| Combining Statement of Net Position – Discretely Presented Component Units..... | 36 |
| Combining Statement of Activities – Discretely Presented Component Units..... | 37 |
| Notes to Financial Statements | 39 |

Required Supplementary Information

| | |
|--|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Major Fund – General Fund | 87 |
| Notes to Required Supplementary Budget Information..... | 89 |
| Schedule of Changes in the Net Pension Liability and Related Ratios – Texas Municipal Retirement System | 90 |
| Schedule of the City's Contributions – Texas Municipal Retirement System..... | 92 |
| Schedule of Changes in Total OPEB Liabilities and Related Ratios..... | 94 |

City of Sugar Land, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2023
 Table of Contents – Continued

**Page
Number**

Other Supplementary Information

| | |
|--|-----|
| Nonmajor Governmental Funds | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 98 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 100 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | |
| Major Fund – Debt Service Fund | 102 |
| Special Revenue Fund – Tourism Fund | 103 |
| Special Revenue Fund – Court Security Fund | 104 |
| Special Revenue Fund – Court Technology Fund | 105 |
| Special Revenue Fund – Law Enforcement Grant Fund | 106 |
| Special Revenue Fund – Debt Reduction Funds | 107 |
| Special Revenue Fund – Sugar Land Development Corporation Fund | 108 |
| Special Revenue Fund – Enclave at River Park PID | 109 |
| Special Revenue Fund – Truancy Prevention Fund | 110 |
| Special Revenue Fund – Jury Services Fund | 111 |
| Special Revenue Fund – Animal Shelter Donations | 112 |
| Special Revenue Fund – Public Education and Government Fund | 113 |
| Special Revenue Fund – American Rescue Plan Act (ARPA) Fund | 114 |
| Special Revenue Fund – Public Arts Fund | 115 |
| Special Revenue Fund – Opioid Litigation Fund | 116 |
| Nonmajor Enterprise Funds | |
| Combining Statement of Net Position – Nonmajor Enterprise Funds | 118 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds | 119 |
| Combining Statement of Cash Flows – Nonmajor Enterprise Funds | 120 |
| Internal Service Funds | |
| Combining Statement of Net Position – Internal Service Funds | 122 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds | 123 |
| Combining Statement of Cash Flows – Internal Service Funds | 124 |
| Discretely Presented Component Units Fund Based Financial Statements | |
| Balance Sheets – Governmental Funds | 127 |
| Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 128 |

City of Sugar Land, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2023
 Table of Contents – Continued

**Page
Number**

Statistical Section (Unaudited)

| | |
|---|-----|
| Net Position by Component | 132 |
| Changes in Net Position | 134 |
| Fund Balances of Governmental Funds | 138 |
| Changes in Fund Balances of Governmental Funds | 140 |
| Taxable Sales | 142 |
| Assessed Value and Estimated Actual Value of Taxable Property | 144 |
| Property Tax Rates - Direct and Overlapping Governments | 146 |
| Property Tax Levies and Collections | 149 |
| Principal Property Taxpayers | 150 |
| Ratios of General Bonded Debt Outstanding | 151 |
| Ratios of Outstanding Debt by Type | 152 |
| Direct and Estimated Overlapping Governmental Activities Debt | 155 |
| Pledged Revenue Coverage | 156 |
| Demographic and Economic Statistics | 157 |
| Principal Employers | 159 |
| Full-time Equivalent City Government Employees by Function | 160 |
| Operating Indicators by Function | 162 |
| Capital Asset Statistics by Function | 164 |



Introductory Section





CITY OF SUGAR LAND

February 20, 2024

Honorable Mayor and Members of the City Council

City of Sugar Land, Texas

Dear Mayor and 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, 2023.

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.

Weaver and Tidwell, L.L.P., Certified Public Accountants, has issued an unmodified (or "clean") opinion on the City of Sugar Land's financial statements for the year ended September 30, 2023. 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 they should be read together.

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 single-member district. Council members serve three-year terms, with a limit of three terms in a consecutive nine-year period. 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 meets on a regular basis. Other boards and commissions that meet as needed include the PARCS Board (Parks, Art, Recreation, Culture & Streetscapes), Zoning Board of Adjustment, Building Standards Commission, and Animal Advisory Board. Specialized committees such as the Charter Review 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.

A full range of municipal services are provided by the City of Sugar Land including public safety (Police, Fire/EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator (FBO) 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), Sugar Land Tax Increment Reinvestment Zone No. 3 (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 Areas. 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

The City of Sugar Land has a long history of recognition as a leader in financial stewardship, with strategies specifically tailored to the community and designed to maximize both the conservative nature of the City's finances and to offset the residential tax burden. Over the last few years, the City has implemented policies and strategies to ensure that it is financially strong and resilient.

In 2021, the City was allocated \$11.1 million in Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act passed by Congress in May 2021. The funds are available to assist local governments with revenue loss. To date, the City has expended \$7.9M and has \$3.1M remaining. Funds must be obligated by December 2024 and spent by December 2026.

The annual CPI increase for the 12 months ended December 2023 is 4.5 percent, showing continued increased costs of many goods and services. CPI growth has been higher than usual; however, it has declined from the 10.2% peak seen in June 2022. The Federal Open Market Committee (FOMC) has struggled to control inflation- raising the Federal Funds Rate target significantly over a short period; it has held steady at 5.25%- 5.5% since July 2023, with the latest release in January 2023 holding steady once again at those same levels. Mortgage rates peaked at 8% in the fall of 2023 due to the rate increases.

The positive impact of the rising interest rates is that for the first time in many years the City is receiving a significant source of revenue from interest earnings, bringing in \$15.3 million in FY23.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

With a focus on conservative, resilient and responsible stewardship efforts to balance both operational and financial stability, the proposed budget ensures continued financial strength and resiliency by meeting all fund balance requirements, including the structural balance of the General Fund. Sales tax revenues have performed strongly throughout most of FY23, in some cases reaching up to 17% higher than monthly estimates. However, the high rate of inflation that has been seen over the last few years has certainly been a driving factor in this overperformance. Staff monitors the Consumer Price Index (CPI), which has been steadily declining with a peak of 10.2% for the Houston- The Woodlands- Sugar Land MSA in June 2022 to 3.0% in October 2023. Based on this information, staff included a budget for FY24 sales tax revenues that follow FMPS for estimating recurring sales tax revenue- basing the budget on the prior year's recurring revenue for each month with no growth.

The City's Financial Management Policy Statements are the guiding principles of the financial management of the City- the statements include corrective actions to be taken in the event of economic declines. Over the last 3 years, those actions proved to be sustainable as the City tolerated the declines due to the pandemic and came out stronger at the end with a better understanding of our revenues and their impacts from economic uncertainty.

The City annually adopts a one-year budget and a five-year capital improvement program (first year appropriated in the budget) through its fiscally constrained long-range forecast. The budget implements strategies, both financial and operational, identified through the strategic and long-range forecasts 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.

Priorities for FY24 include investments in our championship workforce, public safety, infrastructure and continued implementation of voter-approved G.O. Bonds that address community priorities such as drainage, mobility and public safety to help us meet our community's needs now and into the future. We must seek to stay relevant and preserve the quality of life in Sugar Land for our residents. The proposed budget provides for future success and ensures continued financial strength and resiliency through a long-range financial plan that meets all fund balance and bond coverage requirements.

The FY24 adopted budget totals \$353 million. Of the total, \$291 million is for operating funds and \$62 million is for capital projects, including the projects from the voter approved GO Bond Program. The Five-Year CIP totals \$289 million, including \$62 million in projects funded in FY24. It is important to understand that only the first year of the CIP is included for funding in the annual budget, while the remaining years are included for planning purposes only and will change from one year to the next based on the best information available at the time.

GO Bond projects include \$11 million in public safety and public facilities and an additional \$11.9 million in projects to be funded through the issuance of Certificates of Obligation to supplement 2019 GO bond projects where costs of construction have surpassed available GO bond funding and to address specific priorities that need to be funded ahead of the next GO bond cycle.

Although the 60 percent groundwater reduction mandate has been delayed until 2027, projects identified in the Integrated Water Resource Plan adopted in 2017 are reflected in CIP, with planned infrastructure investment needed to meet these requirements and maintain the utility infrastructure. Utility projects total \$35.38 million in FY24, with \$6.97 million in water, \$27.45 million in wastewater and \$0.96 million in surface water projects.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The FY23 budget focused on conservative, resilient and responsible stewardship efforts to balance both operational and financial stability, including additional funding for the city's highest priorities while protecting continued economic uncertainties.

Priorities for FY23 included investments in our championship workforce, public safety, infrastructure, and continued implementation of voter approved G.O. Bonds that address community priorities such as drainage, mobility and public safety to help us meet our community's needs now and into the future. Additionally, staff recognized the opportunity to expedite fleet purchases with the high performance of sales tax, allowing staff to move forward with the purchase of 11 public safety vehicles which have a long lead time. This purchase allowed for greater efficiencies within the department to ensure no officer was waiting to start their shift, allowing for more officers to be on the street. Police also successfully implemented a K-9 unit, and the final phase of the public safety compensation plan was implemented during the year.

Fiscal Year 2023 took a more cautious but optimistic approach to sales tax due to continued economic recovery from the pandemic. The FY23 original budget for sales tax totaled \$57.7 million in recurring collections, of which \$43.3 million supports the general operating budget. Through September, collections totaled \$67.3 million which is 4.5% higher than FY22. Staff continues to evaluate the impact of inflation and other economic factors on sales tax revenues. For FY24, the adopted budget for sales tax is back in line with the FMPS direction, by budgeting recurring actuals for Oct-July plus last year's recurring actuals for Aug-Sept.

Fiscal Year 2023 was the third and final year of implementation of utility rate increases recommended by a utility rate study completed in 2021. Beginning in Fiscal Year 2024, rates will be in the maintenance phase as recommended by the study.

The Texas Water Development Board (TWDB) approved another 30-year zero-interest loan for a drainage project in January, with the \$4.1 million project closing in May 2023. The loan funds drainage improvements in the Covington West and Imperial Woods neighborhoods—saving taxpayers \$3.1 million in interest costs over the life of the loan. This is the third interest-free loan the city has secured from TWDB in the last two years. These initiatives help foster a sustainable and resilient infrastructure while also increasing debt capacity for capital projects.

The City has 6 tax abatement agreements for tax year 2022 resulting in abatement of \$96.8 million in improvements and personal property value. Abatement of property taxes allow the City to incentivize corporate investment in the City that may otherwise not occur, and since abatements are for a limited period, once the abatement period ends, all investments are taxable and benefit the City.

VISION, STRATEGIC OUTCOMES AND PRIORITIES

Re-imagining the future requires us to have a bold vision – one that supports a next generation competitive advantage in the lifecycle of our city and focuses on initiatives intended to address the City Council's vision. Strategic Outcomes were recently identified by the City Council that reflect the community's priorities.

- Sugar Land is a leader in financial management, providing our taxpayers with exceptional value, confidence, and transparency. Our focus is on resiliency and adaptability, innovation, efficiency, and superior bond rating.
- Sugar Land is a safe community that enhances the quality of life for residents and visitors.
- Sugar Land is focused on re-invigorating entrepreneurial spirit to keep us moving forward. We recognize that the future starts now and are committed to engaging the community to re-imagine our city.
- Sugar Land delivers a broad range of destination venues, facilities, and businesses that offer entertainment and activities for residents and visitors.
- Sugar Land builds relationships within our community through engagement efforts.
- Sugar Land continues to maintain and develop comprehensive, sustainable, and resilient infrastructure that adapts to a dynamic environment.
- Sugar Land takes a multifaceted approach by innovating mobility to connect people, places and the future through sustained investment, regional partnerships, engagement, and technology.
- Sugar Land is respected for having strong relationships with our community and at all levels of government because we are transparent and deliver on our public commitments.

To achieve these Strategic Outcomes, we have committed to a transformative approach. City teams are participating in what we call “All-in Initiatives” which bring resources from all levels of the organization to work together.

Redevelopment and Reinvestment

To achieve our future goals, we must intentionally strive for an aspirational future, considering market demands and demographic trends. Our city's prominence and desirability hinge on our ability to adapt and respond to these shifts.

What Works Cities Certification

We're investing in city-wide innovation efforts to advance our organization's ability to maximize every resource and be even more accountable for making the most strategic, data-driven decisions.

Transformation and Organizational Culture

We're having conversations about cultivating a trailblazing culture that embraces change for our staff, ensuring their focus is on you. Investments in them directly benefit you through their service to our community.

Planning for a Future G.O. Bond Election

As we plan for a future G.O. Bond election, we're going to be proactive and responsible in stewarding our assets to inspire community reinvestment. Our goal being protecting and enhancing the quality of life and amenities that make Sugar Land a great place to live.

Organizational priorities have been identified and grouped into two areas.

| Top priorities | High priorities |
|--|---|
| <ul style="list-style-type: none">Identify & Define Innovative, Creative, Out-of-the-Box Funding Sources | <ul style="list-style-type: none">Animal Care |
| <ul style="list-style-type: none">Public Safety Staffing, Equipment & Morale | <ul style="list-style-type: none">Develop & Support Small Businesses |
| <ul style="list-style-type: none">Residential Reinvestment | <ul style="list-style-type: none">Tract 5 & Imperial Development |
| <ul style="list-style-type: none">Commercial Redevelopment Strategies | <ul style="list-style-type: none">Funding to Address Brazos River Erosion |
| | <ul style="list-style-type: none">Drainage |

FINANCIAL MANAGEMENT AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence (Certificate) in Financial Reporting to the City of Sugar Land for its Annual Comprehensive Financial Report (ACFR) for the year ended September 30, 2022. This was the 40th year that the City has achieved this prestigious award. To be awarded a Certificate, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. It is the City's belief that the current ACFR continues to meet the 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, 2022- September 30, 2023. This was the 27th consecutive year the government received the budget award. To qualify for the Distinguished Budget Presentation Award, the 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 Finance Department staff. Appreciation is expressed to employees throughout the City for their commitment to our financial policies and procedures. We also thank the Mayor and City Council members for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Michael W. Goodrum
City Manager

**City of Sugar Land, Texas
Principal Officials as of September, 30, 2023**

| <u>City Officials</u> | <u>Elective Position</u> | <u>Expires</u> |
|------------------------------|--|-----------------------|
| Joe R. Zimmerman | Mayor | 2025 |
| William Ferguson | Council Member - At Large Position One | 2025 |
| Jennifer J. Lane | Council Member - At Large Position Two | 2025 |
| Suzanne Whatley | Council Member - District One | 2024 |
| Naushad Kermally | Council Member - District Two | 2024 |
| Stewart Jacobson | Council Member - District Three | 2024 |
| Carol K. McCutcheon | Council Member - District Four | 2024 |

| <u>Key Staff</u> | <u>Position</u> |
|-------------------------|---|
| Michael Goodrum | City Manager |
| Jennifer May | Deputy City Manager |
| Jim Callaway | Assistant City Manager |
| Robert Valenzuela | Assistant City Manager |
| Scott Butler | Executive Director |
| Dawn Steph | Interim Executive Director |
| Meredith Riede | City Attorney/Executive Director |
| Mark Poland | Chief of Police/Executive Director |
| Brian Butscher | Public Works & ENS/Executive Director |
| Elizabeth Rosenbaum | Interim Assistant City Manager/Director of Aviation |
| Jennifer Brown | Director of Special Projects |
| Glenda Aragon | Interim Director of Finance |
| Ariel Carmona | Controller |
| Robin Lenio | City Secretary |
| Doug Boeker | Fire Chief |

City of Sugar Land, Texas

Executive Team Organizational Chart as of September 30, 2023



City Manager, Michael W. Goodrum

- Legal & Governmental Services
- City Secretary
- Police
- Office of Emergency Management
- Public Safety Dispatch



Deputy City Manager

Jennifer May

- Communications & Community Engagement
- Intergovernmental Relations
- People & Culture
- Fire-EMS
- Airport



Assistant City Manager

Jim Callaway

- Community Planning & Redevelopment
- Economic Development
- Planning & Development Services
- Fiscal Projects
- Special Projects



Assistant City Manager

Robert Valenzuela

- Engineering
- Finance
- Public Works
- Environmental & Neighborhood Services
- Parks & Recreation



Executive Director

Scott Butler

- Budget & Strategy



Interim Executive Director

Dawn Steph

- Data & Innovation
- Information Technology



City Attorney/
Executive Director

Meredith Riede

- City Attorney's Office
- City Secretary's Office



Chief of Police/
Executive Director

Mark Poland

- Police
- Office of Emergency Management
- Public Safety Dispatch



Public Works & ENS
Executive Director

Brian Butscher

- Public Works
- Environmental & Neighborhood Services



Interim Assistant City Manager/
Director of Aviation

Elizabeth Rosenbaum

- Airport



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sugar Land
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

Financial Section





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sugar Land, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
4400 Post Oak Parkway Suite 1100 | Houston, Texas 77027
Main: 713.850.8787

CPAs AND ADVISORS | WEAVER.COM

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules included in the Other Supplementary Information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report ("ACFR"). The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
February 20, 2024



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, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$767.8 million (*net position*). Of this amount, \$123.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$213.8 million, an increase of \$44.1 million over the prior year. Approximately 26% of this total amount, \$55.2 million, is available for spending at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General Fund's unassigned fund balance equivalent to three months of recurring budgeted operating costs, which is approximately \$29.9 million for fiscal year 2024. As of September 30, 2023, the General Fund's unassigned fund balance was \$55.2 million.
- The City's total long-term debt increased by \$19.0 million due to the 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.

Refer to the table of contents for the location of each of the components discussed below.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event 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, community development, and environmental and neighborhood services. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

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

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 17 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, which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the annual comprehensive financial report.

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, solid waste operations, stormwater compliance fees, 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, including the surface water treatment plant, solid waste operations and stormwater compliance fees, 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. Data from the solid waste and stormwater funds, which are considered non-major funds, are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the non-major enterprise funds and for the internal service funds is provided in the form of combining statements elsewhere in the annual comprehensive financial 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 presented in the government-wide and fund financial statements.

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 and other post-employment benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. Budgetary comparison schedules have been provided fund to demonstrate compliance with these budgets.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$767.8 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 77.4% or \$594.4 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), 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 as of September 30, 2023. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sugar Land, Texas Net Position

| Amounts in (000's) | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 276,227 | \$ 236,933 | \$ 159,900 | \$ 120,945 | \$ 436,127 | \$ 357,878 |
| Capital assets | 583,343 | 589,433 | 394,695 | 399,750 | 978,038 | 989,183 |
| Total assets | 859,570 | 826,366 | 554,595 | 520,695 | 1,414,165 | 1,347,061 |
| Deferred outflows | 28,165 | 10,565 | 5,676 | 3,260 | 33,841 | 13,825 |
| Total deferred outflows of resources | 28,165 | 10,565 | 5,676 | 3,260 | 33,841 | 13,825 |
| Long-term liabilities outstanding | 372,337 | 326,328 | 240,240 | 224,789 | 612,577 | 551,117 |
| Other liabilities | 18,840 | 21,702 | 9,644 | 7,579 | 28,484 | 29,281 |
| Total liabilities | 391,177 | 348,030 | 249,884 | 232,368 | 641,061 | 580,398 |
| Deferred inflows | 38,695 | 55,200 | 415 | 2,576 | 39,110 | 57,776 |
| Total deferred inflows of resources | 38,695 | 55,200 | 415 | 2,576 | 39,110 | 57,776 |
| Net position: | | | | | | |
| Net investment in capital assets | 373,732 | 360,328 | 220,712 | 225,459 | 594,444 | 585,787 |
| Restricted | 42,074 | 28,212 | 8,239 | 9,705 | 50,313 | 37,917 |
| Unrestricted | 42,056 | 45,162 | 81,022 | 53,847 | 123,078 | 99,009 |
| Total net position | \$ 457,862 | \$ 433,701 | \$ 309,973 | \$ 289,011 | \$ 767,835 | \$ 722,712 |

An additional portion of the City's net position, 6.6% or \$50.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 16.0% or \$123.1 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 position, 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 City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the fiscal year ended September 30, 2023. The City's total assets increased by \$517.9 thousand due to recognition of subscription assets for the right to use third-party software under contracts or agreements meeting the definition of *Subscription-Based Information Technology Arrangements* (SBITAs) as of September 30, 2023, and liabilities increased by \$415.5 thousand representing the approximate present value of the remaining SBITA payment obligations.

City of Sugar Land, Texas Change in Net Position

Amounts in (000's)

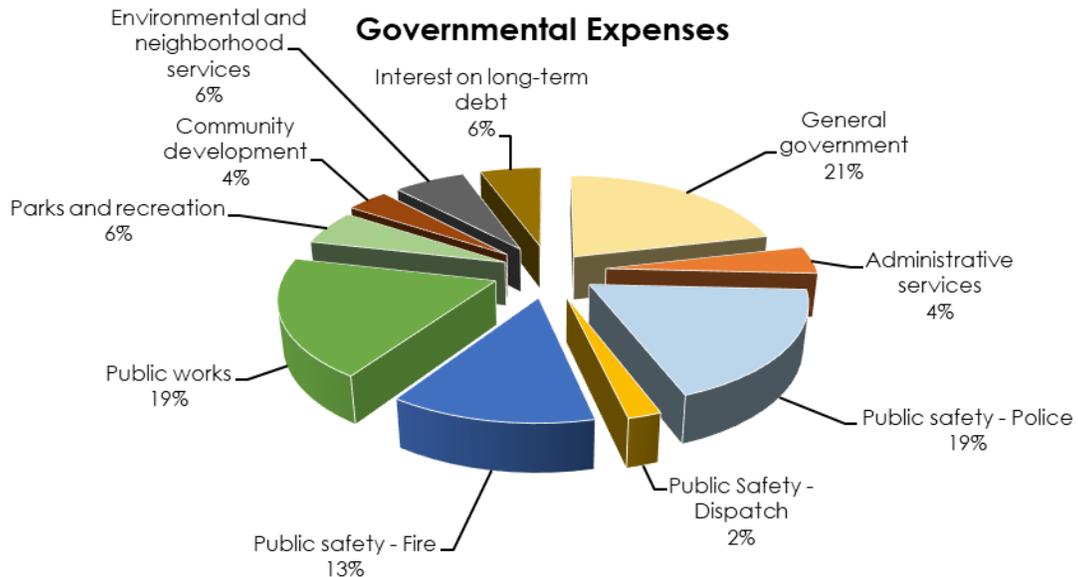
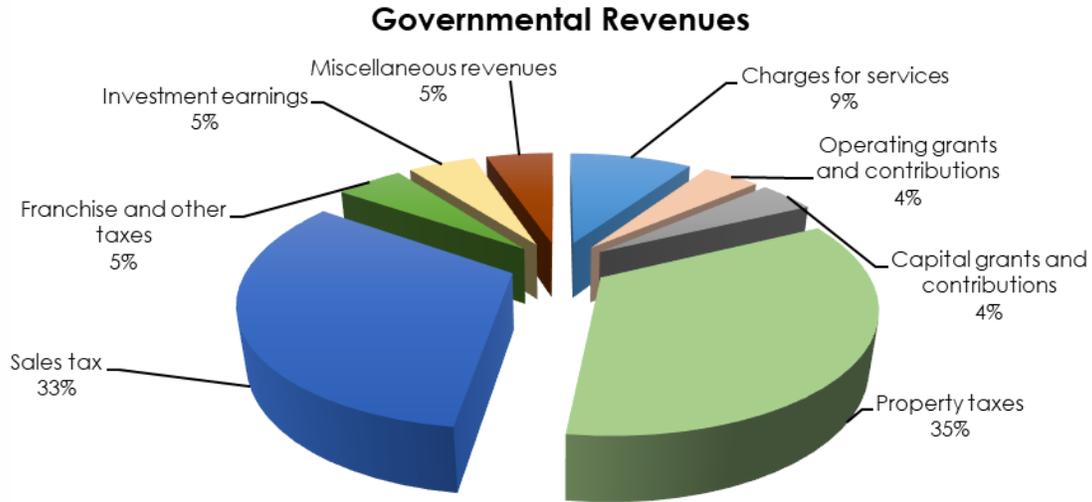
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 16,794 | \$ 15,585 | \$ 107,563 | \$ 98,043 | \$ 124,357 | \$ 113,628 |
| Operating grants and contributions | 7,728 | 5,931 | 50 | 198 | 7,778 | 6,129 |
| Capital grants and contributions | 7,578 | 1,807 | 6,068 | 4,190 | 13,646 | 5,997 |
| General revenues: | | | | | | |
| Property taxes | 62,088 | 55,957 | - | - | 62,088 | 55,957 |
| Sales tax | 58,842 | 56,293 | - | - | 58,842 | 56,293 |
| Franchise and other taxes | 9,143 | 8,703 | - | - | 9,143 | 8,703 |
| Investment earnings | 9,220 | (560) | 6,074 | (713) | 15,294 | (1,273) |
| Miscellaneous revenues | 9,195 | 5,089 | 2,051 | 2,247 | 11,246 | 7,336 |
| Total revenues | 180,588 | 148,805 | 121,806 | 103,965 | 302,394 | 252,770 |
| Expenses: | | | | | | |
| General government | 34,128 | 26,787 | - | - | 34,128 | 26,787 |
| Administrative services | 7,129 | 5,228 | - | - | 7,129 | 5,228 |
| Public safety - Police | 29,553 | 22,868 | - | - | 29,553 | 22,868 |
| Public Safety - Dispatch | 3,412 | 2,908 | - | - | 3,412 | 2,908 |
| Public safety - Fire | 20,851 | 16,081 | - | - | 20,851 | 16,081 |
| Public works | 30,734 | 29,174 | - | - | 30,734 | 29,174 |
| Parks and recreation | 9,002 | 11,341 | - | - | 9,002 | 11,341 |
| Community development | 6,075 | 5,247 | - | - | 6,075 | 5,247 |
| Environmental and neighborhood services | 10,315 | 7,951 | - | - | 10,315 | 7,951 |
| Interest on long-term debt | 8,848 | 8,738 | - | - | 8,848 | 8,738 |
| Utility | - | - | 62,481 | 57,454 | 62,481 | 57,454 |
| Regional airport | - | - | 24,306 | 24,398 | 24,306 | 24,398 |
| Solid waste and stormwater | - | - | 10,437 | 8,792 | 10,437 | 8,792 |
| Total expenses | 160,047 | 136,323 | 97,224 | 90,644 | 257,271 | 226,966 |
| Increase (decrease) in net position before transfers | 20,541 | 12,483 | 24,582 | 13,321 | 45,123 | 25,804 |
| Transfers | 3,620 | 4,197 | (3,620) | (4,197) | - | - |
| Change in net position | 24,161 | 16,680 | 20,962 | 9,124 | 45,123 | 25,804 |
| Net position - beginning | 433,701 | 417,021 | 289,011 | 279,887 | 722,712 | 696,908 |
| Net position - ending | \$ 457,862 | \$ 433,701 | \$ 309,973 | \$ 289,011 | \$ 767,835 | \$ 722,712 |

The City's net position increased by approximately \$45.1 million in the fiscal year ended September 30, 2023, of which \$24.2 million is attributable to governmental activities and \$21.0 million is attributable to business-type activities. The following pages provide a more detailed discussion of the contributing factors behind these increases affecting the governmental and business-type activities.

Governmental Activities

Governmental activities net position remained stable with changes in revenues and expenses between years as follows:

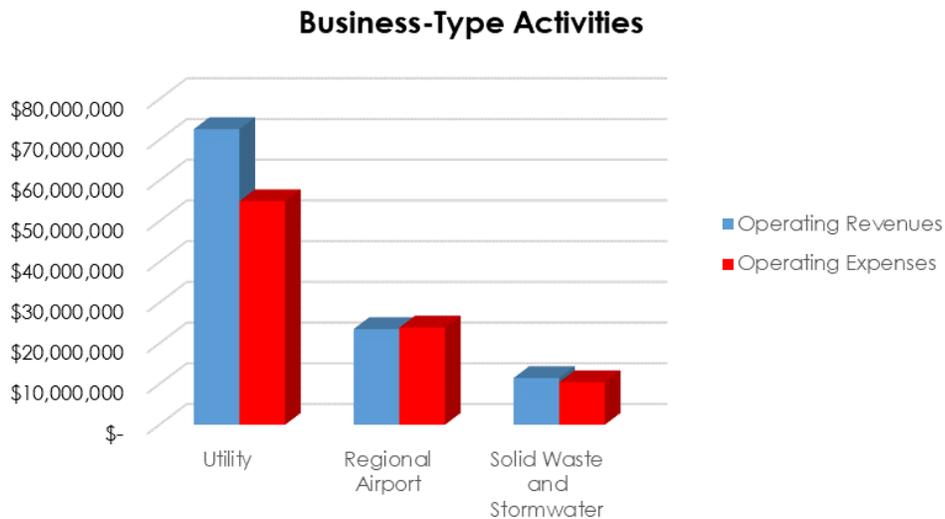
- Increased sales tax revenues as a result of economic recovery as well as increased property tax revenues driven by increased property values.
- Investment earnings increased due to positive market conditions as compared to a downturn in the previous fiscal year.
- Increased expenditures driven primarily by increases in cost of employee compensation and benefits, including growth in workforce and merit increases.



Business-type Activities

Business-type activities increased the City's net position by \$20.9 million. Key elements of this increase are as follows:

- Increased revenue from service charges for water in the Utility Fund due to increased average rates.
- Capital contributions recognized in the Airport Fund representing additions to City infrastructure and construction funded by TxDOT.
- Investment earnings increased due to positive market conditions as compared to a downturn in the previous fiscal year.
- Increased expenditures driven primarily by increases in cost of employee compensation and benefits, including growth in workforce and merit increases.



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 \$213.8 million, an increase of \$44.1 million over the prior year. Approximately 26% of this total amount, \$55.2 million, is available for spending at the government's discretion (*unassigned fund balance*).

Fund balance in the General Fund increased from the prior year by \$1.4 million, resulting in an ending fund balance of \$57.8 million at year end. The unassigned fund balance of \$55.2 million represents 48.9% of total fund expenditures. The increase in fund balance primarily results from increased property and sales taxes in fiscal year 2023, as well as investment earnings. The factors contributing to these changes are addressed in the discussion of the City's governmental activities on the previous page.

The Debt Service Fund has a total fund balance of \$11.0 million at year end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$2.8 million, due primarily to the increase in property tax revenues compared to the previous year. The factors contributing to these changes are addressed in the discussion of the City's governmental activities on the previous page.

The Capital Projects Fund has a total fund balance of \$112.9 million at year end, all of which is restricted or assigned for capital projects. The net increase in fund balance during the current year in the Capital Projects Fund was \$29.1 million, due primarily to the proceeds from issuance of bonds. Major expenditures include capital outlay related to construction projects including various improvements to streets, parks and facilities.

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 position at fiscal year-end of \$68.2 million and the Airport Fund's unrestricted net position amounts to approximately \$10.2 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

Budget estimates for revenues between the original and final amended budget changed by \$9.5 million due primarily to increases in estimated sales tax revenues related to economic recovery from the impacts of the COVID-19 pandemic.

During the year there was a net increase between the original and final amended budget expenditure appropriations of \$9.6 million due to budgetary increases in personnel and facility repair and maintenance expenditures.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2023. The review of the final amended budget versus the actual for the General Fund reflected a positive budget variance in the amount of \$5.7 million.

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year 2023, the City's governmental activities and business-type activities had invested \$583.3 million and \$394.7 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net decrease of \$6.1 million or 1.0% over the end of last fiscal year for governmental activities and a decrease of \$5.1 million or 1.3% for business-type activities.

City of Sugar Land, Texas Capital Assets (net of depreciation)

| Amounts in (000's) | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and intangibles | \$ 112,883 | \$ 109,200 | \$ 30,471 | \$ 30,047 | \$ 143,354 | \$ 139,247 |
| Construction in progress | 19,711 | 25,261 | 31,472 | 24,586 | 51,183 | 49,847 |
| Infrastructure | 258,909 | 257,449 | 311,864 | 325,808 | 570,773 | 583,257 |
| Buildings and improvements | 171,046 | 178,144 | 17,350 | 16,083 | 188,396 | 194,227 |
| Equipment and furniture | 20,276 | 19,379 | 3,538 | 3,226 | 23,814 | 22,605 |
| Subscription assets | 518 | - | - | - | 518 | - |
| Totals | \$ 583,343 | \$ 589,433 | \$ 394,695 | \$ 399,750 | \$ 978,038 | \$ 989,183 |

The overall decrease in capital assets for governmental activities and for the business-type activities is due to the \$49.5 million of depreciation expense for fiscal year 2023.

Additional information on the City's 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 net outstanding bonds payable of \$550.6 million. Of this amount, \$197.9 million was general obligation debt and \$163.7 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation account for \$149.8 million. The City's other long-term liabilities include its pension and other post employment benefits of \$55.3 million and compensated absences and other items of \$6.7 million.

City of Sugar Land, Texas Long-term Liabilities Outstanding

| Amounts in (000's) | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation bonds | \$ 124,181 | \$ 107,654 | \$ 73,749 | \$ 76,976 | \$ 197,930 | \$ 184,630 |
| Revenue bonds | 36,270 | 38,475 | 127,395 | 120,250 | 163,665 | 158,725 |
| Certificates of obligation | 137,780 | 142,995 | 12,035 | 6,140 | 149,815 | 149,135 |
| Premiums or discounts | 19,639 | 19,998 | 19,530 | 19,139 | 39,169 | 39,137 |
| Total bonds payable, net | 317,870 | 309,122 | 232,709 | 222,505 | 550,579 | 531,627 |
| Pension and other post employment benefits | 48,418 | 12,205 | 6,854 | 1,694 | 55,272 | 13,899 |
| Compensated absences and other | 6,049 | 5,001 | 677 | 590 | 6,726 | 5,591 |
| Total | \$ 372,337 | \$ 326,328 | \$ 240,240 | \$ 224,789 | \$ 612,577 | \$ 551,117 |

The most recent ratings on debt issues are as follows:

| | Standard and Poor's | Fitch Investors Service |
|--------------------------|---------------------|-------------------------|
| General obligation bonds | AAA | AAA |
| Revenue bonds | AA | AA |

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

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

Economic Factors and Next Year's Budgets and Rates

During FY23, the City benefited significantly from increased sales tax receipts over the prior year. Revenues are 0.18 percent below budget. However, the City saw a 5.32% increase in sales tax revenues over the prior year. Staff continues to evaluate the impact of inflation and other economic factors on sales tax revenues. For FY24, the adopted budget for sales tax is back in line with the Financial Management Policy Statements (FMPS) direction, by budgeting recurring actuals for Oct-July plus last year's recurring actuals for Aug-Sept.

Tax year 2023 is the third year for implementation of Senate Bill 2 from the 86th legislative session. This bill set limitations of 3.5 percent growth in operations and maintenance revenue from property taxes with mandatory elections if this rate is exceeded. Fortunately, there were no significant impacts to the City's property tax growth in the 88th legislative session, but the legislature continues to be a threat to the ability for this revenue to grow along with inflation.

With a focus on conservative, resilient and responsible stewardship efforts to balance both operational and financial stability, the adopted budget ensures continued financial strength and resiliency by meeting all fund balance requirements.

Sales tax revenues have performed strongly throughout most of FY23, in some cases reaching up to 17% higher than monthly estimates. However, the high rate of inflation that has been seen over the last few years has certainly been a driving factor in this overperformance. Staff has been closely monitoring the Consumer Price Index (CPI), which has been steadily declining since the start of the Fiscal Year 2023 at 8.7% in October 2022 to the latest posting of 2.97% in June 2023. With this information, staff has proposed a budget for sales tax revenues that follow FMPS for estimating recurring sales tax revenue.

Interest rates rose as the Federal Reserve raised their target rates consistently last fiscal year. While this benefits the City in interest earnings, it resulted in unrealized losses due to market price adjustments of investments in the portfolio, as well as increased cost of borrowing funds. Additionally, inflationary pressures and supply chain issues have resulted in price escalation on construction projects and is also impacting cost and availability of supplies and components – particularly those that utilize technology.

With a focus on the highest priority additions to the operating budget and a continued phased approach to implementing the GO bond program, the FY24 Adopted Budget totals \$353.4 million. Of the total, \$290.7 million is for operating funds and issuance costs, and \$62.7 million is for capital projects, including the projects from the voter approved GO Bond Program.

2023 Property Taxes

The FY24 budget is funded by revenues based on the certified 2023 tax roll of \$19.8 billion. The city's tax rate continues to be one of the lowest in the state for cities over 60,000. The adopted 2023 tax rate was increased by approximately \$0.0035 in total. Another tool available to the city to help limit the residential tax burden is the homestead exemption. As a result of higher assessed valuations, the City increased the homestead exemption to 15% for the 2023 tax year.

Fee and Rate Changes

After three years of implementation from a 2021 rate study, the utility system is in the maintenance phase of the plan. The recommended increase for utility rates will result in an approximate \$3 increase per month for residential customers. This new rate allows the utility system to keep up with the cost of inflation to avoid large increases in the future.

The 2023 rate for residential solid waste services is \$19.85 per household per month. Based on contract negotiations with Republic Services, the rate will increase to \$20.84 on January 1, 2024.

In FY23 City Council adopted the Stormwater Compliance Fee to offset the cost of compliance with storm water mandates to reduce the discharge of pollutants into waters of the United States. The City's annual compliance efforts are a requirement of its Texas Pollutant Discharge Elimination System (TPDES) Permit. There are no planned increases to the rate structure in FY24. Staff continues to monitor the costs and needs related to these mandates.

The FMPS contains guidance on evaluating user fees for an annual CPI adjustment and for calculation of new fees. Based on this guidance, staff would evaluate fees based on the 12-month change in CPI 2023. Staff recommended an increase of 4% and fee and rate adjustments are effective January 1, 2024.

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 Glenda Aragon, Interim Finance Director, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general information, visit the City's website at www.sugarlandtx.gov.



Basic Financial Statements



City of Sugar Land, Texas

Statement of Net Position

September 30, 2023

| | Primary Government | | | Discretely Presented Component Units |
|--|-------------------------|--------------------------|-----------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 36,201,234 | \$ 37,376,197 | \$ 73,577,431 | \$ 12,842,141 |
| Investments | 28,915,083 | 38,790,869 | 67,705,952 | 13,549,893 |
| Receivables, net of allowance for uncollectibles | 16,656,597 | 12,535,447 | 29,192,044 | 1,648,221 |
| Lease receivable | 35,824,849 | 63,071 | 35,887,920 | 1,465,783 |
| Internal balances | (1,373,595) | 1,373,595 | - | - |
| Inventories | 211,843 | 531,867 | 743,710 | - |
| Prepaid items | 122,944 | 70,118 | 193,062 | 12,302 |
| Restricted cash and cash equivalents | 126,476,077 | 53,232,047 | 179,708,124 | 1,901,500 |
| Restricted investments | 33,191,916 | 15,926,901 | 49,118,817 | - |
| Capital assets: | | | | |
| Capital assets not being depreciated/amortized | 132,493,157 | 61,832,200 | 194,325,357 | - |
| Capital assets being depreciated/amortized | 450,849,612 | 332,862,632 | 783,712,244 | - |
| Total assets | 859,569,717 | 554,594,944 | 1,414,164,661 | 31,419,840 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 857,781 | 1,810,922 | 2,668,703 | 56,020 |
| Deferred outflows relating to pension activities | 26,107,882 | 3,695,637 | 29,803,519 | - |
| Deferred outflows relating to OPEB activities | 1,198,951 | 169,713 | 1,368,664 | - |
| Total deferred outflows of resources | 28,164,614 | 5,676,272 | 33,840,886 | 56,020 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 9,508,316 | 5,523,797 | 15,032,113 | 223,227 |
| Accrued interest | 1,454,662 | 1,049,442 | 2,504,104 | 90,963 |
| Customer deposits | 74,852 | 3,070,620 | 3,145,472 | - |
| Unearned revenue | 7,802,047 | - | 7,802,047 | - |
| Noncurrent liabilities: | | | | |
| Non-current liabilities due within one year | 28,557,735 | 13,916,935 | 42,474,670 | 1,312,488 |
| Due in more than one year | 343,779,194 | 226,322,932 | 570,102,126 | 19,569,804 |
| Total liabilities | 391,176,806 | 249,883,726 | 641,060,532 | 21,196,482 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred gain on refunding | 556,210 | 31,434 | 587,644 | - |
| Deferred inflows relating to leases | 35,862,328 | 60,861 | 35,923,189 | 1,462,625 |
| Deferred inflows relating to pension activities | 538,749 | 76,261 | 615,010 | - |
| Deferred inflows relating to OPEB activities | 1,737,769 | 245,986 | 1,983,755 | - |
| Total deferred inflows of resources | 38,695,056 | 414,542 | 39,109,598 | 1,462,625 |
| NET POSITION | | | | |
| Net investment in capital assets | 373,731,945 | 220,711,931 | 594,443,876 | - |
| Restricted for: | | | | |
| Debt service | 16,691,493 | 8,239,479 | 24,930,972 | 1,810,537 |
| General government | 382,981 | - | 382,981 | - |
| Economic development activities | 21,582,722 | - | 21,582,722 | 7,696,293 |
| Public safety | 793,383 | - | 793,383 | - |
| Tourism and marketing | 2,452,369 | - | 2,452,369 | - |
| Environmental and neighborhood services | 171,189 | - | 171,189 | - |
| Unrestricted | 42,056,387 | 81,021,538 | 123,077,925 | (690,077) |
| TOTAL NET POSITION | \$ 457,862,469 | \$ 309,972,948 | \$ 767,835,417 | \$ 8,816,753 |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2023

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities: | | | | |
| General government | \$ 34,127,922 | \$ 78,030 | \$ 3,815,665 | \$ 3,613,809 |
| Administrative services | 7,128,798 | 7,096,551 | 3,274,470 | - |
| Public safety - Police | 29,553,021 | 727,536 | 167,955 | - |
| Public Safety - Dispatch | 3,411,607 | - | - | - |
| Public safety - Fire | 20,850,555 | 4,904,508 | 309,490 | - |
| Public works | 30,734,154 | 61,062 | 2,903 | 446,913 |
| Parks and recreation | 9,002,318 | 495,484 | 122,414 | 3,516,547 |
| Community development | 6,075,355 | 2,644,518 | - | - |
| Environmental and neighborhood services | 10,315,245 | 786,753 | 34,787 | 700 |
| Interest on long-term debt | 8,848,006 | - | - | - |
| Total governmental activities | 160,046,981 | 16,794,442 | 7,727,684 | 7,577,969 |
| Business-type activities: | | | | |
| Utility | 62,481,285 | 72,601,475 | - | 1,247,990 |
| Regional airport | 24,305,701 | 23,501,267 | 50,000 | 4,820,459 |
| Solid waste and stormwater | 10,437,119 | 11,459,839 | - | - |
| Total business-type activities | 97,224,105 | 107,562,581 | 50,000 | 6,068,449 |
| TOTAL PRIMARY GOVERNMENT | \$ 257,271,086 | \$ 124,357,023 | \$ 7,777,684 | \$ 13,646,418 |
| COMPONENT UNITS | | | | |
| Sugar Land 4B Corporation | \$ 7,747,236 | \$ - | \$ 145,008 | \$ - |
| Sugar Land Town Square Tax Increment | | | | |
| Reinvestment Zone No. 1 | 2,511,562 | - | - | - |
| Sugar Land Reinvestment Zone No. 3 | 1,594,927 | - | - | - |
| Sugar Land Reinvestment Zone No. 4 | 120,760 | - | - | - |
| TOTAL COMPONENT UNITS | \$ 11,974,485 | \$ - | \$ 145,008 | \$ - |

General revenues:
Property taxes
Sales tax
Franchise and other taxes
Investment earnings
Miscellaneous revenues
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

NET POSITION - ENDING

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government

| Governmental Activities | Business-type Activities | Total | Component Units |
|------------------------------------|-------------------------------------|-------------------------|----------------------------|
| \$ (26,620,418) | | \$ (26,620,418) | |
| 3,242,223 | | 3,242,223 | |
| (28,657,530) | | (28,657,530) | |
| (3,411,607) | | (3,411,607) | |
| (15,636,557) | | (15,636,557) | |
| (30,223,276) | | (30,223,276) | |
| (4,867,873) | | (4,867,873) | |
| (3,430,837) | | (3,430,837) | |
| (9,493,005) | | (9,493,005) | |
| (8,848,006) | | (8,848,006) | |
| <u>(127,946,886)</u> | | <u>(127,946,886)</u> | |
| | \$ 11,368,180 | \$ 11,368,180 | |
| | 4,066,025 | 4,066,025 | |
| | <u>1,022,720</u> | <u>1,022,720</u> | |
| | 16,456,925 | 16,456,925 | |
| <u>\$ (127,946,886)</u> | <u>\$ 16,456,925</u> | <u>\$ (111,489,961)</u> | |
| | | | \$ (7,602,228) |
| | | | (2,511,562) |
| | | | (1,594,927) |
| | | | <u>(120,760)</u> |
| | | | <u>\$ (11,829,477)</u> |
| \$ 62,087,727 | \$ - | \$ 62,087,727 | \$ 5,381,025 |
| 58,841,739 | - | 58,841,739 | 8,408,451 |
| 9,143,214 | - | 9,143,214 | - |
| 9,220,391 | 6,074,101 | 15,294,492 | 1,130,591 |
| 9,195,248 | 2,051,298 | 11,246,546 | 7,923,806 |
| 3,619,988 | (3,619,988) | - | - |
| <u>152,108,307</u> | <u>4,505,411</u> | <u>156,613,718</u> | <u>22,843,873</u> |
| 24,161,421 | 20,962,336 | 45,123,757 | 11,014,396 |
| <u>433,701,048</u> | <u>289,010,612</u> | <u>722,711,660</u> | <u>(2,197,643)</u> |
| <u>\$ 457,862,469</u> | <u>\$ 309,972,948</u> | <u>\$ 767,835,417</u> | <u>\$ 8,816,753</u> |

City of Sugar Land, Texas

Balance Sheet – Governmental Funds

September 30, 2023

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 28,449,466 | \$ - |
| Investments | 25,732,394 | - |
| Receivables, net of allowance for uncollectibles | 12,859,521 | 640,692 |
| Lease receivable | 147,540 | 35,677,309 |
| Inventories | 204,360 | - |
| Prepaid items | 73,485 | - |
| Restricted cash and cash equivalents | 42,604 | 5,527,555 |
| Restricted investments | - | 5,420,997 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 67,509,370</u> | <u>\$ 47,266,553</u> |
| LIABILITIES | | |
| Accounts payable | \$ 3,409,724 | \$ 750 |
| Accrued expenditures | 3,173,248 | - |
| Customer deposits | 74,852 | - |
| Unearned revenue | 358,467 | - |
| | <hr/> | <hr/> |
| Total liabilities | 7,016,291 | 750 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Unavailable revenue | 2,511,712 | 537,259 |
| Deferred inflows relating to leases | 144,857 | 35,717,471 |
| | <hr/> | <hr/> |
| Total deferred inflows of resources | 2,656,569 | 36,254,730 |
| FUND BALANCES | | |
| Nonspendable: | | |
| Inventories | 204,360 | - |
| Prepaid items | 73,485 | - |
| Restricted for: | | |
| General government | - | - |
| Debt service | - | 11,011,073 |
| Capital projects | - | - |
| Economic development activities | - | - |
| Public safety | - | - |
| Tourism and marketing | - | - |
| Environmental and neighborhood services | - | - |
| Committed | 1,770,816 | - |
| Assigned | 597,187 | - |
| Unassigned | 55,190,662 | - |
| | <hr/> | <hr/> |
| Total fund balances | 57,836,510 | 11,011,073 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 67,509,370</u> | <u>\$ 47,266,553</u> |

The Notes to Financial Statements are an integral part of this statement.

| Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|--|---|
| \$ 1,681,748 | \$ 496,627 | \$ 30,627,841 |
| 742,104 | - | 26,474,498 |
| 561,551 | 2,523,135 | 16,584,899 |
| - | - | 35,824,849 |
| - | 7,483 | 211,843 |
| - | 19,143 | 92,628 |
| 105,933,679 | 14,972,239 | 126,476,077 |
| 5,975,223 | 21,795,696 | 33,191,916 |
| \$ 114,894,305 | \$ 39,814,323 | \$ 269,484,551 |
| \$ 1,789,374 | \$ 326,476 | \$ 5,526,324 |
| - | 9,847 | 3,183,095 |
| - | - | 74,852 |
| - | 7,443,580 | 7,802,047 |
| 1,789,374 | 7,779,903 | 16,586,318 |
| 200,000 | 27,327 | 3,276,298 |
| - | - | 35,862,328 |
| 200,000 | 27,327 | 39,138,626 |
| - | 7,483 | 211,843 |
| - | 19,143 | 92,628 |
| - | 382,981 | 382,981 |
| - | 6,597,823 | 17,608,896 |
| 107,880,210 | - | 107,880,210 |
| - | 21,582,722 | 21,582,722 |
| - | 793,383 | 793,383 |
| - | 2,452,369 | 2,452,369 |
| - | 171,189 | 171,189 |
| - | - | 1,770,816 |
| 5,024,721 | - | 5,621,908 |
| - | - | 55,190,662 |
| 112,904,931 | 32,007,093 | 213,759,607 |
| \$ 114,894,305 | \$ 39,814,323 | \$ 269,484,551 |



City of Sugar Land, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2023

| | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|-----------------------|--|---|-------------|------------|-----------------------------------|--------------|--|----------------------|-------------|--|----------------------|-----------|--|--------------------------|-----------|--|-----------------------|--------------|--|----------------------|-------------|---------------|--|--|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | | \$ 213,759,607 | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$1,080,157,583 and the accumulated depreciation/amortization is \$503,000,163.</p> | | 577,157,420 | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p> | | 3,276,298 | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding debt. These items are not reported in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Deferred charge on refunding</td> <td style="width: 10%; text-align: right;">\$ 857,781</td> <td style="width: 30%;"></td> </tr> <tr> <td>Deferred gain on refunding</td> <td style="text-align: right;">(556,210)</td> <td style="text-align: right; vertical-align: bottom;">301,571</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> </table> | Deferred charge on refunding | \$ 857,781 | | Deferred gain on refunding | (556,210) | 301,571 | | | | | | | | | | | | | | | | | | | | |
| Deferred charge on refunding | \$ 857,781 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred gain on refunding | (556,210) | 301,571 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Long term liabilities that are not due and payable in the current period are not reported in the funds.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Debt payable, at maturity</td> <td style="width: 10%; text-align: right;">\$ (298,231,050)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Accrued interest on the bonds</td> <td style="text-align: right;">(1,454,662)</td> <td></td> </tr> <tr> <td>Premium/discount on bonds payable</td> <td style="text-align: right;">(19,639,185)</td> <td></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(5,529,940)</td> <td></td> </tr> <tr> <td>Sales tax obligation</td> <td style="text-align: right;">(103,573)</td> <td></td> </tr> <tr> <td>Subscription liabilities</td> <td style="text-align: right;">(415,465)</td> <td></td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;">(41,518,599)</td> <td></td> </tr> <tr> <td>Total OPEB liability</td> <td style="text-align: right; border-top: 1px solid black;">(6,899,117)</td> <td style="text-align: right; vertical-align: bottom;">(373,791,591)</td> </tr> </table> | Debt payable, at maturity | \$ (298,231,050) | | Accrued interest on the bonds | (1,454,662) | | Premium/discount on bonds payable | (19,639,185) | | Compensated absences | (5,529,940) | | Sales tax obligation | (103,573) | | Subscription liabilities | (415,465) | | Net pension liability | (41,518,599) | | Total OPEB liability | (6,899,117) | (373,791,591) | | |
| Debt payable, at maturity | \$ (298,231,050) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accrued interest on the bonds | (1,454,662) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Premium/discount on bonds payable | (19,639,185) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Compensated absences | (5,529,940) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales tax obligation | (103,573) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subscription liabilities | (415,465) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net pension liability | (41,518,599) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total OPEB liability | (6,899,117) | (373,791,591) | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Deferred outflows and deferred inflows relating to pension and OPEB activities are amortized over the expected remaining service lives of all employees that are provided with pensions through the pension and OPEB plans. These items are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Deferred outflows and deferred inflows - pension</td> <td style="width: 10%; text-align: right;">\$ 25,569,133</td> <td style="width: 30%;"></td> </tr> <tr> <td>Deferred outflows and deferred inflows - OPEB</td> <td style="text-align: right;">(538,818)</td> <td style="text-align: right; vertical-align: bottom;">25,030,315</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> </table> | Deferred outflows and deferred inflows - pension | \$ 25,569,133 | | Deferred outflows and deferred inflows - OPEB | (538,818) | 25,030,315 | | | | | | | | | | | | | | | | | | | | |
| Deferred outflows and deferred inflows - pension | \$ 25,569,133 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred outflows and deferred inflows - OPEB | (538,818) | 25,030,315 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The assets and liabilities of the internal service funds are not included in the governmental fund financial statements, but are included in the governmental activities of the Statement of Net Position.</p> | | 12,128,849 | | | | | | | | | | | | | | | | | | | | | | | | |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | \$ 457,862,469 | | | | | | | | | | | | | | | | | | | | | | | | |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended September 30, 2023

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> |
|--|----------------------|------------------------------|--------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 35,790,842 | \$ 25,993,573 | \$ - |
| Sales tax | 50,435,776 | - | - |
| Franchise and other taxes | 6,266,320 | - | - |
| Licenses and permits | 3,580,007 | - | - |
| Fines and forfeitures | 1,386,132 | - | - |
| Charges for services | 11,734,396 | - | - |
| Investment earnings | 2,651,971 | 520,005 | 4,715,074 |
| Intergovernmental | 1,567,923 | - | - |
| Other | 994,366 | 2,091,247 | 3,898,325 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 114,407,733 | 28,604,825 | 8,613,399 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 23,167,299 | - | - |
| Administrative services | 5,474,291 | 1,975,312 | 363,020 |
| Public safety - Police | 27,926,054 | - | - |
| Public safety - Dispatch | 3,242,545 | - | - |
| Public safety - Fire | 20,030,107 | - | - |
| Public works | 11,940,164 | - | 2,061,788 |
| Parks and recreation | 6,059,289 | - | - |
| Community development | 5,760,963 | - | - |
| Environmental and neighborhood services | 8,976,000 | - | - |
| Debt service: | | | |
| Principal | 356,771 | 20,578,194 | - |
| Interest and other charges | 13,177 | 8,667,960 | - |
| Bond issuance costs | - | 21,425 | 347,981 |
| Capital outlay | - | - | 10,182,129 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 112,946,660 | 31,242,891 | 12,954,918 |
| Excess (deficiency) of revenues over (under) expenditures | 1,461,073 | (2,638,066) | (4,341,519) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds and certificates of obligation issued | - | - | 31,890,000 |
| Premium on debt issued | - | 19,095 | 1,525,117 |
| Subscriptions - other financing source | 772,236 | - | - |
| Transfers in | 300,000 | 5,677,871 | - |
| Transfers out | (1,083,965) | (242,776) | - |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | (11,729) | 5,454,190 | 33,415,117 |
| Net change in fund balances | 1,449,344 | 2,816,124 | 29,073,598 |
| Fund balances, beginning of year | 56,387,166 | 8,194,949 | 83,831,333 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES, END OF YEAR | \$ 57,836,510 | \$ 11,011,073 | \$ 112,904,931 |

The Notes to Financial Statements are an integral part of this statement.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ - | \$ 61,784,415 |
| 8,405,963 | 58,841,739 |
| 2,936,108 | 9,202,428 |
| - | 3,580,007 |
| 128,894 | 1,515,026 |
| - | 11,734,396 |
| 1,015,261 | 8,902,311 |
| 6,432,672 | 8,000,595 |
| 5,458,197 | 12,442,135 |
| <hr/> | <hr/> |
| 24,377,095 | 176,003,052 |
| | |
| 3,482,216 | 26,649,515 |
| 945,449 | 8,758,072 |
| 658,502 | 28,584,556 |
| 169,062 | 3,411,607 |
| - | 20,030,107 |
| 1,951,895 | 15,953,847 |
| - | 6,059,289 |
| - | 5,760,963 |
| 230,418 | 9,206,418 |
| | |
| 2,205,000 | 23,139,965 |
| 1,743,231 | 10,424,368 |
| - | 369,406 |
| 1,198,107 | 11,380,236 |
| <hr/> | <hr/> |
| 12,583,880 | 169,728,349 |
| | |
| 11,793,215 | 6,274,703 |
| | |
| - | 31,890,000 |
| - | 1,544,212 |
| - | 772,236 |
| 509,905 | 6,487,776 |
| (1,541,047) | (2,867,788) |
| <hr/> | <hr/> |
| (1,031,142) | 37,826,436 |
| | |
| 10,762,073 | 44,101,139 |
| | |
| 21,245,020 | 169,658,468 |
| <hr/> | <hr/> |
| \$ 32,007,093 | \$ 213,759,607 |



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 Fiscal Year Ended September 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 44,101,139

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 or amortization expense for the period.

| | | |
|--|-----------------|--------------|
| Depreciation/amortization expense | \$ (24,820,095) | |
| Subscriptions - other financing source | 772,236 | |
| Capital outlay | 12,053,497 | (11,994,362) |
| | | |

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 Statement of Activities as program revenue. 4,581,972

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the amount of the difference between the proceeds and gain or loss. (61,085)

Governmental funds do not recognize revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (445,970)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds.

| | | |
|----------------------------------|-----------------|--------------|
| Par value of debt issued | \$ (31,890,000) | |
| Premium on debt issued | (1,544,212) | |
| Subscription liabilities | (772,236) | |
| Principal repayments | 23,139,965 | |
| Repayment of obligation to state | 19,721 | (11,046,762) |
| | | |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|---|--------------|-------------|
| Amortization of bond premiums and deferred amounts on refunding | \$ 1,798,772 | |
| Change in accrued interest on long-term debt | 142,846 | |
| Compensated absences | (651,714) | |
| Changes in pension liabilities and related deferred outflows and inflows of resources | (2,655,195) | |
| Changes in OPEB liabilities and related deferred outflows and inflows of resources | (558,244) | (1,923,535) |
| | | |

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with governmental activities. 950,024

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 24,161,421

City of Sugar Land, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|--|----------------------|-----------------------|-----------------------|-------------------------------|
| | Major Funds | | | | Activities |
| | Utility Fund | Airport Fund | Nonmajor Funds | Total | Internal Service Funds |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 31,539,688 | \$ 5,453,341 | \$ 383,168 | \$ 37,376,197 | \$ 4,870,393 |
| Cash with fiscal agent | - | - | - | - | 703,000 |
| Investments | 32,444,628 | 6,346,241 | - | 38,790,869 | 2,440,585 |
| Receivables, net of allowance for uncollectibles | 10,608,684 | 396,006 | 1,530,757 | 12,535,447 | 71,698 |
| Lease receivable | - | 63,071 | - | 63,071 | - |
| Inventories | 233,767 | 298,100 | - | 531,867 | - |
| Prepaid items | 46,077 | 1,321 | 22,720 | 70,118 | 30,316 |
| Restricted cash and cash equivalents | 52,347,715 | 884,332 | - | 53,232,047 | - |
| Restricted investments | 15,926,901 | - | - | 15,926,901 | - |
| Total current assets | 143,147,460 | 13,442,412 | 1,936,645 | 158,526,517 | 8,115,992 |
| Noncurrent assets: | | | | | |
| Capital assets | | | | | |
| Capital assets not being depreciated/amortized | 20,214,425 | 41,617,775 | - | 61,832,200 | - |
| Capital assets being depreciated/amortized | 286,536,006 | 46,137,345 | 189,281 | 332,862,632 | 6,185,349 |
| Total noncurrent assets | 306,750,431 | 87,755,120 | 189,281 | 394,694,832 | 6,185,349 |
| Total assets | 449,897,891 | 101,197,532 | 2,125,926 | 553,221,349 | 14,301,341 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 1,752,183 | 58,739 | - | 1,810,922 | - |
| Deferred outflows relating to pension activities | 2,384,282 | 1,102,730 | 208,625 | 3,695,637 | - |
| Deferred outflows relating to OPEB activities | 109,493 | 50,641 | 9,579 | 169,713 | - |
| Total deferred outflows of resources | 4,245,958 | 1,212,110 | 218,204 | 5,676,272 | - |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 4,046,924 | 1,007,347 | 469,526 | 5,523,797 | 246,482 |
| Accrued interest | 976,426 | 73,016 | - | 1,049,442 | - |
| Customer deposits | 2,949,000 | 121,620 | - | 3,070,620 | - |
| Claims and judgments | - | - | - | - | 552,415 |
| Noncurrent liabilities due within one year | 12,398,273 | 1,501,568 | 17,094 | 13,916,935 | - |
| Total current liabilities | 20,370,623 | 2,703,551 | 486,620 | 23,560,794 | 798,897 |
| Noncurrent liabilities: | | | | | |
| Due in more than one year | 206,064,289 | 13,397,591 | 7,403 | 219,469,283 | - |
| Net pension liability | 3,791,653 | 1,753,639 | 331,770 | 5,877,062 | - |
| Total OPEB liability | 630,056 | 291,401 | 55,130 | 976,587 | - |
| Total noncurrent liabilities | 210,485,998 | 15,442,631 | 394,303 | 226,322,932 | - |
| Total liabilities | 230,856,621 | 18,146,182 | 880,923 | 249,883,726 | 798,897 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred gain on refunding | - | 31,434 | - | 31,434 | - |
| Deferred inflows relating to leases | - | 60,861 | - | 60,861 | - |
| Deferred inflows relating to pension activities | 49,200 | 22,756 | 4,305 | 76,261 | - |
| Deferred inflows relating to OPEB activities | 158,701 | 73,399 | 13,886 | 245,986 | - |
| Total deferred inflows of resources | 207,901 | 188,450 | 18,191 | 414,542 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 147,402,865 | 73,119,785 | 189,281 | 220,711,931 | 6,185,349 |
| Restricted: | | | | | |
| Debt service | 7,434,478 | 805,001 | - | 8,239,479 | - |
| Unrestricted | 68,241,984 | 10,150,224 | 1,255,735 | 79,647,943 | 7,317,095 |
| TOTAL NET POSITION | \$ 223,079,327 | \$ 84,075,010 | \$ 1,445,016 | \$ 308,599,353 | \$ 13,502,444 |
| Reconciliation to the government-wide statement of net position: | | | | | |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time | | | | 1,373,595 | |
| Net position of business-type activities | | | | \$ 309,972,948 | |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Revenues, Expenses, and Changes
in Net Position – Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|--|--|----------------------|-----------------------|-----------------------|-------------------------------|
| | Major Funds | | | | Activities |
| | Utility Fund | Airport Fund | Nonmajor Funds | Total | Internal Service Funds |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 72,601,475 | \$ 23,501,267 | \$ 11,459,839 | \$ 107,562,581 | \$ 16,609,558 |
| Total operating revenues | 72,601,475 | 23,501,267 | 11,459,839 | 107,562,581 | 16,609,558 |
| OPERATING EXPENSES | | | | | |
| Personnel services | 7,698,961 | 3,653,204 | 791,787 | 12,143,952 | 57,716 |
| Supplies and materials | 731,103 | 14,101,294 | 94,909 | 14,927,306 | 825,344 |
| Contractual services | 13,441,906 | 1,991,414 | 8,796,688 | 24,230,008 | 51,370 |
| Repairs and maintenance | 10,990,964 | 680,998 | 594,846 | 12,266,808 | 12,365 |
| Other expenses | 1,698,194 | 451,578 | 138,479 | 2,288,251 | 13,783,220 |
| Depreciation | 20,321,725 | 2,965,068 | 21,151 | 23,307,944 | 1,335,886 |
| Total operating expenses | 54,882,853 | 23,843,556 | 10,437,860 | 89,164,269 | 16,065,901 |
| Operating income (loss) | 17,718,622 | (342,289) | 1,021,979 | 18,398,312 | 543,657 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest and investment revenue | 5,507,517 | 547,485 | 19,099 | 6,074,101 | 318,080 |
| Miscellaneous revenue (expense) | 1,755,317 | 274,910 | 9,728 | 2,039,955 | - |
| Intergovernmental | - | 50,000 | - | 50,000 | - |
| Gain (loss) on disposal of capital assets | 7,338 | 4,005 | - | 11,343 | 168,361 |
| Interest expense | (7,645,969) | (493,941) | - | (8,139,910) | - |
| Total nonoperating revenues (expenses) | (375,797) | 382,459 | 28,827 | 35,489 | 486,441 |
| Income (loss) before capital contributions and transfers | 17,342,825 | 40,170 | 1,050,806 | 18,433,801 | 1,030,098 |
| Capital contributions | 1,247,990 | 4,820,459 | - | 6,068,449 | - |
| Transfers in | 41,181 | 549,815 | 317,021 | 908,017 | - |
| Transfers out | (4,228,005) | - | (300,000) | (4,528,005) | - |
| Change in net position | 14,403,991 | 5,410,444 | 1,067,827 | 20,882,262 | 1,030,098 |
| Net position, beginning | 208,675,336 | 78,664,566 | 377,189 | 287,717,091 | 12,472,346 |
| NET POSITION, ENDING | \$ 223,079,327 | \$ 84,075,010 | \$ 1,445,016 | \$ 308,599,353 | \$ 13,502,444 |
| Reconciliation to the government-wide statement of activities: | | | | | |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds | | | | 80,074 | |
| Change in net position of business-type activities | | | | \$ 20,962,336 | |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|--|--|---------------------|-----------------------|----------------------|-------------------------------|
| | Major Funds | | | | Activities |
| | Utility Fund | Airport Fund | Nonmajor Funds | Total | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 69,173,005 | \$ 23,467,687 | \$ 11,099,378 | \$ 103,740,070 | \$ - |
| Receipts from interfund charges for services | - | - | - | - | 16,676,398 |
| Other receipts | 1,755,317 | 274,910 | 9,728 | 2,039,955 | - |
| Disbursed for personnel services | (7,405,053) | (3,540,906) | (686,909) | (11,632,868) | (57,716) |
| Disbursed for goods and services | (25,090,949) | (16,694,833) | (9,919,235) | (51,705,017) | (14,864,794) |
| Net cash provided by operating activities | 38,432,320 | 3,506,858 | 502,962 | 42,442,140 | 1,753,888 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from other funds | 41,181 | 486,744 | 317,021 | 844,946 | - |
| Transfers to other funds | (4,228,005) | - | (300,000) | (4,528,005) | - |
| Operating grants and contributions | - | 50,000 | - | 50,000 | - |
| Net cash provided (used) by noncapital financing activities | (4,186,824) | 536,744 | 17,021 | (3,633,059) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from the sale of bonds | 16,738,417 | 6,859,532 | - | 23,597,949 | - |
| Interest payments on debt | (8,861,901) | (565,527) | - | (9,427,428) | - |
| Principal payments on debt | (10,950,000) | (1,026,806) | - | (11,976,806) | - |
| Acquisition and construction of capital assets | (9,466,307) | (2,548,789) | (185,732) | (12,200,828) | (2,739,582) |
| Proceeds from sale of capital assets | 21,612 | 6,495 | - | 28,107 | 189,260 |
| Net cash provided (used) by capital and related financing activities | (12,518,179) | 2,724,905 | (185,732) | (9,979,006) | (2,550,322) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Sale (purchase) of investments, net | (6,778,872) | (1,770,377) | - | (8,549,249) | 1,752,000 |
| Interest received | 5,132,135 | 494,042 | 19,099 | 5,645,276 | 214,437 |
| Net cash provided (used) by investing activities | (1,646,737) | (1,276,335) | 19,099 | (2,903,973) | 1,966,437 |
| Net increase in cash and cash equivalents | 20,080,580 | 5,492,172 | 353,350 | 25,926,102 | 1,170,003 |
| Cash and cash equivalents, beginning balance | 63,806,823 | 845,501 | 29,818 | 64,682,142 | 4,403,390 |
| CASH AND CASH EQUIVALENTS, ENDING BALANCE | \$ 83,887,403 | \$ 6,337,673 | \$ 383,168 | \$ 90,608,244 | \$ 5,573,393 |
| Unrestricted cash and equivalents | \$ 31,539,688 | \$ 5,453,341 | \$ 383,168 | \$ 37,376,197 | \$ 5,573,393 |
| Restricted cash and equivalents | 52,347,715 | 884,332 | - | 53,232,047 | - |
| | \$ 83,887,403 | \$ 6,337,673 | \$ 383,168 | \$ 90,608,244 | \$ 5,573,393 |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Cash Flows – Continued
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|--|---------------------|-----------------------|----------------------|-------------------------------|
| | Major Funds | | | | Activities |
| | Utility Fund | Airport Fund | Nonmajor Funds | Total | Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 17,718,622 | \$ (342,289) | \$ 1,021,979 | \$ 18,398,312 | \$ 543,657 |
| Adjustments to reconcile operating income (loss) to cash provided by operating activities: | | | | | |
| Depreciation and amortization | 20,321,725 | 2,965,068 | 21,151 | 23,307,944 | 1,335,886 |
| Other receipts for nonoperating revenue | 1,755,317 | 274,910 | 9,728 | 2,039,955 | - |
| Changes in assets, liabilities and related deferrals: | | | | | |
| (Increase) decrease in assets and deferred outflows: | | | | | |
| Receivables, net of allowance for uncollectibles | (3,539,032) | (95,915) | (360,461) | (3,995,408) | 66,840 |
| Lease receivable, net of related deferred inflow | - | 62,502 | - | 62,502 | - |
| Inventories | 7,550 | (44,039) | - | (36,489) | - |
| Prepaid items | (7,010) | 54,298 | (21,721) | 25,567 | 326 |
| Deferred outflows - net pension liability | (1,634,963) | (745,961) | (173,953) | (2,554,877) | - |
| Deferred outflows - OPEB | 14,019 | 6,289 | (3,801) | 16,507 | - |
| Increase (decrease) in liabilities and deferred inflows: | | | | | |
| Accounts payable and accrued expenses | 1,770,678 | 520,192 | (272,592) | 2,018,278 | (159,346) |
| Customer deposits | 110,562 | 6,733 | - | 117,295 | - |
| Unearned revenue | - | (6,900) | - | (6,900) | - |
| Claims and judgments | - | - | - | - | (33,475) |
| Net pension liability | 3,385,438 | 1,558,401 | 318,759 | 5,262,598 | - |
| OPEB liability | (81,849) | (43,121) | 22,205 | (102,765) | - |
| Deferred inflows - net pension liability | (1,505,626) | (716,846) | (70,129) | (2,292,601) | - |
| Deferred inflows - OPEB | 116,889 | 53,536 | 11,797 | 182,222 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 38,432,320 | \$ 3,506,858 | \$ 502,962 | \$ 42,442,140 | \$ 1,753,888 |
| SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Capital assets contributed to City | \$ 1,247,990 | \$ 4,820,459 | \$ - | \$ 6,068,449 | |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Combining Statement of Net Position

Discretely Presented Component Units – Governmental Activities

September 30, 2023

| | 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 | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 5,081,372 | \$ 173,307 | \$ 76,671 | \$ 7,510,791 | \$ 12,842,141 |
| Investments | 13,549,893 | - | - | - | 13,549,893 |
| Receivables, net of allowance for uncollectibles | 1,635,683 | 771 | 343 | 11,424 | 1,648,221 |
| Lease receivable | 1,465,783 | - | - | - | 1,465,783 |
| Prepaid items | 12,302 | - | - | - | 12,302 |
| Restricted cash and cash equivalents | 1,901,500 | - | - | - | 1,901,500 |
| | <u>23,646,533</u> | <u>174,078</u> | <u>77,014</u> | <u>7,522,215</u> | <u>31,419,840</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 56,020 | - | - | - | 56,020 |
| | <u>56,020</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>56,020</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 144,930 | - | 78,297 | - | 223,227 |
| Accrued interest | 90,963 | - | - | - | 90,963 |
| Noncurrent liabilities due within one year | 1,312,488 | - | - | - | 1,312,488 |
| | <u>1,548,381</u> | <u>-</u> | <u>78,297</u> | <u>-</u> | <u>1,626,678</u> |
| Noncurrent liabilities: | | | | | |
| Due in more than one year | 19,569,804 | - | - | - | 19,569,804 |
| | <u>19,569,804</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,569,804</u> |
| Total liabilities | <u>21,118,185</u> | <u>-</u> | <u>78,297</u> | <u>-</u> | <u>21,196,482</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows relating to leases | 1,462,625 | - | - | - | 1,462,625 |
| | <u>1,462,625</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,462,625</u> |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Debt service | 1,810,537 | - | - | - | 1,810,537 |
| Economic development activities | - | 174,078 | - | 7,522,215 | 7,696,293 |
| Unrestricted | (688,794) | - | (1,283) | - | (690,077) |
| | <u>(688,794)</u> | <u>-</u> | <u>(1,283)</u> | <u>-</u> | <u>(690,077)</u> |
| TOTAL NET POSITION | <u>\$ 1,121,743</u> | <u>\$ 174,078</u> | <u>\$ (1,283)</u> | <u>\$ 7,522,215</u> | <u>\$ 8,816,753</u> |

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Combining Statement of Activities

Discretely Presented Component Units – Governmental Activities

For the Fiscal Year Ended September 30, 2023

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | | Totals |
|------------------------------------|----------------------|------------------------------------|---|--|------------------------------------|------------------------------------|---------------------|
| | Expenses | 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 Units | | | | | | | |
| Sugar Land 4B Corporation | \$ 7,747,236 | \$ 145,008 | \$ (7,602,228) | \$ - | \$ - | \$ - | \$ (7,602,228) |
| Sugar Land Town Square Tax | | | | | | | |
| Increment Reinvestment Zone No. 1 | 2,511,562 | - | - | (2,511,562) | - | - | (2,511,562) |
| Sugar Land Reinvestment Zone No. 3 | 1,594,927 | - | - | - | (1,594,927) | - | (1,594,927) |
| Sugar Land Reinvestment Zone No. 4 | 120,760 | - | - | - | - | (120,760) | (120,760) |
| | <u>\$ 11,974,485</u> | <u>\$ 145,008</u> | <u>(7,602,228)</u> | <u>(2,511,562)</u> | <u>(1,594,927)</u> | <u>(120,760)</u> | <u>(11,829,477)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | - | 2,521,084 | 1,569,421 | 1,290,520 | 5,381,025 |
| Sales tax | | | 8,408,451 | - | - | - | 8,408,451 |
| Unrestricted investment earnings | | | 778,339 | 37,830 | 1,395 | 313,027 | 1,130,591 |
| Miscellaneous | | | 7,923,806 | - | - | - | 7,923,806 |
| Total general revenues | | | <u>17,110,596</u> | <u>2,558,914</u> | <u>1,570,816</u> | <u>1,603,547</u> | <u>22,843,873</u> |
| Change in net position | | | <u>9,508,368</u> | <u>47,352</u> | <u>(24,111)</u> | <u>1,482,787</u> | <u>11,014,396</u> |
| Net position, beginning | | | <u>(8,386,625)</u> | <u>126,726</u> | <u>22,828</u> | <u>6,039,428</u> | <u>(2,197,643)</u> |
| NET POSITION, ENDING | | | <u>\$ 1,121,743</u> | <u>\$ 174,078</u> | <u>\$ (1,283)</u> | <u>\$ 7,522,215</u> | <u>\$ 8,816,753</u> |

The Notes to Financial Statements are an integral part of this statement.



City of Sugar Land, Texas
Notes to the 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 City 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 three-year terms. The Mayor and council members can serve no more than three terms in any consecutive nine-year period.

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.

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

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 a primary government, the City's activities are not considered a part of any other governmental or other type of reporting entity.

As required by GAAP, 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 reported as funds of the City and are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are both legally and substantively separate from the primary government.

The following component units are included in the City's reporting entity.

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 position of the Corporation shall be conveyed to the City. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

City of Sugar Land, Texas

Notes to the Financial Statements

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 board of directors of the 4B Corporation 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 position 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. The participants include Fort Bend County, First Colony LID #2 and the City at 100% of incremental value. 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 Chapter 311 of the Texas Tax Code for the purposes of promoting development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property taxes to be utilized in providing public improvements in TIRZ 3. The City participates at 50% of increment over the 2007 base value plus 50% of sales taxes within the historic district. Fort Bend County General Fund participates at 50% based on an increment over the 2013 tax base. Fort Bend County Drainage District does not participate. The board of directors consists of five members of which the City Council appoints four members and Fort Bend County has the authority to appoint one member. City Council has the authority to approve or disapprove TIRZ 3 projects.

Sugar Land Reinvestment Zone No. 4

In 2009, the City of Sugar Land formed Reinvestment Zone No. 4 ("TIRZ 4") through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of TIRZ 4 is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use center with retail, office and entertainment uses. The City participates at a rate of 50% of their ad valorem tax rate above the 2009 tax base over the 30 year life of TIRZ 4. Fort Bend County Municipal Utility District Nos. 138 and 139 have also agreed to contribute at a rate of 50% of the City's tax rate via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50% participation in years 2014 through 2029, 30% in years 2030 through 2034, and 20% in years 2035 through 2039; however, revenues were not captured until tax year 2014 (fiscal year 2015). The board of directors of 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 TIRZ 4 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.

Separately issued audited financial statements are not available for the discretely presented component units. Information on each of the discretely presented component units is included in separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Finance Department.

City of Sugar Land, Texas

Notes to the Financial Statements

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 and interfund loans. 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

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

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 deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operations of these activities are included on the statements of net position.

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 generally 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 revenues. Property tax levies and other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

City of Sugar Land, Texas

Notes to the Financial Statements

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 activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental activities column of the government-wide presentation.

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

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 principal source of revenue for debt service is local property taxes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects.

The *Enterprise Funds* are a type of proprietary fund used to account for services which 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. Enterprise 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 nonexchange transactions or ancillary activities. The City reports the following major enterprise funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for services and the expenditures relate to operating expenses. This fund also accounts for activity related to the mandated groundwater reduction plan (GRP) and GRP revenues.

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

City of Sugar Land, Texas

Notes to the Financial Statements

In addition, the City reports the following nonmajor enterprise funds:

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

The *Stormwater Fund* is used to account for stormwater compliance activities and drainage related maintenance and operations previously funded in the General Fund. This fund is supported through a Storm Water Compliance Fee charged to residents, businesses, and establishments considered non-exempt by law or ordinance to this fee.

In addition, the City reports the following fund types:

Special revenue funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted or committed for expenditures for specific purposes. The City's special revenue funds are aggregated and reported as nonmajor funds.

Internal Service Funds are a type of proprietary fund 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.

D. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

City of Sugar Land, Texas

Notes to the Financial Statements

E. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly-defined fund balance categories make the nature and extent of the constraints placed on the City'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 imposed by law through constitutional provisions or enabling legislation.

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 are 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 an official to which City Council has delegated this authority. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund. Any other funds will report negative amounts only in the unassigned category.

When the City funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, 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.

F. 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 committed or 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, 2023, outstanding purchase orders totaled \$33.8 million. These were the result of normal operations. Encumbrances are liquidated with existing resources, and City Council has committed approximately \$1.77 million and the City Manager has assigned approximately \$597 thousand in the General Fund to liquidate outstanding purchase orders as of September 30, 2023.

City of Sugar Land, Texas

Notes to the Financial Statements

G. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool", "TexSTAR" and "Texas CLASS"), balances in a governmental money market mutual fund and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City 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 cash equivalents 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. The City's local government investment pools are recorded at amortized cost or net asset value.

H. Investments

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposit. The City reports all investments at fair value. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

I. 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 Fund are recognized at the end of each fiscal year on a pro rata basis, based on billings during the month following the close of the fiscal year.

J. Internal Balances

The effect of interfund activity has been removed from the financial statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances. Goods and services provided by the City's internal service funds are charged as direct costs to the enterprise funds that received those goods and services.

K. Inventories and Prepaid Items

Inventories of the General Fund and enterprise funds are valued at weighted average cost, except for airport fuel which is valued at market cost. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Sugar Land, Texas

Notes to the Financial Statements

L. Restricted Assets

The enterprise funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, and revenue bond debt service. Because of certain bond covenants, the City 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.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense or expenditure) until that time. The City has three items that qualify for reporting in this category. These are the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position, and deferred amounts related to pension and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from three sources: property taxes, fines, and EMS services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide and proprietary fund financial statements the City reports a deferred gain on refunding and deferred amounts related to pension and OPEB. The City reports deferred inflows related to leases in the governmental funds balance sheet, as well as the government-wide and proprietary fund financial statements.

Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate primarily to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related charges, and will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided benefits through these plans. Deferred amounts related to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

N. Capital Assets

Capital assets, including tangible assets such as property, plant, and equipment as well as intangible assets, are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Infrastructure has been capitalized retroactively. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and are reported in the proprietary fund statements, but are recorded as expenditures when acquired in the governmental fund financial statements.

Capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets acquired from Municipal Utility Districts ("MUDs") are recorded at the book value of the MUD at the date of dissolution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' original estimated useful lives are charged to operations when incurred.

City of Sugar Land, Texas
Notes to the Financial Statements

Land, construction in progress, and certain intangible assets are not depreciated. The other tangible and intangible capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

| Asset Description | Estimated Useful Life |
|---|-----------------------|
| Vehicles | 3 to 10 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 40 years |

Subscription assets are initially recognized at the present value of subscription payments expected to be made during the subscription term, plus any payments made to the vendor before commencement of the subscription term and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

O. Compensated Absences

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 320 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation. The maximum for Shift Firefighters is 448 hours.

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.

P. Pensions

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

Q. Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by TMRS. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements.

City of Sugar Land, Texas

Notes to the Financial Statements

R. Leases

Lessee

With the exception of short-term leases, when the City is a lessee in noncancellable lease arrangements the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract. For the year ended September 30, 2023, the City's lessee arrangements did not meet these criteria and as such no lease assets or lease liabilities have been recognized as of September 30, 2023.

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

With the exception of short-term leases and certain regulated leases, when the City is a lessor in noncancellable lease arrangements the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements. For short-term leases and excluded regulated leases, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 12 for details of the City's leasing arrangements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Sugar Land, Texas

Notes to the Financial Statements

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

S. Estimates

The preparation of financial statements in conformity with GAAP 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.

T. Budgets

Annual appropriated budgets are adopted for the General Fund, certain special revenue funds, and the Debt Service Fund, on basis consistent with the modified accrual basis of accounting. Project-length budgets are utilized for the Capital Projects Fund.

U. Implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96") during the fiscal year ended September 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City implemented GASB 96 as of the beginning of the fiscal year, resulting in recognition of approximately \$772 thousand in subscription assets and subscription liabilities. Implementation of GASB 96 had no impact on the net position or the change in net position previously reported prior to implementation.

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.

City of Sugar Land, Texas
Notes to the Financial Statements

The Council has adopted a written investment policy regarding the investment of City funds as required by the PFI. The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFI requires. It is the City's policy to restrict its direct investments to certain obligations of governmental entities or guaranteed by governmental entities, certificates of deposit, repurchase agreements, bankers' acceptances, no-load mutual funds, and eligible public funds investment pools. The maximum maturity allowed is three 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, forwards, futures, options, foreign exchange, among other items.

The City's cash and investments are classified as: cash and cash equivalents, investments, restricted cash and cash equivalents, and restricted investments. The restricted cash and investments are assets restricted for specific use and include the same investment vehicles as the unrestricted categories. For better management of cash, the City pools the cash balances of its various funds, based on the City's needs, into either deposits in bank accounts, short-term investments with public funds investment pools or a governmental security money market mutual fund, or in longer-term investments in U.S. Government or Agency securities. However, each fund's balance of pooled cash and investments is maintained separately in the records of the City.

At September 30, 2023, the City invested in a governmental security money market mutual fund (Wells Fargo Government Money Market Fund) as part of its investment and cash management strategy. This fund is utilized through daily sweeps of excess cash by the City's custodial bank into the custodial bank-sponsored short-term investment fund that is invested in short-term U.S. Government and Agency debt and repurchase agreements.

Deposit and Investment Amounts

The following schedule details the City's cash and cash equivalents and investments at year-end:

| | Primary Government | | | Discretely Presented Component Units | | | Total |
|---|-----------------------|----------------|---------------|--------------------------------------|--------------|---------------|-----------------------|
| | Total | Restricted | Unrestricted | Total | Restricted | Unrestricted | |
| Cash and cash equivalents: | | | | | | | |
| Cash deposits | \$ 48,504,565 | | | \$ - | | | \$ 48,504,565 |
| Governmental mutual fund | 83,870,552 | | | 6,205,895 | | | 90,076,447 |
| Public funds investment pools: | | | | | | | |
| Texas CLASS | 83,095,718 | | | 5,000,948 | | | 88,096,666 |
| TexPool | 25,499,099 | | | 463,979 | | | 25,963,078 |
| TexSTAR | 12,315,621 | | | 3,072,819 | | | 15,388,440 |
| Total | <u>\$ 253,285,555</u> | \$ 179,708,124 | \$ 73,577,431 | <u>\$ 14,743,641</u> | \$ 1,901,500 | \$ 12,842,141 | <u>\$ 268,029,196</u> |
| Investments: | | | | | | | |
| Certificates of deposit | \$ 11,027,431 | | | \$ 1,705,889 | | | \$ 12,733,320 |
| Government securities: | | | | | | | |
| FHLB | 65,066,626 | | | 7,106,893 | | | 72,173,519 |
| FHLMC | 25,143,847 | | | 491,267 | | | 25,635,114 |
| FNMA | 1,730,649 | | | 247,235 | | | 1,977,884 |
| FAMCA | 1,995,097 | | | 3,998,609 | | | 5,993,706 |
| FFCB | 11,861,119 | | | - | | | 11,861,119 |
| Total | <u>\$ 116,824,769</u> | \$ 49,118,817 | \$ 67,705,952 | <u>\$ 13,549,893</u> | \$ - | \$ 13,549,893 | <u>\$ 130,374,662</u> |
| Total cash, cash equivalents, and investments: | <u>\$ 370,110,324</u> | | | <u>\$ 28,293,534</u> | | | <u>\$ 398,403,858</u> |

The City's total cash deposits, including certificates of deposit at September 30, 2023 were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

City of Sugar Land, Texas
Notes to the Financial Statements

Investments' fair value measurements are as follows at September 30, 2023:

| Investments | Fair Value Measurements Using | | | |
|-------------------------|-------------------------------|----------------|-----------------------|----------------|
| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Certificates of deposit | \$ 12,733,320 | \$ - | \$ 12,733,320 | \$ - |
| Government securities: | | | | |
| FHLB | 72,173,519 | - | 72,173,519 | - |
| FHLMC | 25,635,114 | - | 25,635,114 | - |
| FNMA | 1,977,884 | - | 1,977,884 | - |
| FAMCA | 5,993,706 | - | 5,993,706 | - |
| FFCB | 11,861,119 | - | 11,861,119 | - |
| Total | \$ 130,374,662 | \$ - | \$ 130,374,662 | \$ - |

Fair value of certificates of deposit and government securities, classified as Level 2, is based on price data obtained from broker dealers and/or pricing vendors, including observed transactions such as last price traded when available, or valuations in reference to similar securities for which prices are available.

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 | Discretely Presented Component Units |
|--|-----------------------|--|
| Interest income | \$ 14,468,202 | \$ 1,124,123 |
| Unrealized gain (loss) on temporary investments | 826,290 | 6,468 |
| Total investment earnings | \$ 15,294,492 | \$ 1,130,591 |

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of securities to three years or 1,095 days. The settlement date is considered the date of purchase. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months. To the extent possible, the City attempts to match investments with anticipated cash flow requirements.

City of Sugar Land, Texas
Notes to the Financial Statements

The City measures interest rate risk using the weighted average maturity method for the portfolio. The weighted average maturities at year-end are as follows:

| | Primary Government | Discretely Presented Component Units | Weighted Average Maturity (days) |
|--------------------------------|-----------------------|--|--|
| Cash deposits | \$ 48,504,565 | \$ - | 1 |
| Governmental mutual fund | 83,870,552 | 6,205,895 | 1 |
| Public funds investment pools: | | | |
| Texas CLASS | 83,095,718 | 5,000,948 | 1 |
| TexPool | 25,499,099 | 463,979 | 1 |
| TexSTAR | 12,315,621 | 3,072,819 | 1 |
| Certificates of deposit | 11,027,431 | 1,705,889 | 349 |
| Government securities: | | | |
| FHLB | 65,066,626 | 7,106,893 | 479 |
| FHLMC | 25,143,847 | 491,267 | 626 |
| FNMA | 1,730,649 | 247,235 | 776 |
| FAMCA | 1,995,097 | 3,998,609 | 78 |
| FFCB | 11,861,119 | - | 388 |
| Total | \$ 370,110,324 | \$ 28,293,534 | |

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City's investment policy allows investments by type based on the following diversification requirements:

| Investment Type | Maximum Investment % |
|---|--------------------------------|
| Repurchase agreements | 50% |
| Certificates of deposit | 50% |
| U.S. Treasury securities | 100% |
| Other U.S. Government securities | 75% |
| Authorized investment pools | 50% in one pool; 90% all pools |
| Authorized investment pools with Commercial Paper | 25% |
| Bankers' acceptances | 25% |
| No load money market mutual funds | 50% |
| No load mutual funds | 15% |
| Flexible repurchase agreements | 50% |

As of September 30, 2023, no investments in any single issuer comprised more than 10% of the City's total investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy provides minimum required ratings for investment pools (AAA or AAm or no lower than investment grade by at least one nationally recognized rating service), no-load mutual funds (not less than AAA or its equivalent by at least one nationally recognized investment rating firm), and bankers' acceptances (not less than A-1 or P-1 or an equivalent by at least one nationally recognized credit rating agency). 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 the Financial Statements

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Agricultural Mortgage Corporation (FAMCA), and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The public funds investment pools (Texas CLASS, TexPool, and TexSTAR) were rated AAAm by Standard and Poor's, and the governmental money market mutual fund was rated AAAm by Standard and Poor's. The certificates of deposit are not rated.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party custodian.

Local Government Investment Pools

As of September 30, 2023, the City maintained balances in TexPool, TexSTAR and Texas CLASS local government investment pools. The investment pool balances 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 PFIA. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the "Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government Agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at amortized cost, which approximates fair value.

TexSTAR is administered by HilltopSecurities and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. TexSTAR uses amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. Accordingly, the City's investments in TexSTAR are stated at amortized cost, which approximates fair value.

City of Sugar Land, Texas
Notes to the Financial Statements

Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), is governed by a board of trustees, elected annually by its participants. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the PFIA. The City reports its investment in Texas CLASS at net asset value (NAV), which is the same as the value of the pool shares.

The local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Restricted Assets

The enterprise funds have restricted certain cash and cash equivalents and investments for debt service or capital projects. Because of certain bond covenants, the enterprise funds are 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 MUDs are restricted for use on capital projects. The amounts of the restricted cash and cash equivalents and investments and their respective purpose in the enterprise funds are as follows:

| Restricted Purpose | Cash and Cash Equivalents | Investments |
|---------------------------------|---------------------------------|----------------------|
| Restricted for Capital Projects | \$ 43,943,126 | \$ 15,926,901 |
| Restricted for Debt Service | 9,288,921 | - |
| Total | <u>\$ 53,232,047</u> | <u>\$ 15,926,901</u> |

The Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service. This is done to comply with certain bond covenants that require funds to be reserved and used only to service outstanding debt.

Restricted cash, cash equivalents and investments are also reported in governmental funds and are restricted for the specific purposes of those particular funds.

Note 3. Receivables

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 in accordance with the adopted budget.

City of Sugar Land, Texas
Notes to the Financial Statements

Receivables – Detailed

Receivables, other than leases receivable, are aggregated into a single accounts receivable (net of an allowance for estimated uncollectible accounts) line on the financial statements. See Note 12 for details of the City’s leases receivable. Receivables at September 30, 2023, other than leases receivable, consist of the following:

Governmental Activities:

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total | Internal Service Funds |
|--|----------------------|-------------------|-----------------------|-----------------------------|----------------------|------------------------|
| Property taxes, including penalties and interest | \$ 1,231,289 | \$ 537,259 | \$ - | \$ 31,448 | \$ 1,799,996 | \$ - |
| Sales and other taxes | 9,078,483 | - | - | 2,157,230 | 11,235,713 | - |
| Fines and forfeitures | 1,955,693 | - | - | - | 1,955,693 | - |
| Interest | 166,652 | 103,433 | 111,551 | 218,070 | 599,706 | 13,832 |
| Other | 2,631,521 | - | 250,000 | 116,387 | 2,997,908 | 58,189 |
| Due from other governments | 238,640 | - | 200,000 | - | 438,640 | - |
| Less: allowance for uncollectibles | (2,442,757) | - | - | - | (2,442,757) | (323) |
| Totals | \$ 12,859,521 | \$ 640,692 | \$ 561,551 | \$ 2,523,135 | \$ 16,584,899 | \$ 71,698 |

Business-type Activities:

| | Utility Fund | Airport Fund | Nonmajor Enterprise Funds | Total |
|------------------------------------|----------------------|-------------------|---------------------------|----------------------|
| Customer accounts | \$ 10,148,671 | \$ 302,908 | \$ 1,282,330 | \$ 11,733,909 |
| Interest | 532,816 | 81,956 | 3,905 | 618,677 |
| Other | - | 13,032 | 267,245 | 280,277 |
| Less: allowance for uncollectibles | (72,803) | (1,890) | (22,723) | (97,416) |
| Totals | \$ 10,608,684 | \$ 396,006 | \$ 1,530,757 | \$ 12,535,447 |

Component Units:

| | Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | Sugar Land Reinvestment Zone No. 3 | Sugar Land Reinvestment Zone No. 4 | Total |
|-----------------------|--|------------------------------------|------------------------------------|---------------------|
| Sales and other taxes | \$ 1,447,473 | \$ - | \$ - | \$ 1,447,473 |
| Interest | 188,210 | 771 | 343 | 200,748 |
| Totals | \$ 1,635,683 | \$ 771 | \$ 343 | \$ 1,648,221 |

City of Sugar Land, Texas
Notes to the Financial Statements

Note 4. Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2023, follows:

| Governmental activities: | Beginning Balance | Increases | Reclassifications / (Decreases) | Ending Balance |
|--|--------------------------|-----------------------|--|-----------------------|
| Capital assets, not being depreciated/amortized: | | | | |
| Land and improvements | \$ 104,220,898 | \$ 3,708,124 | \$ 90,342 | \$ 108,019,364 |
| Construction in progress | 25,261,465 | 11,551,617 | (17,102,445) | 19,710,637 |
| Intangibles | 4,763,156 | - | - | 4,763,156 |
| Total capital assets, not being depreciated/amortized | 134,245,519 | 15,259,741 | (17,012,103) | 132,493,157 |
| Depreciable/amortizable assets: | | | | |
| Infrastructure | 620,072,917 | 230,110 | 15,430,326 | 635,733,353 |
| Buildings and improvements | 262,882,385 | - | 656,047 | 263,538,432 |
| Equipment and furniture | 60,624,402 | 4,458,465 | (2,423,997) | 62,658,870 |
| Intangibles | 1,016,077 | - | - | 1,016,077 |
| Subscription assets | - | 772,235 * | - | 772,235 |
| Total depreciable/amortizable assets | 944,595,781 | 5,460,810 | 13,662,376 | 963,718,967 |
| Less accumulated depreciation/amortization for: | | | | |
| Infrastructure | (362,624,003) | (14,200,181) | - | (376,824,184) |
| Buildings and improvements | (84,738,657) | (7,754,221) | - | (92,492,878) |
| Equipment and furniture | (41,244,923) | (3,832,669) | 2,694,478 | (42,383,114) |
| Intangibles | (800,269) | (114,606) | - | (914,875) |
| Subscription assets | - | (254,304) | - | (254,304) |
| Total accumulated depreciation/amortization | (489,407,852) | (26,155,981) | 2,694,478 | (512,869,355) |
| Total capital assets, being depreciated/amortized, net | 455,187,929 | (20,695,171) | 16,356,854 | 450,849,612 |
| Governmental activities capital assets, net | \$ 589,433,448 | \$ (5,435,430) | \$ (655,249) | \$ 583,342,769 |

*Subscription assets recognized as of October 1, 2022, upon implementation of GASB 96. See Note 1.

| Business-type activities: | Beginning Balance | Increases | Reclassifications / (Decreases) | Ending Balance |
|---|--------------------------|-----------------------|--|-----------------------|
| Capital assets, not being depreciated/amortized: | | | | |
| Land and improvements | \$ 26,468,199 | \$ - | \$ - | \$ 26,468,199 |
| Construction in progress | 24,586,390 | 14,000,246 | (7,114,255) | 31,472,381 |
| Intangibles | 3,453,660 | 437,960 | - | 3,891,620 |
| Total capital assets, not being depreciated/amortized | 54,508,249 | 14,438,206 | (7,114,255) | 61,832,200 |
| Depreciable/amortizable assets: | | | | |
| Infrastructure | 663,337,820 | 266,768 | 7,638,658 | 671,243,246 |
| Buildings and improvements | 27,767,657 | 2,100,712 | - | 29,868,369 |
| Equipment and furniture | 10,755,386 | 880,595 | (149,618) | 11,486,363 |
| Intangibles | 1,019,012 | 39,733 | - | 1,058,745 |
| Total depreciable/amortizable assets | 702,879,875 | 3,287,808 | 7,489,040 | 713,656,723 |
| Less accumulated depreciation/amortization for: | | | | |
| Infrastructure | (337,529,832) | (21,864,740) | 15,088 | (359,379,484) |
| Buildings and improvements | (11,684,217) | (833,867) | - | (12,518,084) |
| Equipment and furniture | (7,529,555) | (555,605) | 136,627 | (7,948,533) |
| Intangibles | (894,257) | (53,733) | - | (947,990) |
| Total accumulated depreciation/amortization | (357,637,861) | (23,307,945) | 151,715 | (380,794,091) |
| Total depreciable/amortizable assets, net | 345,242,014 | (20,020,137) | 7,640,755 | 332,862,632 |
| Business-type activities capital assets, net | \$ 399,750,263 | \$ (5,581,931) | \$ 526,500 | \$ 394,694,832 |

City of Sugar Land, Texas
Notes to the Financial Statements

Depreciation was charged to programs as follows:

| | |
|--|-----------------------------|
| Governmental activities: | |
| General government | \$ 969,370 |
| Administrative services | 31,989 |
| Public works | 14,828,731 |
| Parks and recreation | 6,521,544 |
| Environmental and neighborhood services | 958,961 |
| Community development | 72,100 |
| Public safety - Police | 484,580 |
| Public safety - Fire | 952,820 |
| Depreciation charged in internal service funds | <u>1,335,886</u> |
| Total governmental activities depreciation expense | <u>\$ 26,155,981</u> |
| Business-type activities: | |
| Water and wastewater | \$ 20,321,726 |
| Airport | 2,965,068 |
| Solid waste | 9,880 |
| Stormwater | <u>11,271</u> |
| Total business-type activities depreciation expense | <u>\$ 23,307,945</u> |

For governmental activities, depreciation on facilities is included with the Public Works allocation shown above.

The City has active construction projects as of September 30, 2023. 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:

| Projects | Total in Progress | Remaining Commitment |
|-----------------------------------|-----------------------------|-----------------------------|
| Airport Improvement | \$ 18,399,109 | \$ - |
| Drainage Improvement | 6,374,089 | 1,927,102 |
| Municipal improvements | 6,184,724 | 874,344 |
| Park Improvement | 4,620,058 | 2,701,200 |
| Public Art | 187,749 | - |
| Street Improvement | 1,072,494 | 793,734 |
| Surface Water | 837,877 | 13,613 |
| Traffic Improvement | 1,271,523 | 36,723 |
| Water and Wastewater Improvements | <u>12,235,395</u> | <u>18,256,786</u> |
| Totals | <u>\$ 51,183,018</u> | <u>\$ 24,603,502</u> |

City of Sugar Land, Texas
Notes to the Financial Statements

Note 5. Long-Term Debt

A. Governmental Activity Debt

The City issues general obligation bonds and certificates of obligation and upon dissolution of MUDs, 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 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 and transfers from the Utility Fund.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2023. 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, pension, and OPEB are typically liquidated by the General Fund.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 102,089,244 | \$ 30,430,000 | \$ (12,528,194) | \$ 119,991,050 | \$ 12,797,806 |
| Annexed utility district bonds | 5,565,000 | - | (1,375,000) | 4,190,000 | 2,055,000 |
| Certificates of obligation | 142,995,000 | 1,460,000 | (6,675,000) | 137,780,000 | 7,465,000 |
| Sales tax revenue bonds | 38,475,000 | - | (2,205,000) | 36,270,000 | 2,295,000 |
| Issuance premiums/discounts | 19,997,755 | 1,544,212 | (1,902,782) | 19,639,185 | - |
| Total bonds payable, net | 309,121,999 | 33,434,212 | (24,685,976) | 317,870,235 | 24,612,806 |
| Other liabilities: | | | | | |
| Obligation to State | 123,294 | - | (19,721) | 103,573 | 19,721 |
| Compensated absences | 4,878,226 | 4,254,707 | (3,602,993) | 5,529,940 | 3,602,993 |
| Subscription liabilities | - | 772,236 * | (356,771) | 415,465 | 322,215 |
| Pension | 4,453,730 | 48,541,115 | (11,476,246) | 41,518,599 | - |
| OPEB | 7,750,822 | 814,818 | (1,666,523) | 6,899,117 | - |
| Total governmental activities | \$ 326,328,071 | \$ 87,817,088 | \$ (41,808,230) | \$ 372,336,929 | \$ 28,557,735 |

*Subscription liabilities recognized as of October 1, 2022, upon implementation of GASB 96. See Note 1.

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.

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 Fund and Tourism Fund. Transfers from the enterprise funds are approved at the discretion of City Council and are not intended to service a specific bond series.

City of Sugar Land, Texas
Notes to the Financial Statements

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2023, follows:

| Description | Original Issue | Matures | Interest Rates (%) | Balance |
|---|----------------|---------|--------------------|-----------------------|
| General obligation bonds | | | | |
| Series 2014 General obligation refunding bonds | \$ 21,565,000 | 2026 | 2.00-5.00 | \$ 2,610,000 |
| Series 2015 General obligation bonds | 13,010,000 | 2035 | 2.125-4.00 | 8,900,000 |
| Series 2015 General obligation refunding bonds | 9,375,000 | 2028 | 2.00-5.00 | 4,510,000 |
| Series 2016 General obligation refunding bonds | 22,745,000 | 2029 | 4.00-5.00 | 12,030,000 |
| Series 2016 General obligation bonds | 7,570,000 | 2036 | 2.00-4.00 | 4,915,000 |
| Series 2019 General obligation bonds | 13,715,000 | 2030 | 3.00-5.00 | 7,790,000 |
| Series 2019A General obligation refunding bonds | 21,600,000 | 2029 | 3.00-5.00 | 12,065,000 |
| Series 2021 General obligation refunding bonds | 10,470,000 | 2041 | 2.00-5.00 | 8,676,050 |
| Series 2021A General obligation bonds* | 16,500,000 | 2052 | - | 15,950,000 |
| Series 2022 General obligation bonds | 13,115,000 | 2042 | 5.00 | 12,115,000 |
| Series 2022A General obligation bonds | 27,790,000 | 2043 | 4.00-5.00 | 27,790,000 |
| Series 2023 General obligation bonds - taxable* | 2,640,000 | 2053 | - | 2,640,000 |
| Total general obligation bonds | | | | 119,991,050 |
| Certificates of obligation | | | | |
| Series 2013 Tax and revenue certificates of obligation | 24,440,000 | 2033 | 2.50-4.00 | 12,250,000 |
| Series 2014 Tax and revenue certificates of obligation | 9,980,000 | 2040 | 3.25-6.00 | 7,760,000 |
| Series 2014A Tax and revenue certificates of obligation - taxable | 27,130,000 | 2046 | 3.125-4.50 | 23,870,000 |
| Series 2015 Tax and revenue certificates of obligation | 15,005,000 | 2035 | 3.00-4.00 | 10,330,000 |
| Series 2016 Tax and revenue certificates of obligation | 19,190,000 | 2036 | 2.00-4.00 | 12,470,000 |
| Series 2017 Tax and revenue certificates of obligation | 19,060,000 | 2037 | 3.00-5.00 | 13,330,000 |
| Series 2019 Tax and revenue certificates of obligation | 20,760,000 | 2039 | 3.25-5.00 | 15,515,000 |
| Series 2019A Tax and revenue certificates of obligation | 15,025,000 | 2039 | 2.50-4.00 | 13,295,000 |
| Series 2022 Tax and revenue certificates of obligation - taxable* | 27,500,000 | 2053 | - | 27,500,000 |
| Series 2023A Tax and revenue certificates of obligation* | 1,460,000 | 2053 | - | 1,460,000 |
| Total certificates of obligation | | | | 137,780,000 |
| Sales tax revenue bonds | | | | |
| Series 2014 Sales tax revenue refunding bonds | 7,375,000 | 2025 | 2.00-5.00 | 1,715,000 |
| Series 2014 Sales tax revenue bonds | 38,625,000 | 2040 | 3.75-6.75 | 29,895,000 |
| Series 2021 Sales tax revenue refunding bonds | 4,880,000 | 2038 | 4.00 | 4,660,000 |
| Total sales tax revenue bonds | | | | 36,270,000 |
| Annexed MUD bonds | | | | |
| Fort Bend County MUD No. 109 | | | | |
| Series 2015 Unlimited Tax Refunding | 4,960,000 | 2025 | 2.00-4.00 | 2,150,000 |
| Fort Bend County MUD No. 117 | | | | |
| Series 2016 Unlimited Tax Refunding | 7,645,000 | 2025 | 2.00-3.00 | 2,040,000 |
| Total annexed MUD bonds | | | | 4,190,000 |
| Total governmental activities bonds payable | | | | \$ 298,231,050 |

* Texas Water Development Board direct placements.

City of Sugar Land, Texas
Notes to the Financial Statements

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2023, are as follows:

| Year Ending September 30, | Governmental Activities | | | | | |
|------------------------------|--------------------------|----------------------|-----------------------|----------------------------|----------------------|-----------------------|
| | General Obligation | | | Certificates of Obligation | | |
| | Principal ⁽¹⁾ | Interest | Total | Principal ⁽²⁾ | Interest | Total |
| 2024 | \$ 12,797,806 | \$ 4,112,376 | \$ 16,910,182 | \$ 7,465,000 | \$ 3,980,186 | \$ 11,445,186 |
| 2025 | 11,028,244 | 3,586,750 | 14,614,994 | 7,560,000 | 3,705,643 | 11,265,643 |
| 2026 | 10,320,000 | 3,128,384 | 13,448,384 | 7,655,000 | 3,429,277 | 11,084,277 |
| 2027 | 7,885,000 | 2,742,250 | 10,627,250 | 7,755,000 | 3,158,733 | 10,913,733 |
| 2028 | 7,955,000 | 2,409,150 | 10,364,150 | 7,845,000 | 2,895,525 | 10,740,525 |
| 2029 | 7,285,000 | 2,107,725 | 9,392,725 | 7,945,000 | 2,625,857 | 10,570,857 |
| 2030 | 6,710,000 | 1,838,950 | 8,548,950 | 7,870,000 | 2,358,258 | 10,228,258 |
| 2031 | 4,845,000 | 1,619,225 | 6,464,225 | 7,965,000 | 2,102,146 | 10,067,146 |
| 2032 | 4,775,000 | 1,441,000 | 6,216,000 | 8,075,000 | 1,848,712 | 9,923,712 |
| 2033 | 4,815,000 | 1,266,175 | 6,081,175 | 8,180,000 | 1,601,737 | 9,781,737 |
| 2034 | 4,855,000 | 1,092,344 | 5,947,344 | 7,065,000 | 1,380,071 | 8,445,071 |
| 2035 | 4,890,000 | 919,644 | 5,809,644 | 7,095,000 | 1,177,537 | 8,272,537 |
| 2036 | 4,045,000 | 770,650 | 4,815,650 | 6,170,000 | 986,005 | 7,156,005 |
| 2037 | 3,690,000 | 650,356 | 4,340,356 | 5,310,000 | 819,112 | 6,129,112 |
| 2038 | 3,705,000 | 534,294 | 4,239,294 | 4,455,000 | 679,717 | 5,134,717 |
| 2039 | 3,725,000 | 416,838 | 4,141,838 | 4,550,000 | 552,886 | 5,102,886 |
| 2040 | 3,065,000 | 307,244 | 3,372,244 | 2,745,000 | 450,950 | 3,195,950 |
| 2041 | 3,065,000 | 206,681 | 3,271,681 | 2,155,000 | 388,055 | 2,543,055 |
| 2042 | 2,660,000 | 109,363 | 2,769,363 | 2,205,000 | 335,810 | 2,540,810 |
| 2043 | 2,025,000 | 31,163 | 2,056,163 | 2,260,000 | 281,308 | 2,541,308 |
| 2044 | 640,000 | - | 640,000 | 2,320,000 | 224,440 | 2,544,440 |
| 2045 | 640,000 | - | 640,000 | 2,375,000 | 165,208 | 2,540,208 |
| 2046 | 640,000 | - | 640,000 | 2,435,000 | 102,038 | 2,537,038 |
| 2047 | 640,000 | - | 640,000 | 2,505,000 | 34,538 | 2,539,538 |
| 2048 | 640,000 | - | 640,000 | 970,000 | - | 970,000 |
| 2049 | 640,000 | - | 640,000 | 970,000 | - | 970,000 |
| 2050 | 640,000 | - | 640,000 | 970,000 | - | 970,000 |
| 2051 | 640,000 | - | 640,000 | 970,000 | - | 970,000 |
| 2052 | 640,000 | - | 640,000 | 970,000 | - | 970,000 |
| 2053 | 90,000 | - | 90,000 | 970,000 | - | 970,000 |
| Totals | <u>\$ 119,991,050</u> | <u>\$ 29,290,562</u> | <u>\$ 149,281,612</u> | <u>\$ 137,780,000</u> | <u>\$ 35,283,749</u> | <u>\$ 173,063,749</u> |

(1) Includes General Obligation Bonds, Series 2021A and Series 2023, issued as private placements via 30-year, zero-interest loans through the Texas Water Development Board's Flood Infrastructure Fund. The annual requirements of these private placements include principal payments of \$635,000 in fiscal years 2024 through 2035; \$640,000 in fiscal years 2036 through 2052; and \$90,000 in fiscal year 2053.

(2) Includes Certificates of Obligation, Series 2022 and Series 2023A, issued as private placements via 30-year, zero-interest loans through the Texas Water Development Board's Flood Infrastructure Fund. The annual requirements of these private placements include principal payments of \$960,000 in fiscal years 2024 through 2031; \$965,000 in fiscal years 2032 through 2043; and \$970,000 in fiscal years 2044 through 2053.

City of Sugar Land, Texas
Notes to the Financial Statements

The annual requirements to amortize governmental activity dissolved utility district bonds outstanding at September 30, 2023, are as follows:

| Year Ending September 30, | Governmental Activities | | |
|------------------------------|--------------------------------|-------------------|---------------------|
| | Annexed Utility District Bonds | | |
| | Principal | Interest | Total |
| 2024 | \$ 2,055,000 | \$ 147,200 | \$ 2,202,200 |
| 2025 | 2,135,000 | 75,050 | 2,210,050 |
| Totals | \$ 4,190,000 | \$ 222,250 | \$ 4,412,250 |

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2023, are as follows:

| Year Ending September 30, | Sugar Land Development Corporation Blended Component Unit | | |
|------------------------------|--|----------------------|----------------------|
| | Sales Tax Revenue Bonds | | |
| | Principal | Interest | Total |
| 2024 | \$ 2,295,000 | \$ 1,617,531 | \$ 3,912,531 |
| 2025 | 2,400,000 | 1,486,028 | 3,886,028 |
| 2026 | 1,590,000 | 1,377,219 | 2,967,219 |
| 2027 | 1,650,000 | 1,286,778 | 2,936,778 |
| 2028 | 1,715,000 | 1,192,806 | 2,907,806 |
| 2029 | 1,790,000 | 1,099,675 | 2,889,675 |
| 2030 | 1,860,000 | 1,007,425 | 2,867,425 |
| 2031 | 1,935,000 | 913,537 | 2,848,537 |
| 2032 | 2,015,000 | 817,863 | 2,832,863 |
| 2033 | 2,105,000 | 718,112 | 2,823,112 |
| 2034 | 2,190,000 | 625,668 | 2,815,668 |
| 2035 | 2,295,000 | 540,687 | 2,835,687 |
| 2036 | 2,410,000 | 449,000 | 2,859,000 |
| 2037 | 2,530,000 | 350,200 | 2,880,200 |
| 2038 | 2,660,000 | 246,400 | 2,906,400 |
| 2039 | 2,355,000 | 146,100 | 2,501,100 |
| 2040 | 2,475,000 | 49,500 | 2,524,500 |
| Totals | \$ 36,270,000 | \$ 13,924,529 | \$ 50,194,529 |

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.

City of Sugar Land, Texas
Notes to the Financial Statements

B. Business-type Activity Long Term Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2023:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---------------------------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Water and wastewater revenue bonds | \$ 120,250,000 | \$ 15,555,000 | \$ (8,410,000) | \$ 127,395,000 | \$ 9,500,000 |
| General obligation bonds | 76,975,756 | - | (3,226,806) | 73,748,950 | 3,407,193 |
| Certificates of obligation | 6,140,000 | 6,235,000 | (340,000) | 12,035,000 | 660,000 |
| Issuance premiums/discounts | 19,139,611 | 1,807,950 | (1,416,966) | 19,530,595 | - |
| Total bonds payable, net | 222,505,367 | 23,597,950 | (13,393,772) | 232,709,545 | 13,567,193 |
| Other liabilities: | | | | | |
| Compensated absences | 590,055 | 441,137 | (354,519) | 676,673 | 349,742 |
| Pension | 614,464 | 6,837,608 | (1,575,010) | 5,877,062 | - |
| OPEB | 1,079,352 | 116,067 | (218,832) | 976,587 | - |
| Total business-type activities | \$ 224,789,238 | \$ 30,992,762 | \$ (15,542,133) | \$ 240,239,867 | \$ 13,916,935 |

A summary of the terms of certificates of obligation and revenue bonds recorded in the enterprise funds as of September 30, 2023 follows:

| Description | Original Issue | Matures | Interest Rates (%) | Balance |
|---|-------------------|---------|-----------------------|-----------------------|
| Utility Fund | | | | |
| Series 2013 Water/sewer revenue bonds | \$ 15,765,000 | 2033 | 2.50-4.00 | \$ 9,125,000 |
| Series 2015 Water/sewer revenue refunding bonds | 15,750,000 | 2035 | 3.00-5.00 | 9,655,000 |
| Series 2016 Water/sewer revenue refunding bonds | 31,710,000 | 2036 | 2.00-5.00 | 19,680,000 |
| Series 2016 Certificates of obligation | 1,620,000 | 2036 | 2.00-4.00 | 1,185,000 |
| Series 2017 Water/sewer revenue bonds | 19,780,000 | 2037 | 3.00-5.00 | 15,440,000 |
| Series 2017 General obligation refunding bonds | 78,195,000 | 2041 | 3.00-5.00 | 71,170,000 |
| Series 2019 Water/sewer revenue bonds | 13,660,000 | 2039 | 3.00-5.00 | 11,240,000 |
| Series 2020 Water/sewer revenue bonds | 6,835,000 | 2039 | 3.00-5.00 | 5,980,000 |
| Series 2021 Water/sewer revenue refunding bonds | 23,385,000 | 2041 | 2.00-5.00 | 19,995,000 |
| Series 2022 Water/sewer revenue bonds | 21,820,000 | 2042 | 4.00-5.00 | 20,725,000 |
| Series 2022A Water/sewer revenue bonds | 15,555,000 | 2043 | 4.375-6.00 | 15,555,000 |
| Total Utility Fund | | | | 199,750,000 |
| Airport Fund | | | | |
| Series 2013 Certificates of obligation | \$ 730,000 | 2033 | 2.00-4.00 | \$ 350,000 |
| Series 2015 Certificates of obligation | 1,670,000 | 2035 | 3.00-4.00 | 1,150,000 |
| Series 2015 General obligation refunding bonds | 2,820,000 | 2028 | 2.00-5.00 | 1,380,000 |
| Series 2016 General obligation refunding bonds | 225,000 | 2029 | 4.00-5.00 | 120,000 |
| Series 2017 Certificates of obligation | 2,055,000 | 2037 | 3.00-5.00 | 1,620,000 |
| Series 2019A Certificates of obligation | 1,690,000 | 2039 | 2.50-4.00 | 1,495,000 |
| Series 2021 General obligation refunding bonds | 2,055,000 | 2041 | 2.00-5.00 | 1,078,950 |
| Series 2023 Certificates of obligation | 6,235,000 | 2043 | 4.00-5.00 | 6,235,000 |
| Total Airport Fund | | | | 13,428,950 |
| Total business-type activities bonds payable | | | | \$ 213,178,950 |

City of Sugar Land, Texas
Notes to the Financial Statements

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2023, are as follows:

| Year Ending September 30, | Business-Type Activities | | | | | |
|------------------------------|--------------------------|----------------------|-----------------------|----------------------------|---------------------|----------------------|
| | General Obligation | | | Certificates of Obligation | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 3,407,193 | \$ 3,001,786 | \$ 6,408,979 | \$ 660,000 | \$ 477,016 | \$ 1,137,016 |
| 2025 | 3,566,757 | 2,827,538 | 6,394,295 | 675,000 | 446,641 | 1,121,641 |
| 2026 | 3,180,000 | 2,658,869 | 5,838,869 | 685,000 | 415,694 | 1,100,694 |
| 2027 | 3,340,000 | 2,495,869 | 5,835,869 | 700,000 | 384,982 | 1,084,982 |
| 2028 | 3,500,000 | 2,324,969 | 5,824,969 | 715,000 | 354,929 | 1,069,929 |
| 2029 | 3,355,000 | 2,153,794 | 5,508,794 | 725,000 | 324,407 | 1,049,407 |
| 2030 | 3,500,000 | 1,982,519 | 5,482,519 | 745,000 | 293,341 | 1,038,341 |
| 2031 | 3,670,000 | 1,803,269 | 5,473,269 | 750,000 | 262,761 | 1,012,761 |
| 2032 | 3,850,000 | 1,634,519 | 5,484,519 | 765,000 | 232,913 | 997,913 |
| 2033 | 4,010,000 | 1,477,319 | 5,487,319 | 775,000 | 203,197 | 978,197 |
| 2034 | 4,170,000 | 1,313,719 | 5,483,719 | 750,000 | 173,813 | 923,813 |
| 2035 | 4,340,000 | 1,143,519 | 5,483,519 | 770,000 | 144,672 | 914,672 |
| 2036 | 4,515,000 | 966,419 | 5,481,419 | 665,000 | 116,788 | 781,788 |
| 2037 | 4,705,000 | 782,019 | 5,487,019 | 565,000 | 91,959 | 656,959 |
| 2038 | 4,905,000 | 589,819 | 5,494,819 | 425,000 | 72,656 | 497,656 |
| 2039 | 5,080,000 | 412,344 | 5,492,344 | 425,000 | 57,309 | 482,309 |
| 2040 | 5,245,000 | 251,016 | 5,496,016 | 310,000 | 43,400 | 353,400 |
| 2041 | 5,410,000 | 84,531 | 5,494,531 | 310,000 | 31,000 | 341,000 |
| 2042 | - | - | - | 310,000 | 18,600 | 328,600 |
| 2043 | - | - | - | 310,000 | 6,200 | 316,200 |
| Totals | \$ 73,748,950 | \$ 27,903,837 | \$ 101,652,787 | \$ 12,035,000 | \$ 4,152,278 | \$ 16,187,278 |

| Year Ending September 30, | Business-Type Activities | | |
|------------------------------|--------------------------|----------------------|-----------------------|
| | Revenue Bonds | | |
| | Principal | Interest | Total |
| 2024 | \$ 9,500,000 | \$ 5,487,538 | \$ 14,987,538 |
| 2025 | 9,835,000 | 5,054,438 | 14,889,438 |
| 2026 | 10,190,000 | 4,580,850 | 14,770,850 |
| 2027 | 10,205,000 | 4,076,875 | 14,281,875 |
| 2028 | 10,565,000 | 3,598,100 | 14,163,100 |
| 2029 | 9,745,000 | 3,108,388 | 12,853,388 |
| 2030 | 8,135,000 | 2,682,038 | 10,817,038 |
| 2031 | 8,155,000 | 2,345,488 | 10,500,488 |
| 2032 | 6,815,000 | 2,006,938 | 8,821,938 |
| 2033 | 6,970,000 | 1,741,413 | 8,711,413 |
| 2034 | 6,015,000 | 1,469,400 | 7,484,400 |
| 2035 | 6,120,000 | 1,232,856 | 7,352,856 |
| 2036 | 5,360,000 | 992,581 | 6,352,581 |
| 2037 | 4,990,000 | 774,044 | 5,764,044 |
| 2038 | 3,685,000 | 581,475 | 4,266,475 |
| 2039 | 3,740,000 | 438,350 | 4,178,350 |
| 2040 | 2,360,000 | 293,113 | 2,653,113 |
| 2041 | 2,360,000 | 205,706 | 2,565,706 |
| 2042 | 1,865,000 | 113,350 | 1,978,350 |
| 2043 | 785,000 | 34,875 | 819,875 |
| Totals | \$ 127,395,000 | \$ 40,817,816 | \$ 168,212,816 |

City of Sugar Land, Texas
Notes to the Financial Statements

Utility Revenues Pledged

The City has pledged future waterworks and sewer system revenues, net of specified operating expenses, to repay \$127.4 million in waterworks and sewer system revenue bonds, of which \$15.6 million was issued during the current fiscal year and the remaining balance in prior fiscal years. Proceeds from the bonds provided financing for capital assets. The bonds are payable solely from the system net revenues and are payable through fiscal year 2043. Net revenues, as defined in the bond documents, for each year are expected to be at least equal to 1.1 times the principal and interest requirements of all outstanding previously issued bonds and additional bonds for the year. The total principal and interest remaining to be paid on the bonds at September 30, 2023 is \$168.2 million. Principal and interest paid during fiscal year 2023 were \$8.4 million and \$5.0 million, respectively.

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, 2023:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|-----------------------------|----------------------|-------------|-----------------------|----------------------|-----------------------------------|
| Component Unit: | | | | | |
| Bonds payable: | | | | | |
| Sales tax revenue bonds | \$ 20,275,000 | \$ - | \$ (1,260,000) | \$ 19,015,000 | \$ 1,310,000 |
| Issuance premiums/discounts | 2,003,080 | - | (143,077) | 1,860,003 | - |
| Total bonds payable, net | 22,278,080 | - | (1,403,077) | 20,875,003 | 1,310,000 |
| Other liabilities: | | | | | |
| Obligation to State | 9,777 | - | (2,488) | 7,289 | 2,488 |
| Total component unit | \$ 22,287,857 | \$ - | \$ (1,405,565) | \$ 20,882,292 | \$ 1,312,488 |

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2023 follows:

| Description | Original Issue | Matures | Interest Rates (%) | Balance |
|---|-------------------|---------|-----------------------|----------------------|
| Series 2019 Sales tax revenue refunding bonds | \$ 24,725,000 | 2036 | 3.00-5.00 | \$ 19,015,000 |
| Total component unit long-term debt | | | | \$ 19,015,000 |

City of Sugar Land, Texas
Notes to the Financial Statements

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2023, are as follows:

| Year Ending September 30, | Sugar Land 4B Corporation | | |
|------------------------------|---------------------------|---------------------|----------------------|
| | Revenue Bonds | | |
| | Principal | Interest | Total |
| 2024 | \$ 1,310,000 | \$ 701,500 | \$ 2,011,500 |
| 2025 | 1,375,000 | 640,925 | 2,015,925 |
| 2026 | 1,160,000 | 577,550 | 1,737,550 |
| 2027 | 1,230,000 | 517,800 | 1,747,800 |
| 2028 | 1,300,000 | 454,550 | 1,754,550 |
| 2029 | 1,365,000 | 394,750 | 1,759,750 |
| 2030 | 1,430,000 | 338,850 | 1,768,850 |
| 2031 | 1,490,000 | 280,450 | 1,770,450 |
| 2032 | 1,555,000 | 227,325 | 1,782,325 |
| 2033 | 1,610,000 | 179,850 | 1,789,850 |
| 2034 | 1,670,000 | 130,650 | 1,800,650 |
| 2035 | 1,730,000 | 79,650 | 1,809,650 |
| 2036 | 1,790,000 | 26,850 | 1,816,850 |
| Totals | \$ 19,015,000 | \$ 4,550,700 | \$ 23,565,700 |

D. Debt Issuances and Prior Defeased Debt

In current and prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2023, there were no outstanding balances of defeased bonds.

On November 15, 2022 the City issued General Obligation Bonds, Series 2022A, in the par amount of \$27,790,000; and Waterworks & Sewer System Revenue Bonds, Series 2022A, in the par amount of \$15,550,000. The General Obligation and Waterworks & Sewer System Revenue bonds closed on December 15, 2022.

Proceeds from the General Obligation bond issuance were used to pay the costs associated with issuance, and will be used for improvements to the existing animal shelter and design of a new animal shelter; improvements to various drainage projects; improvements to Public Safety and Public Services building, Public Safety Training Facility, and the Emergency Operations Dispatch Center; and major street rehabilitation and improvements.

Proceeds from the Waterworks & Sewer System bond issuance were used to pay the costs associated with issuance, and will be used for wastewater and groundwater treatment plant improvements and rehabilitation, lift station and collection system rehabilitation, well rehabilitation, and related system and infrastructure improvements and rehabilitation.

On January 17, 2023 the City issued Combination Tax and Revenue Certificates of Obligation, Series 2023, in the par amount of \$6,235,000. The Certificates of Obligation closed on February 15, 2023.

City of Sugar Land, Texas
Notes to the Financial Statements

Proceeds from the issuance of the Certificates of Obligation were used to pay the costs associated with issuance, and will be used for improvements to the City airport, including the construction, improvement, and relocation of airport taxiways, runway design, and the acquisition of parcels of land adjacent to the City Airport, and the cost of professional services incurred in connection therewith.

On April 4, 2023, City Council approved Ordinance No. 22-99, authorizing the issuance of \$2,640,000 in General Obligation bonds, Taxable Series 2023; and Ordinance No. 23-00, authorizing the issuance of \$1,460,000 in Combination Tax and Revenue Certificates of Obligation, Taxable Series 2023A. The bonds and certificates of obligation were issued as private placements to provide funding for stormwater improvements via 30-year, zero-interest loans through the Texas Water Development Board's Flood Infrastructure Fund. The loans closed on April 15, 2023.

Bonds Authorized and Unissued

The following is a schedule of authorized but unissued bonds at September 30, 2023:

| | <u>Date of Authorization</u> | <u>Amount Authorized</u> | <u>Issued to Date</u> | <u>Authorized but Unissued</u> |
|------------------|----------------------------------|------------------------------|---------------------------|------------------------------------|
| GO Bond projects | 11/5/2019 | \$ 90,760,000 | \$ 73,410,000 | \$ 17,350,000 |

E. Legal Compliance

Long-term debt assumed by the City upon dissolution of MUDs in 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 dissolved 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 in Note 7 of \$4.228 million.

Note 6. Fund Balance

Minimum Fund Balance Policy

The Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the General Fund. The target level is set at three months of General Fund operating expenditures (approximately 25%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. 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. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a two-year period.

Restricted, Committed, and Assigned Fund Balance

The City records fund balance restrictions at 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.

City of Sugar Land, Texas
Notes to the Financial Statements

Fund balance restrictions in the governmental funds as of September 30, 2023 are as follows:

| Restricted Fund Balance | Amount | Purpose |
|-----------------------------|-----------------------|--|
| Debt Service Fund | <u>\$ 11,011,073</u> | Debt service activities |
| Capital Projects Fund | <u>\$ 107,880,210</u> | Construction and acquisition of capital assets |
| Nonmajor governmental funds | \$ 382,981 | General government activities |
| | 6,597,823 | Debt service activities |
| | 21,582,722 | Economic development activities |
| | 793,383 | Public safety |
| | 2,452,369 | Tourism and marketing |
| | <u>171,189</u> | Environmental and neighborhood services |
| | <u>\$ 31,980,467</u> | |

The committed and assigned fund balances reported in the General Fund are for various operating activities encumbered but not completed at year-end and have been approved by City Council and management respectively. The programs or functions for which these amounts have been committed or assigned are as follows:

| Program or Function | Committed | Assigned |
|---|---------------------|-------------------|
| General government | \$ 1,151,025 | \$ 167,092 |
| Administrative service | 5,000 | 11,325 |
| Public works | - | 6,353 |
| Parks and recreation | 6,449 | 28,577 |
| Community development | 99,241 | 33,575 |
| Environmental and neighborhood services | 262,956 | 242,301 |
| Public safety - Police | 43,357 | 45,548 |
| Public safety - Fire | <u>202,788</u> | <u>62,416</u> |
| | <u>\$ 1,770,816</u> | <u>\$ 597,187</u> |

The assigned fund balance reported in the Capital Projects Fund is for various capital projects.

City of Sugar Land, Texas
Notes to the Financial Statements

Note 7. Interfund Transactions

The composition of interfund transfers for the year ended September 30, 2023 is as follows:

| Transfers In | Transfers Out | Amounts | Purpose |
|--|--|---------------------|---|
| General Fund | Solid Waste Fund | \$ 300,000 | Street rehabilitation projects from franchise fees |
| | Tourism Fund | 1,344,078 | HOT transfer for Marriott Conf. Center, TIRZ#4 Plaza & Smart Financial Center debts |
| Debt Service Fund | Utility Fund | 4,228,005 | 100% of water/wastewater debt on assumed MUD debt |
| | Enclave at River Park PID - Special Revenue Fund | 105,788 | PID debt service |
| | | 5,677,871 | |
| | General Fund | 288,593 | Transfer of property taxes collected on Airport value |
| Airport Fund | Sugar Land Development Corporation | 50,000 | SLDC transfer to Airport for international marketing |
| | Debt Service Fund | 211,222 | Transfer of property taxes collected on Airport value |
| | | 549,815 | |
| Public Arts - Special Revenue Fund | General Fund | 226,837 | Transfer to fund Public Art projects |
| Public Education and Government - Special Revenue Fund | General Fund | 203,638 | Transfer to fund capital expenditures associated with public, education and government programming, for the City's PEG Channel, SLTV 16 |
| Enclave at River Park PID - Special Revenue | Debt Service Fund | 31,554 | City Contribution of 50% of property tax in PID |
| | General Fund | 47,876 | |
| | | 79,430 | |
| Utility Fund | Enclave at River Park PID - Special Revenue Fund | 41,181 | PID debt service |
| Stormwater Fund | General Fund | 317,021 | Funding to cover first year expenditures |
| | Totals | \$ 7,395,793 | |

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 and SBC Retirement Corporation were the initial third-party administrators. In 2007, ICMA was appointed as an additional third-party administrator. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any 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 make investment decisions and disburse funds to employees in accordance with plan provisions.

Note 9. Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 919 plans in the defined benefit cash-balance pension plan administered by the TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

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

| | |
|---|---------------------------|
| Employee deposit rate | 7.00% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (expressed as age/years of service) | Any/20, 60/5 |
| Updated service credit | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 70% of CPI Repeating |
| Supplemental death benefit - active employees and retirees | Yes |

City of Sugar Land, Texas
Notes to the Financial Statements

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

| | |
|---|-------|
| Retirees or beneficiaries currently receiving benefits | 337 |
| Inactive employees entitled to but not yet receiving benefits | 410 |
| Active employees | 826 |
| | 1,573 |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.35% and 14.36% in calendar years 2022 and 2023, respectively. For fiscal year 2023, the City made contributions of \$9,615,627, which were equal to the required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.50% |
| Overall payroll growth | 2.75% per year, adjusted down for population declines, if any |
| Investment rate of return | 6.75%, net of pension plan investment expense, including |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Sugar Land, Texas

Notes to the Financial Statements

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

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global equity | 35% | 7.7% |
| Core fixed income | 6% | 4.9% |
| Non-core fixed income | 20% | 8.7% |
| Other public and private markets | 12% | 8.1% |
| Real estate | 12% | 5.8% |
| Hedge funds | 5% | 6.9% |
| Private equity | 10% | 11.8% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Sugar Land, Texas
Notes to the Financial Statements

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at December 31, 2021 | \$ 316,347,355 | \$ 311,279,161 | \$ 5,068,194 |
| Changes for the year: | | | |
| Service cost | 10,887,959 | - | 10,887,959 |
| Interest | 21,371,086 | - | 21,371,086 |
| Difference between expected and actual experience | 462,948 | - | 462,948 |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 8,812,308 | (8,812,308) |
| Employee contributions | - | 4,298,686 | (4,298,686) |
| Net investment income | - | (22,754,475) | 22,754,475 |
| Benefit payments, including refunds of employee contributions | (10,365,315) | (10,365,315) | - |
| Administrative expense | - | (196,625) | 196,625 |
| Other changes | - | 234,632 | (234,632) |
| Net changes | <u>22,356,678</u> | <u>(19,970,789)</u> | <u>42,327,467</u> |
| Balance at December 31, 2022 | <u><u>\$ 338,704,033</u></u> | <u><u>\$ 291,308,372</u></u> | <u><u>\$ 47,395,661</u></u> |

Sensitivity of the Net Pension Liability

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

| | 1% Decrease to 5.75% | Current Single Discount Rate Assumption 6.75% | 1% Increase to 7.75% |
|--|------------------------------|--|----------------------------|
| | City's net pension liability | \$ 99,192,635 | \$ 47,395,661 |

City of Sugar Land, Texas
Notes to the Financial Statements

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$12,676,505.

At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 2,360,423 | \$ 615,010 |
| Changes in actuarial assumptions used | 225,950 | - |
| Differences between projected and actual investment earnings | 20,092,860 | - |
| Contributions subsequent to the measurement date | 7,124,286 | - |
| Totals | \$ 29,803,519 | \$ 615,010 |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,124,286 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2023 (i.e. recognized in the City's fiscal year 2024 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the City's fiscal years as follows:

| Year Ending September 30, | Net Deferred Outflows (Inflows) of Resources |
|------------------------------|---|
| 2024 | \$ 1,523,089 |
| 2025 | 5,459,275 |
| 2026 | 5,925,746 |
| 2027 | 9,108,740 |
| 2028 | 47,373 |
| Totals | \$ 22,064,223 |

Note 10. Other Postemployment Benefits Plans

In addition to the pension plan discussed in Note 9, the City offers other postemployment benefits (OPEBs) through two plans: Texas Municipal Retirement System's Supplemental Death Benefits Fund, and the City's single-employer Retiree Health Care Plan.

Plan Descriptions

TMRS Supplemental Death Benefits Fund (SDBF)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The retiree portion of contribution rates to the SDBF for the City was 0.04% in calendar year 2022 and 0.06% in calendar year 2023. The City's contributions to the SDBF for fiscal year 2023 were \$36,712, which were equal to the required contributions.

Retiree Health Care Plan (RHCP)

The City's other defined benefit OPEB plan, City of Sugar Land Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

City of Sugar Land, Texas
Notes to the Financial Statements

Total OPEB Liability

The City's total OPEB liability for each of its OPEB plans was measured as of December 31, 2022, based upon an actuarial valuation as of that date. The total OPEB liabilities reported in the City's September 30, 2023 financial statements were as follows:

| | | |
|------|----|-------------------------|
| SDBF | \$ | 1,707,490 |
| RHCP | | <u>6,168,214</u> |
| | \$ | <u><u>7,875,704</u></u> |

Membership in the plans as of the measurement date of December 31, 2022 was as follows:

| | <u>SDBF</u> | <u>RHCP</u> |
|---|---------------------|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 259 | 15 |
| Inactive plan members entitled to but not yet receiving benefits | 144 | - |
| Active employees | <u>826</u> | <u>791</u> |
| Total plan members | <u><u>1,229</u></u> | <u><u>806</u></u> |

Actuarial Methods and Assumptions

The total OPEB liabilities were determined using the following actuarial assumptions and other inputs.

| | |
|------------------|---|
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate | 4.05% - based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022. |

The actuarial assumptions were developed primarily from an actuarial experience study of the four-year period from December 31, 2014 through December 31, 2018.

The retiree's share of benefit-related costs for the SDBF OPEB is assumed to be \$0, and the healthcare trend cost rate for the RHCP actuarial valuation is assumed at an initial rate of 7.00%, declining to an ultimate rate of 4.25% after 15 years.

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The Entry Age Normal actuarial cost method is used.

The OPEB plans are treated as unfunded plans because 1) the SDBF trust covers both actives and retirees and the assets are not segregated for these groups, and 2) the RHCP plan is a pay-as-you go plan.

City of Sugar Land, Texas
Notes to the Financial Statements

Changes in the Total OPEB Liability

| | SDBF | RHCP |
|---|---------------------|---------------------|
| Service cost | \$ 153,525 | \$ 572,455 |
| Interest | 46,793 | 120,641 |
| Changes in benefit terms | - | - |
| Difference between expected and actual experience | 37,472 | (454,169) |
| Changes in assumptions or other inputs | (984,329) | (259,862) |
| Benefit payments | (24,564) | (162,432) |
| Net changes | (771,103) | (183,367) |
| Total OPEB liability - beginning | 2,478,593 | 6,351,581 |
| Total OPEB liability - ending | \$ 1,707,490 | \$ 6,168,214 |

Sensitivity Analysis

The following presents the City's total OPEB liabilities calculated using the discount rate of 4.05%, as well as what the liabilities would be if they were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate.

| | 1% Decrease to 3.05% | Current Discount Rate Assumption 4.05% | 1% Increase to 5.05% |
|------|-------------------------|--|-------------------------|
| SDBF | \$ 2,080,118 | \$ 1,707,490 | \$ 1,421,048 |
| RHCP | 6,840,420 | 6,168,214 | 5,569,653 |

The following presents the RHCP plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher. Note that the healthcare cost trend rate does not affect the total SDBF OPEB liability, therefore the sensitivity to the healthcare cost trend rate is not shown for SDBF.

| | 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|------|--------------|---|--------------|
| RHCP | \$ 5,367,096 | \$ 6,168,214 | \$ 7,132,859 |

City of Sugar Land, Texas
Notes to the Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$147,205 relating to the SDBF plan and OPEB expense of \$702,097 relating to the RHCP plan. Total OPEB expense for the two plans was \$849,302.

As of September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | SDBF | | RHCP | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 32,194 | \$ 96,210 | \$ 259,101 | \$ 410,665 |
| Changes in assumptions and other inputs | 434,874 | 886,410 | 501,893 | 590,470 |
| Contributions subsequent to the measurement date | 29,767 | - | 110,835 | - |
| Total | \$ 496,835 | \$ 982,620 | \$ 871,829 | \$ 1,001,135 |

Total OPEB deferred outflows: \$ 1,368,664
Total OPEB deferred inflows: \$ 1,983,755

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the City's fiscal years as follows:

| Year Ending September 30, | Net Deferred Outflows (Inflows) of Resources | |
|---------------------------|--|---------------------|
| | SDBF | RHCP |
| 2024 | \$ (53,113) | \$ 9,001 |
| 2025 | (59,361) | 9,001 |
| 2026 | (62,986) | 9,001 |
| 2027 | (72,802) | 9,001 |
| 2028 | (121,134) | (9,127) |
| Thereafter | (146,156) | (267,018) |
| Totals | \$ (515,552) | \$ (240,141) |

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liabilities since the prior measurement period: the discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. This change decreased the total OPEB liabilities.

City of Sugar Land, Texas
 Notes to the Financial Statements

Note 11. Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (First Colony MUD No. 10, Fort Bend MUDs No. 136, 137, 138, 139 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. The rebates for the year ended September 30, 2023, were approximately \$4.7 million. Estimated payments for the year ending September 30, 2024 budget are \$5.5 million.

The City has entered into agreements with various MUDs, Fort Bend County and the City's extraterritorial jurisdiction (ETJ) to provide fire services within the developments of Tara and Riverstone subdivisions. The districts pay a fee for these services. In addition, Fort Bend County reimburses the City for calls made into the unincorporated areas of the County. The City estimates to have received \$1.3 million from the participating MUDs and Fort Bend County in the year ended September 30, 2023, in connection with these agreements.

Note 12. Lease Agreements

The City is a lessor in noncancelable lease agreements for certain facilities and properties. With certain exclusions, the present value of future minimum lease payments as of September 30, 2023, is recorded as lease receivable in the government-wide and fund financial statements. Inflows of resources from lease agreements which are included in the measurement of the lease receivable balance as of September 30, 2023, are as follows:

| | Lease Revenue - Base | Lease Revenue - Variable | Interest Revenue | Total Inflows of Resources |
|---|----------------------------|--------------------------------|---------------------|-------------------------------|
| Included in lease receivable: | | | | |
| Primary government: | | | | |
| Smart Financial Centre at Sugar Land | \$ 1,528,251 | \$ 517,604 | \$ 608,406 | \$ 2,654,261 |
| Other | 30,237 | - | 1,834 | 32,071 |
| | <u>\$ 1,558,488</u> | <u>\$ 517,604</u> | <u>\$ 610,240</u> | <u>\$ 2,686,332</u> |
| Component unit - Sugar Land 4b Corporation: | | | | |
| Sugar Land Baseball, LLC | \$ 65,736 | - | \$ 43,256 | \$ 108,992 |

City of Sugar Land, Texas

Notes to the Financial Statements

For lease agreements which are included in the balance of lease receivable, lease revenue – base represents revenue recognized on a straight-line basis over the applicable term of the agreement. Variable payments above the base amount are not included in the measurement of the lease receivable.

The City is also a lessor under certain regulated leases, which are excluded from the measurement of the lease receivable balance. For the year ended September 30, 2023, inflows of resources (revenues) from regulated leases were \$1,665,672.

See below for further information regarding selected lease agreements.

Smart Financial Centre at Sugar Land

The Smart Financial Centre at Sugar Land reached substantial completion December 9, 2016 and the lease with ACE SL, LLC began December 14, 2016 under the terms of the first amendment to the development agreement and execution of lease agreement approved by City Council on October 28, 2014. The lease of the facility is for a term of 30 years from lease commencement date with lease payments due monthly in arrears. The lease agreement defines base rent, additional base rent, parking fees and participation rent and how each is calculated and when due to the City.

ACE SL, LLC is responsible for all operations and maintenance of the Smart Financial Centre at Sugar Land during the term of the lease. The lease payments are based on the following calculation: Base Rent: 1/12 of the annual debt service requirement for the Series 2014A Taxable Certificates of Obligation issued by the City to fund a portion of the project construction. Base rent is payable in arrears on the first day of the following month without demand. The rent payment resets each January 1 for the term of the lease. Beginning in the third year of the lease, and until a debt service reserve equal to the last three years debt service payments, the base rent increases to 125% of the annual debt service requirement. Additionally, the City is entitled to additional rent based on ticket sales and a 20% share of parking fees.

In 2020, a second amendment to the lease was approved in response to provide relief caused by the COVID-19 pandemic and therefore the temporary closure of the venue for the remainder of 2020. The limited rental relief is fully offset through utilization of the existing reserve cash balance and included reductions to rent and reserve contributions while the facility was closed due to COVID-19. Lease payments returned to normal in April 2021. To provide additional security, the City increased the reserve requirement to an amount equal to the final four years of debt service payments, and has a Letter of Credit on file for \$6.4 million with the City listed as beneficiary.

The City received \$25,183 in additional participation rent in the fiscal year ended September 30, 2023. The City received \$317,056 for its 20% share of parking revenue and \$175,365 in capital fund contributions from ATG in the fiscal year ended September 30, 2023.

Sugar Land Baseball, LLC

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium) for participation in the Atlantic Baseball League, an independent minor league.

In April 2021, the lease was amended and SL Baseball, LLC assigned the 100% of the lease to Sugar Land Astros LLC. Sugar Land Astros LLC owns the "Sugar Land Space Cowboys" (formerly the "Sugar Land Skeeters"), a minor league baseball team and the AAA affiliate of the Houston Astros. The lease for Constellation Field has been extended through December 31, 2045.

City of Sugar Land, Texas

Notes to the Financial Statements

The base annual rent of \$80,000 is due to the City January 1st each lease year. Beginning on January 1, 2021 and continuing for lease years for the remainder of the term, SL Astros LLC shall pay to the City annually (in addition to base rent) participation rent equal to ten percent (10%) of all gross revenues from ticket sales, suite license sales and naming rights payments collected in a lease year in excess of \$3.8 million.

The City deposited \$1 million into the Capital Fund. The City, through the Sugar Land 4B Corporation agreed to contribute a total of \$10 million over a 5 year period for payment of approved capital expenses.

- 2021: \$2,500,000
- 2022: \$2,500,000
- 2023: \$1,000,000
- 2024: \$2,000,000
- 2025: \$2,000,000

In 2023, the City received \$0 in addition to the base rent.

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.

Houston Museum of Natural Science

In 2008, the City of Sugar Land entered into a fifty-year lease agreement with the Houston Museum of Natural Science for the improvement and lease of the 43,000 square foot Central State Farm Prison building and surrounding 5.5 acres of land for a rate of \$1 per year. The Museum may only use and occupy the leased premises to serve as a museum for public displays and uses typical of a museum of natural science. The lease outlines contributions by both the City and Museum for improvements of the building for use as a museum.

Fort Bend Children's Discovery Center

On March 27, 2020, the City assumed ownership of the Container Warehouse at Imperial and as part of the sale the lease with the Fort Bend Children's Discovery Center was transferred to the City. The agreement is for the lease of 12,000 square feet located on the first floor of the Container Warehouse building and a 3,000 square foot outside playground area. The lease agreement began in 2016 and runs for 99 years at the cost of \$1 per year.

Regulated Leases

The City, through the Regional Airport, is a lessor in regulated leases for airport hangars, characterized as aeronautical agreements. The leased hangars are subject to preferential or exclusive use by the lease counterparties.

City of Sugar Land, Texas
Notes to the Financial Statements

Expected future minimum payments under these agreements are as follows:

| <u>Year</u> | <u>Expected Minimum Payment</u> |
|-------------|---|
| 2024 | \$ 576,265 |
| 2025 | 558,992 |
| 2026 | 522,108 |
| 2027 | 465,841 |
| 2028 | 463,401 |
| 2029-2033 | 2,379,510 |
| 2034-2038 | 2,203,306 |
| 2039-2043 | 2,020,884 |
| 2044-2048 | 1,823,550 |
| 2049-2052 | 222,613 |
| | <u>\$ 11,236,470</u> |

Note 13. Commitments and Contingencies

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:

| <u>Fiscal Year</u> | <u>Grant Commitments</u> |
|------------------------|------------------------------|
| 2024 | \$ 1,507,259 |
| 2025 | 1,175,226 |
| 2026 | 675,226 |
| 2027 | 410,226 |
| 2028 | 165,226 |
| 2029 | 165,226 |
| 2030 | 165,226 |
| 2031 | 145,226 |
| Totals | <u>\$ 4,408,841</u> |

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2023. 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.

City of Sugar Land, Texas

Notes to the Financial Statements

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, 2023.

Brooks Lake Diversion Weir Agreement

The City and Gulf Coast Water Authority (GCWA) both have water rights to rain water runoff in the Oyster Creek basin. A settlement agreement was approved in 2012 regarding use of this water by the City. One of the ancillary items to this settlement was the Amil Gates. The Amil Gates structure was constructed in the early 1970's as a flood control structure to operate in coordination with the dam system along Oyster Creek. The Amil Gates are hydraulically activated during high water events to maintain a maximum flood elevation in Oyster Creek.

The gates operate at a high efficiency as it relates to flooding but they naturally release flow due to the design and type of construction. The gates were never envisioned to be a watertight structure. Over the last decade, there have been concerns expressed by GCWA related to the condition of the Amil Gates and the water leakage that occurs when the gates are in a normally closed position. A cost sharing agreement was approved in July 2014 between the City and GCWA to address the leaking gates. Design work began in 2015 and was stopped due to probable construction costs exceeding available funding. Alternatives were then considered and a re-examination of the design approach was pursued in early 2016. A new design option with probable construction costs in line with available funds was agreed to between the City and GCWA.

In January 2017, GCWA's board of directors unanimously approved the agreement to pay 50% of the estimated project cost of \$4,387,990 over period of 10 years. GCWA will reimburse the City in the form of payments or in raw water credits.

The City completed construction of the Brooks Lake Diversion Weir system to replace the existing Amil Gates in 2019, at an actual cost of \$4,241,402; GCWA's 50% portion is \$2,120,701. To date, the City has received \$1,500,000 from GCWA with payment of \$250,000 in fiscal year 2023.

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 nonpurpose 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 MUDs.

Note 14. Subscription Liabilities

The City recognizes subscription liabilities for its payment obligations under subscription-based information technology arrangements (SBITAs), which convey to the City the right to use another party's information technology software. The City's SBITAs include enterprise software, cloud-based services and other software packages. With certain exclusions, the present value of future minimum subscription payments as of September 30, 2023, is recorded as a subscription liability in the government-wide financial statements.

City of Sugar Land, Texas
Notes to the Financial Statements

Outflows of resources from SBITAs which are included in the measurement of the subscription liability balance as of September 30, 2023, are as follows:

| | <u>Fixed Payments</u> | | | <u>Total Outflows of Resources</u> |
|-------------------------------------|--------------------------------|-------------------------------|------------------------------|--|
| | <u>Principal Component</u> | <u>Interest Component</u> | <u>Variable Payments</u> | |
| Included in subscription liability: | | | | |
| Primary government: | | | | |
| Software - subscriptions | <u>\$ 356,771</u> | <u>\$ 17,636</u> | <u>\$ -</u> | <u>\$ 374,407</u> |

Principal and interest requirements to maturity as of September 30, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|------------------|-------------------|
| 2024 | \$ 322,215 | \$ 12,405 | \$ 334,620 |
| 2025 | 81,796 | 2,413 | 84,209 |
| 2026 | 5,638 | 362 | 6,000 |
| 2027 | <u>5,816</u> | <u>184</u> | <u>6,000</u> |
| | <u>\$ 415,465</u> | <u>\$ 15,364</u> | <u>\$ 430,829</u> |

Note 15. 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; airport operations, law enforcement operations, cyber security, pollution; injuries to employees; and natural disasters. The City's Risk Management Program manages these risks, which are covered by Liability, Property and Crime and Fidelity commercial insurance purchased from Texas Municipal League Intergovernmental Risk Pool ("TMLIRP"), and through commercial insurance carriers. The participation of the City in TMLIRP is for payment of premiums, insurance claims above the City's deductibles and loss control services. The City has various levels of deductibles for these coverages with the maximum deductible set at \$10,000. 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 and volunteers through TMLIRP. Workers' Compensation premiums are subject to change each year when audited by TMLIRP. As of September 30, 2023, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

Employee Benefits Fund

Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund internal service fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Employee Benefits Fund charges the City's General Fund and enterprise funds for the City's contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the City processes health claim payments.

The City has obtained excess loss insurance which limits the City's aggregate claims responsibility at 120% of expected claims and sets a deductible of \$175,000 annually for any individual, with the exception of one known catastrophic claimant which was issued a "laser" deductible of \$400,000 each for the plan year.

City of Sugar Land, Texas

Notes to the Financial Statements

Settled claims did not exceed insurance coverages in fiscal year 2023. Estimates of claims payable and of claims incurred, but not reported at September 30, 2023, are reflected as accrued expenses and claims and judgments of the Employee Benefits Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2023. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

Note 16. Tax Abatements

In May 2018, the Sugar Land City Council approved Resolution No. 18-16, as required by Chapter 312 of the Texas Tax Code, to strengthen minimum guidelines and criteria governing tax abatement agreements in the City of Sugar Land. The City has an ad valorem tax abatement program that abates property taxes on new value created as a result of the proposed project, with possible abatements available from the City, Fort Bend County, and as applicable, other taxing jurisdictions. Tax abatement guidelines were renewed in 2020. Tax abatements benefit the City as the abatements are temporary, and result in investment in the City that would otherwise not occur.

To be eligible to receive a tax abatement the guidelines stipulate that the company must add, at minimum, a value of \$4 million to the tax rolls, with the exact abatement percentage determined by a tiered structure related to the cumulative value of improvements and personal property. The City's maximum abatement duration is 10 years with abatement percentages ranging from 35% to 100%. To receive their abatement each year, companies must submit compliance documentation to the City as outlined in their respective tax abatement agreements. Compliance criteria may typically include, but are not limited to, the following requirements: minimum employee count, minimum average annual salary, minimum real, personal, and / or inventory value on tax roll, construction material / improvement receipts, minimum taxable sales, occupancy / lease requirements, and LEED certifications. Additionally, each company is required to submit their tax abatement application to the Fort Bend Central Appraisal District ("FBCAD") by April 30th of each year to receive their abatement. The FBCAD will apply the abatement after confirming with the City that no deductions need to occur, which would only happen if a company did not meet a certain requirement of their tax abatement agreement. Each agreement outlines how deductions will be calculated if the noncompliance does not automatically result in a default for that year. The City typically includes a recapture clause in tax abatement agreements that requires the company to return all property taxes abated under the agreement with interest and penalties to the City should the City have to terminate the agreement due to noncompliance issues. The Office of Economic Development performs an annual assessment of the compliance performance for companies receiving tax abatements.

Currently, the City has 6 active tax abatement agreements under contract for tax year 2022. These companies comprise \$204 million in real and personal property values. They also provide \$19 million in inventory values not subject to tax abatement. In tax year 2022, the City abated \$96.8 million in improvements and personal property value, and the revenue received for real and personal property from these companies was \$379,685 for tax year 2022.

Note 17. Subsequent Events

Subsequent to September 30, 2023, the City Utility Fund completed two land purchases at a total cost of \$5.6 million. Both land purchases were approved by City Council on November 21, 2023.

Required Supplementary Information



City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Major Fund – General Fund

For the Fiscal Year Ended September 30, 2023

| | Budget | | Actual | Variance |
|--|----------------------|----------------------|----------------------|------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Property taxes | \$ 35,913,695 | \$ 35,918,730 | \$ 35,790,842 | \$ (127,888) |
| Sales tax | 43,298,121 | 49,907,046 | 50,435,776 | 528,730 |
| Franchise and other taxes | 6,132,509 | 6,277,962 | 6,266,320 | (11,642) |
| Licenses and permits | 3,373,980 | 3,596,330 | 3,580,007 | (16,323) |
| Fines and forfeitures | 1,279,520 | 1,358,640 | 1,386,132 | 27,492 |
| Charges for services | 11,282,389 | 11,918,537 | 11,734,396 | (184,141) |
| Investment earnings | 150,050 | 1,685,513 | 2,651,971 | 966,458 |
| Intergovernmental | 1,318,477 | 1,356,429 | 1,567,923 | 211,494 |
| Other | 805,000 | 995,382 | 994,366 | (1,016) |
| Total revenues | 103,553,741 | 113,014,569 | 114,407,733 | 1,393,164 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 23,694,207 | 25,641,398 | 23,167,299 | 2,474,099 |
| Administrative services | 4,834,097 | 5,702,644 | 5,474,291 | 228,353 |
| Public safety - Police | 25,628,164 | 27,726,916 | 27,926,054 | (199,138) |
| Public safety - Dispatch | 3,338,497 | 3,251,622 | 3,242,545 | 9,077 |
| Public safety - Fire | 19,474,228 | 20,500,098 | 20,030,107 | 469,991 |
| Public works | 12,244,519 | 12,466,781 | 11,940,164 | 526,617 |
| Parks and recreation | 5,855,113 | 6,130,913 | 6,059,289 | 71,624 |
| Community development | 6,592,007 | 6,668,171 | 5,760,963 | 907,208 |
| Environmental and neighborhood services | 7,401,257 | 10,582,709 | 8,976,000 | 1,606,709 |
| Debt service | - | - | 369,948 | (369,948) |
| Total expenditures | 109,062,089 | 118,671,252 | 112,946,660 | 5,724,592 |
| Excess (deficiency) of revenues over expenditures | (5,508,348) | (5,656,683) | 1,461,073 | 7,117,756 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Subscriptions - other financing source | - | - | 772,236 | 772,236 |
| Transfers in | 300,000 | 300,000 | 300,000 | - |
| Transfers out | (508,930) | (1,042,128) | (1,083,965) | 41,837 |
| Total other financing sources (uses) | (208,930) | (742,128) | (11,729) | 814,073 |
| Net change in fund balance | (5,717,278) | (6,398,811) | 1,449,344 | 7,931,829 |
| Fund balances, beginning of year | 56,387,166 | 56,387,166 | 56,387,166 | - |
| FUND BALANCE, END OF YEAR | \$ 50,669,888 | \$ 49,988,355 | \$ 57,836,510 | \$ 7,931,829 |

The Notes to the Required Supplementary Information are an integral part of this schedule.



City of Sugar Land, Texas

Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

Budgetary Compliance

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2023.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using a budgetary basis of accounting consistent with the modified accrual basis of accounting, which is the basis used for financial reporting for these funds. All annual appropriations lapse at fiscal yearend. Project-length budgets are adopted for the Capital Project Fund. 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, except Sugar Land Reinvestment Zone No. 1.

Expenditures may not legally exceed budgeted appropriations at the fund level. Expenditure requests that require an increase in total budgeted appropriation 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. 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 department directors of the City and the Budget Officer, the City Manager prepares the annual budgets 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.

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

City of Sugar Land, Texas

Schedule of Changes in the Net Pension Liability

and Related Ratios

Texas Municipal Retirement System

For the Last Nine Measurement Years Ended December 31*

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service cost | \$ 10,887,959 | \$ 10,217,918 | \$ 10,345,462 | \$ 9,691,514 | \$ 9,388,573 |
| Interest | 21,371,086 | 19,862,938 | 18,475,352 | 17,163,025 | 15,982,991 |
| Differences between expected and actual experience | 462,948 | 2,275,861 | 1,056,187 | (822,166) | (1,631,866) |
| Changes in assumptions | - | - | - | 684,730 | - |
| Benefit payments, including refunds of employee contributions | <u>(10,365,315)</u> | <u>(10,332,299)</u> | <u>(8,180,493)</u> | <u>(7,023,908)</u> | <u>(5,794,458)</u> |
| Net change in total pension liability | 22,356,678 | 22,024,418 | 21,696,508 | 19,693,195 | 17,945,240 |
| Total pension liability - beginning | <u>316,347,355</u> | <u>294,322,937</u> | <u>272,626,429</u> | <u>252,933,234</u> | <u>234,987,994</u> |
| TOTAL PENSION LIABILITY - ENDING (a) | <u>\$ 338,704,033</u> | <u>\$ 316,347,355</u> | <u>\$ 294,322,937</u> | <u>\$ 272,626,429</u> | <u>\$ 252,933,234</u> |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Contributions - employer | \$ 8,812,308 | \$ 8,346,084 | \$ 8,464,705 | \$ 7,950,423 | \$ 7,856,693 |
| Contributions - employee | 4,298,686 | 4,048,693 | 4,059,318 | 3,765,424 | 3,634,956 |
| Net investment income | (22,754,475) | 35,724,644 | 19,029,622 | 32,960,678 | (6,409,298) |
| Benefit payments, including refunds of employee contributions | (10,365,315) | (10,332,299) | (8,180,493) | (7,023,908) | (5,794,458) |
| Administrative expense | (196,625) | (165,067) | (122,994) | (186,022) | (123,770) |
| Other | <u>234,632</u> | <u>1,131</u> | <u>(4,799)</u> | <u>(5,589)</u> | <u>(6,466)</u> |
| Net change in plan fiduciary net position | (19,970,789) | 37,623,186 | 23,245,359 | 37,461,006 | (842,343) |
| Plan fiduciary net position - beginning | <u>311,279,161</u> | <u>273,655,975</u> | <u>250,410,616</u> | <u>212,949,610</u> | <u>213,791,953</u> |
| PLAN FIDUCIARY NET POSITION - ENDING (b) | <u>\$ 291,308,372</u> | <u>\$ 311,279,161</u> | <u>\$ 273,655,975</u> | <u>\$ 250,410,616</u> | <u>\$ 212,949,610</u> |
| NET PENSION LIABILITY - ENDING (a)-(b) | <u>\$ 47,395,661</u> | <u>\$ 5,068,194</u> | <u>\$ 20,666,962</u> | <u>\$ 22,215,813</u> | <u>\$ 39,983,624</u> |
| Plan fiduciary net position as a percentage of total pension liability | 86.01% | 98.40% | 92.98% | 91.85% | 84.19% |
| Covered payroll | \$ 61,409,806 | \$ 57,404,032 | \$ 57,990,258 | \$ 53,752,159 | \$ 51,927,946 |
| Net pension liability as a percentage of covered payroll | 77.18% | 8.83% | 35.64% | 41.33% | 77.00% |

Notes to Required Supplementary Information:

The following actuarial assumptions affect trends in the amounts reported for the total pension liability:

| Measurement years: | <u>2014</u> | <u>2015 - 2022</u> |
|---------------------------|-------------|--------------------|
| Inflation | 3.00% | 2.50% |
| Investment rate of return | 7.00% | 6.75% |
| Discount rate | 7.00% | 6.75% |

*GASB Statement No. 68 requires 10 years of data; however, nine years of data is presented as the data for the years prior to 2014 is not available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of the plan measurement date (December 31 of the prior year).

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 9,074,683 | \$ 8,454,923 | \$ 8,049,539 | \$ 6,851,489 |
| 14,773,403 | 13,448,410 | 12,692,457 | 11,663,572 |
| (451,230) | 2,302,226 | 3,187,321 | (793,047) |
| - | - | (2,120,835) | - |
| <u>(5,473,504)</u> | <u>(4,298,333)</u> | <u>(3,894,213)</u> | <u>(3,351,164)</u> |
| 17,923,352 | 19,907,226 | 17,914,269 | 14,370,850 |
| <u>217,064,642</u> | <u>197,157,416</u> | <u>179,243,147</u> | <u>164,872,297</u> |
| <u>\$ 234,987,994</u> | <u>\$ 217,064,642</u> | <u>\$ 197,157,416</u> | <u>\$ 179,243,147</u> |
| | | | |
| \$ 7,432,931 | \$ 6,863,791 | \$ 6,787,295 | \$ 6,171,200 |
| 3,503,739 | 3,266,250 | 3,144,351 | 2,801,455 |
| 25,390,226 | 11,233,878 | 236,145 | 8,361,151 |
| (5,473,504) | (4,298,333) | (3,894,213) | (3,351,164) |
| (131,498) | (126,810) | (143,822) | (87,280) |
| <u>(6,665)</u> | <u>(6,832)</u> | <u>(7,103)</u> | <u>(7,176)</u> |
| 30,715,229 | 16,931,944 | 6,122,653 | 13,888,186 |
| <u>183,076,724</u> | <u>166,144,780</u> | <u>160,022,127</u> | <u>146,133,941</u> |
| <u>\$ 213,791,953</u> | <u>\$ 183,076,724</u> | <u>\$ 166,144,780</u> | <u>\$ 160,022,127</u> |
| | | | |
| <u>\$ 21,196,041</u> | <u>\$ 33,987,918</u> | <u>\$ 31,012,636</u> | <u>\$ 19,221,020</u> |
| | | | |
| 90.98% | 84.34% | 84.27% | 89.28% |
| \$ 50,053,408 | \$ 46,660,720 | \$ 44,919,301 | \$ 40,020,785 |
| | | | |
| 42.35% | 72.84% | 69.04% | 48.03% |

City of Sugar Land, Texas

Schedule of the City's Contributions
Texas Municipal Retirement System
For the Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 9,615,627 | \$ 8,652,840 | \$ 8,297,688 | \$ 8,106,158 | \$ 7,917,557 |
| Contributions in relation to the actuarially determined contribution | <u>(9,615,627)</u> | <u>(8,652,840)</u> | <u>(8,297,688)</u> | <u>(8,106,158)</u> | <u>(7,917,557)</u> |
| CONTRIBUTIONS DEFICIENCY (EXCESS) | \$ - |
| Covered payroll | \$ 66,973,280 | \$ 60,208,808 | \$ 57,320,934 | \$ 55,364,242 | \$ 53,277,303 |
| Contributions as a percentage of covered payroll | 14.4% | 14.4% | 14.5% | 14.6% | 14.9% |

Notes to Required Supplementary Information

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 23 years (longest amortization ladder) |
| Asset valuation method | 10 year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Investment rate of return | 6.75% |
| Retirement age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generation basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information: There were no benefit changes during the year.

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 7,828,102 | \$ 7,371,464 | \$ 7,182,639 | \$ 6,731,282 | \$ 6,051,096 |
| <u>(7,828,102)</u> | <u>(7,371,464)</u> | <u>(7,182,639)</u> | <u>(6,731,282)</u> | <u>(6,051,096)</u> |
| <u>\$ -</u> |
| \$ 51,481,994 | \$ 49,279,670 | \$ 48,031,610 | \$ 43,906,341 | \$ 39,133,715 |
| 15.2% | 15.0% | 15.0% | 15.3% | 15.5% |

City of Sugar Land, Texas
Schedule of Changes in Total OPEB Liabilities
and Related Ratios
For the Last Six Measurement Years Ended December 31*

| Supplemental Death Benefits Fund (SDBF) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL OPEB LIABILITY | | | | | | |
| Service cost | \$ 153,525 | \$ 143,510 | \$ 121,780 | \$ 80,628 | \$ 88,278 | \$ 75,080 |
| Interest | 46,793 | 47,037 | 51,763 | 53,760 | 48,529 | 45,918 |
| Change of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | 37,472 | (63,422) | (39,215) | (39,591) | (26,653) | - |
| Changes in assumptions | (984,329) | 82,843 | 338,761 | 323,442 | (118,129) | 128,880 |
| Benefit payments | (24,564) | (22,962) | (5,799) | (5,375) | (5,193) | (5,005) |
| Net change in total OPEB liability | (771,103) | 187,006 | 467,290 | 412,864 | (13,168) | 244,873 |
| Total OPEB liability - beginning | 2,478,593 | 2,291,587 | 1,824,297 | 1,411,433 | 1,424,601 | 1,179,728 |
| TOTAL OPEB LIABILITY - ENDING | \$ 1,707,490 | \$ 2,478,593 | \$ 2,291,587 | \$ 1,824,297 | \$ 1,411,433 | \$ 1,424,601 |
| Covered-employee payroll | \$ 61,409,806 | \$ 57,404,032 | \$ 57,990,258 | \$ 53,752,159 | \$ 51,927,946 | \$ 50,053,408 |
| Total OPEB liability as a percentage of covered-employee payroll | 2.78% | 4.32% | 3.95% | 3.39% | 2.72% | 2.85% |

| Retiree Health Care Plan (RHCP) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL OPEB LIABILITY | | | | | | |
| Service cost | \$ 572,455 | \$ 435,924 | \$ 367,874 | \$ 290,583 | \$ 283,352 | \$ 226,834 |
| Interest | 120,641 | 129,280 | 151,305 | 182,637 | 143,990 | 146,451 |
| Change of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | (454,169) | 76,280 | 137,438 | 15,885 | 186,156 | (4,427) |
| Changes in assumptions | (259,862) | (445,815) | 429,497 | 169,233 | 42,490 | 194,701 |
| Benefit payments | (162,432) | (180,231) | (136,099) | (99,515) | (74,311) | (96,770) |
| Net change in total OPEB liability | (183,367) | 15,438 | 950,017 | 558,823 | 581,677 | 466,789 |
| Total OPEB liability - beginning | 6,351,581 | 6,336,143 | 5,386,126 | 4,827,303 | 4,245,626 | 3,778,837 |
| TOTAL OPEB LIABILITY - ENDING | \$ 6,168,214 | \$ 6,351,581 | \$ 6,336,143 | \$ 5,386,126 | \$ 4,827,303 | \$ 4,245,626 |
| Covered-employee payroll | \$ 61,498,283 | \$ 57,993,537 | \$ 58,141,056 | \$ 53,752,159 | \$ 51,927,946 | \$ 50,053,408 |
| Total OPEB liability as a percentage of covered-employee payroll | 10.03% | 10.95% | 10.90% | 10.02% | 9.30% | 8.48% |

Notes to Required Supplementary Information

Change of assumptions: Change of assumptions and other inputs include the effects of changes in the discount rate each period. The following are the discount rates used in each measurement period:

| <u>Year</u> | <u>Discount Rate</u> |
|-------------|----------------------|
| 2022 | 4.05% |
| 2021 | 1.84% |
| 2020 | 2.00% |
| 2019 | 2.75% |
| 2018 | 3.71% |
| 2017 | 3.31% |

The City's OPEB plans are considered to be unfunded plans, as there are no assets accumulated in a trust to pay related benefits. Therefore plan fiduciary net position and related ratios are not reported in the accompanying schedules for the City's OPEB plans. There were no benefit changes during the periods presented.

*GASB Statement No. 75 requires 10 years of data; however, six years of data is presented as the data for the years prior to 2017 is not available. Additionally, GASB Statement No. 75 requires that information on this schedule correspond with the period covered as of the plan measurement date (December 31 of the prior year).

Other Supplementary Information



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed for 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.

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.

Debt Reduction Funds – These funds are used to account for activities as a result of agreements with various Municipal Utility Districts in the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities. These include Riverstone and Tara Plantation.

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 principal source of revenue for the Sugar Land Development Corporation Fund is sales taxes.

Enclave at River Park PID – This fund allows the City to levy and collect an assessment on property within the PID for reimbursement of expenses associated with improvement projects which include: water, wastewater, or drainage facility construction/improvements; street and sidewalk construction/ improvements; park and recreation establishment/improvements; acquisition of property; and administration/operational expenses.

Truancy Prevention Fund – This fund is used to account for the finances and support of personnel and programs geared towards maximizing school attendance and limiting juvenile referrals to the court system, as set up by state statute from local court costs beginning January 1, 2020.

Jury Services Fund – This fund is used to fund juror reimbursements and otherwise finance jury services, as set up by state statute from local court costs beginning January 1, 2020.

Animal Shelter Donations – This fund is used to account for donations received from residents, non-residents, and businesses throughout the year. These donations are used for shelter operations and maintenance.

Public, Education & Government (PEG) Fund – This fund is used to account for the receipts of the State Franchise Fee billed to customers for the purpose of funding capital expenditures associated with public, education and government programming for the City's PEG channel, SLTV16. These funds are restricted in their use and can only be used to purchase capital goods that support broadcast operations for the City.

American Rescue Plan Act (ARPA) Fund – This fund is used to account for funds allocated to the City from the federal government's American Rescue Plan Act, an economic stimulus bill providing funding in response to COVID-19 and its negative economic impacts.

Public Arts Fund – This fund is utilized toward implementation of the Annual Public Art Work Plan (APAWP) and further establishing the City's current public art collection. The Sugar Land 4B Corporation annually contributes funding for public art projects.

Opioid Litigation Fund – This fund was established to account for litigation revenues received from the Texas Comptroller of Public Accounts and the Texas Opioid Abatement Fund Council that was codified by SB 1827 (87R). Eligible uses of the funds received from the Comptroller require uses that address opioid-related harms in the community.

City of Sugar Land, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023

| | Tourism Fund | Court Security Fund | Court Technology Fund | Law Enforcement Grant Fund | Debt Reduction Funds | Sugar Land Development Corporation Fund | Enclave at River Park PID |
|--|---------------------|---------------------|-----------------------|----------------------------|----------------------|---|---------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 9,353 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receivables (net of allowance for uncollectibles) | 703,182 | 240 | 195 | 1,980 | 100,483 | 1,606,788 | 31,804 |
| Inventories | 7,483 | - | - | - | - | - | - |
| Prepaid items | 1,268 | - | - | - | - | 15,075 | - |
| Restricted cash and cash equivalents | 1,051,593 | 56,393 | 45,855 | 451,609 | 1,231,398 | 9,412,956 | 55,615 |
| Restricted investments | 730,899 | - | - | - | 1,582,970 | 14,207,980 | - |
| Total assets | \$ 2,503,778 | \$ 56,633 | \$ 46,050 | \$ 453,589 | \$ 2,914,851 | \$ 25,242,799 | \$ 87,419 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 32,811 | \$ - | \$ - | \$ - | \$ - | \$ 268,485 | \$ 4,121 |
| Accrued expenditures | 9,847 | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - |
| Total liabilities | 42,658 | - | - | - | - | 268,485 | 4,121 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | 27,327 |
| Total deferred inflows of resources | - | - | - | - | - | - | 27,327 |
| FUND BALANCES | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories | 7,483 | - | - | - | - | - | - |
| Prepaid items | 1,268 | - | - | - | - | 15,075 | - |
| Restricted for: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | 2,914,851 | 3,627,001 | 55,971 |
| Economic development activities | - | - | - | - | - | 21,332,238 | - |
| Public safety | - | 56,633 | 46,050 | 453,589 | - | - | - |
| Tourism and marketing | 2,452,369 | - | - | - | - | - | - |
| Environmental and neighborhood services | - | - | - | - | - | - | - |
| Total fund balances | 2,461,120 | 56,633 | 46,050 | 453,589 | 2,914,851 | 24,974,314 | 55,971 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 2,503,778 | \$ 56,633 | \$ 46,050 | \$ 453,589 | \$ 2,914,851 | \$ 25,242,799 | \$ 87,419 |

| Truancy Prevention Fund | Jury Services | Animal Shelter Donations | Public Education and Government Fund | American Rescue Plan Act Fund | Public Arts | Opioid Litigation | Total Nonmajor Governmental Funds |
|-------------------------------|-----------------|--------------------------------|--|-------------------------------------|-------------------|----------------------|--|
| \$ 130,640 | \$ 2,633 | \$ - | \$ - | \$ - | \$ 251,190 | \$ 102,811 | \$ 496,627 |
| 565 | 11 | 757 | 38,041 | 37,739 | 899 | 451 | 2,523,135 |
| - | - | - | - | - | - | - | 7,483 |
| - | - | 2,800 | - | - | - | - | 19,143 |
| - | - | 171,450 | 353,940 | 2,141,430 | - | - | 14,972,239 |
| - | - | - | - | 5,273,847 | - | - | 21,795,696 |
| \$ 131,205 | \$ 2,644 | \$ 175,007 | \$ 391,981 | \$ 7,453,016 | \$ 252,089 | \$ 103,262 | \$ 39,814,323 |
| \$ - | \$ - | \$ 1,018 | \$ 9,000 | \$ 9,436 | \$ 1,605 | \$ - | \$ 326,476 |
| - | - | - | - | - | - | - | 9,847 |
| - | - | - | - | 7,443,580 | - | - | 7,443,580 |
| - | - | 1,018 | 9,000 | 7,453,016 | 1,605 | - | 7,779,903 |
| - | - | - | - | - | - | - | 27,327 |
| - | - | - | - | - | - | - | 27,327 |
| - | - | - | - | - | - | - | 7,483 |
| - | - | 2,800 | - | - | - | - | 19,143 |
| - | - | - | 382,981 | - | - | - | 382,981 |
| - | - | - | - | - | - | - | 6,597,823 |
| - | - | - | - | - | 250,484 | - | 21,582,722 |
| 131,205 | 2,644 | - | - | - | - | 103,262 | 793,383 |
| - | - | - | - | - | - | - | 2,452,369 |
| - | - | 171,189 | - | - | - | - | 171,189 |
| 131,205 | 2,644 | 173,989 | 382,981 | - | 250,484 | 103,262 | 32,007,093 |
| \$ 131,205 | \$ 2,644 | \$ 175,007 | \$ 391,981 | \$ 7,453,016 | \$ 252,089 | \$ 103,262 | \$ 39,814,323 |

City of Sugar Land, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2023

| | Tourism Fund | Court Security Fund | Court Technology Fund | Law Enforcement Grant Fund | Debt Reduction Funds | Sugar Land Development Corporation Fund | Enclave at River Park PID |
|---|---------------------|---------------------|-----------------------|----------------------------|----------------------|---|---------------------------|
| REVENUES | | | | | | | |
| Sales tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,405,963 | \$ - |
| Franchise and other taxes | 2,720,295 | - | - | - | - | - | 59,214 |
| Fines and forfeitures | - | 45,512 | 38,300 | - | - | - | - |
| Investment earnings | 65,920 | 1,502 | 1,665 | 20,250 | 96,023 | 792,494 | 3,584 |
| Intergovernmental | - | - | - | - | 617,007 | 2,000,000 | - |
| Other | 39,371 | - | - | 177,304 | - | 4,818,710 | - |
| Total revenues | 2,825,586 | 47,014 | 39,965 | 197,554 | 713,030 | 16,017,167 | 62,798 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 729,411 | - | - | - | - | 2,489,910 | - |
| Administrative services | - | - | 24,773 | - | - | 870,790 | 56 |
| Public safety - Police | - | - | - | 108,967 | - | - | - |
| Public safety - Dispatch | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - |
| Environmental and neighborhood services | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | 2,205,000 | - |
| Interest and other charges | - | - | - | - | - | 1,743,231 | - |
| Capital outlay | 14,197 | - | - | 14,100 | - | 111,134 | - |
| Total expenditures | 743,608 | - | 24,773 | 123,067 | - | 7,420,065 | 56 |
| Excess (deficiency) of revenues over (under) expenditures | 2,081,978 | 47,014 | 15,192 | 74,487 | 713,030 | 8,597,102 | 62,742 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | 79,430 |
| Transfers out | (1,344,078) | - | - | - | - | (50,000) | (146,969) |
| Total other financing sources (uses) | (1,344,078) | - | - | - | - | (50,000) | (67,539) |
| Net change in fund balances | 737,900 | 47,014 | 15,192 | 74,487 | 713,030 | 8,547,102 | (4,797) |
| Fund balances, beginning of year | 1,723,220 | 9,619 | 30,858 | 379,102 | 2,201,821 | 16,427,212 | 60,768 |
| FUND BALANCES, END OF YEAR | \$ 2,461,120 | \$ 56,633 | \$ 46,050 | \$ 453,589 | \$ 2,914,851 | \$ 24,974,314 | \$ 55,971 |

| Truancy Prevention Fund | Jury Services | Animal Shelter Donations | Public Education and Government Fund | American Rescue Plan Act Fund | Public Arts | Opioid Litigation | Total Nonmajor Governmental Funds |
|-------------------------------|---------------|-----------------------------|---|-------------------------------------|-------------|----------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,405,963 |
| - | - | - | 156,599 | - | - | - | 2,936,108 |
| 44,178 | 904 | - | - | - | - | - | 128,894 |
| 4,494 | 90 | 6,514 | 13,473 | - | 6,935 | 2,317 | 1,015,261 |
| - | - | - | - | 3,815,665 | - | - | 6,432,672 |
| - | - | 34,787 | 37,080 | - | 250,000 | 100,945 | 5,458,197 |
| 48,672 | 994 | 41,301 | 207,152 | 3,815,665 | 256,935 | 103,262 | 24,377,095 |
| - | - | - | 169,908 | 77,451 | 15,536 | - | 3,482,216 |
| - | - | - | - | 49,830 | - | - | 945,449 |
| - | - | - | - | 549,535 | - | - | 658,502 |
| - | - | - | - | 169,062 | - | - | 169,062 |
| - | - | - | - | 1,951,895 | - | - | 1,951,895 |
| - | - | 10,404 | - | 220,014 | - | - | 230,418 |
| - | - | - | - | - | - | - | 2,205,000 |
| - | - | - | - | - | - | - | 1,743,231 |
| - | - | - | 43,046 | 797,878 | 217,752 | - | 1,198,107 |
| - | - | 10,404 | 212,954 | 3,815,665 | 233,288 | - | 12,583,880 |
| 48,672 | 994 | 30,897 | (5,802) | - | 23,647 | 103,262 | 11,793,215 |
| - | - | - | 203,638 | - | 226,837 | - | 509,905 |
| - | - | - | - | - | - | - | (1,541,047) |
| - | - | - | 203,638 | - | 226,837 | - | (1,031,142) |
| 48,672 | 994 | 30,897 | 197,836 | - | 250,484 | 103,262 | 10,762,073 |
| 82,533 | 1,650 | 143,092 | 185,145 | - | - | - | 21,245,020 |
| \$ 131,205 | \$ 2,644 | \$ 173,989 | \$ 382,981 | \$ - | \$ 250,484 | \$ 103,262 | \$ 32,007,093 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Major Fund – Debt Service Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-------------------------|----------------------|---|---------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Property taxes | \$ 26,127,607 | \$ 25,993,573 | \$ (134,034) | \$ 22,076,936 |
| Investment earnings | 390,000 | 520,005 | 130,005 | 27,738 |
| Other | 2,226,195 | 2,091,247 | (134,948) | 2,153,487 |
| Total revenues | 28,743,802 | 28,604,825 | (138,977) | 24,258,161 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services | 2,079,895 | 1,975,312 | 104,583 | 1,684,235 |
| Debt service: | | | | |
| Principal | 20,578,194 | 20,578,194 | - | 18,909,359 |
| Interest and other charges | 8,675,979 | 8,667,960 | 8,019 | 8,016,891 |
| Bond issuance costs | 42,500 | 21,425 | 21,075 | 37,675 |
| Total expenditures | 31,376,568 | 31,242,891 | 133,677 | 28,648,160 |
| Excess (deficiency) of revenues over expenditures | (2,632,766) | (2,638,066) | (5,300) | (4,389,999) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Premium on debt issued | 19,095 | 19,095 | - | 8,074 |
| Transfers in | 5,677,871 | 5,677,871 | - | 5,737,014 |
| Transfers out | (242,776) | (242,776) | - | (148,217) |
| Total other financing sources (uses) | 5,454,190 | 5,454,190 | - | 5,596,871 |
| Net change in fund balance | 2,821,424 | 2,816,124 | (5,300) | 1,206,872 |
| Fund balance, beginning of year | 8,194,949 | 8,194,949 | - | 6,988,077 |
| FUND BALANCE, END OF YEAR | \$ 11,016,373 | \$ 11,011,073 | \$ (5,300) | \$ 8,194,949 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Tourism Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-------------------------|---------------------|---|---------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Franchise and other taxes | \$ 2,718,970 | \$ 2,720,295 | \$ 1,325 | \$ 2,283,832 |
| Investment earnings | 50,000 | 65,920 | 15,920 | 1,199 |
| Other | 36,000 | 39,371 | 3,371 | 29,031 |
| Total revenues | 2,804,970 | 2,825,586 | 20,616 | 2,314,062 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 782,414 | 729,411 | 53,003 | 519,873 |
| Capital outlay | 15,238 | 14,197 | 1,041 | - |
| Total expenditures | 797,652 | 743,608 | 54,044 | 519,873 |
| Excess (deficiency) of revenues over expenditures | 2,007,318 | 2,081,978 | 74,660 | 1,794,189 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,344,078) | (1,344,078) | - | (1,342,343) |
| Total other financing sources (uses) | (1,344,078) | (1,344,078) | - | (1,342,343) |
| Net change in fund balance | 663,240 | 737,900 | 74,660 | 451,846 |
| Fund balance, beginning of year | 1,723,220 | 1,723,220 | - | 1,271,374 |
| FUND BALANCE, END OF YEAR | \$ 2,386,460 | \$ 2,461,120 | \$ 74,660 | \$ 1,723,220 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Court Security Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|------------------|---|-----------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 32,448 | \$ 45,512 | \$ 13,064 | \$ 36,900 |
| Investment earnings | 1,000 | 1,502 | 502 | 53 |
| Total revenues | 33,448 | 47,014 | 13,566 | 36,953 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services | - | - | - | 28,188 |
| Total expenditures | - | - | - | 28,188 |
| Net change in fund balance | 33,448 | 47,014 | 13,566 | 8,765 |
| Fund balance, beginning of year | 9,619 | 9,619 | - | 854 |
| FUND BALANCE, END OF YEAR | \$ 43,067 | \$ 56,633 | \$ 13,566 | \$ 9,619 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Court Technology Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 26,488 | \$ 38,300 | \$ 11,812 | \$ 31,634 |
| Investment earnings | 1,000 | 1,665 | 665 | 198 |
| Total revenues | 27,488 | 39,965 | 12,477 | 31,832 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services | 35,295 | 24,773 | 10,522 | 23,590 |
| Total expenditures | 35,295 | 24,773 | 10,522 | 23,590 |
| Net change in fund balance | (7,807) | 15,192 | 22,999 | 8,242 |
| Fund balance, beginning of year | 30,858 | 30,858 | - | 22,616 |
| FUND BALANCE, END OF YEAR | \$ 23,051 | \$ 46,050 | \$ 22,999 | \$ 30,858 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Law Enforcement Grant Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|-------------------|---|-------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 14,000 | \$ 20,250 | \$ 6,250 | \$ 2,465 |
| Other | 172,611 | 177,304 | 4,693 | 232,633 |
| Total revenues | 186,611 | 197,554 | 10,943 | 235,098 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety - Police | 149,219 | 108,967 | 40,252 | 23,996 |
| Capital outlay | 37,781 | 14,100 | 23,681 | 4,800 |
| Total expenditures | 187,000 | 123,067 | 63,933 | 28,796 |
| Net change in fund balance | (389) | 74,487 | 74,876 | 206,302 |
| Fund balance, beginning of year | 379,102 | 379,102 | - | 172,800 |
| FUND BALANCE, END OF YEAR | \$ 378,713 | \$ 453,589 | \$ 74,876 | \$ 379,102 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Debt Reduction Funds

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|---------------------|---|---------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 50,000 | \$ 96,023 | \$ 46,023 | \$ (33,668) |
| Intergovernmental | 494,000 | 617,007 | 123,007 | 450,980 |
| Total revenues | 544,000 | 713,030 | 169,030 | 417,312 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | 544,000 | 713,030 | 169,030 | 417,312 |
| Fund balance, beginning of year | 2,201,821 | 2,201,821 | - | 1,784,509 |
| FUND BALANCE, END OF YEAR | \$ 2,745,821 | \$ 2,914,851 | \$ 169,030 | \$ 2,201,821 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Sugar Land Development Corporation Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-------------------------|----------------------|---|----------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Sales tax | \$ 8,317,841 | \$ 8,405,963 | \$ 88,122 | \$ 8,041,822 |
| Investment earnings | 400,000 | 792,494 | 392,494 | (173,912) |
| Intergovernmental | 2,000,000 | 2,000,000 | - | 1,300,000 |
| Other | 4,818,710 | 4,818,710 | - | - |
| Total revenues | 15,536,551 | 16,017,167 | 480,616 | 9,167,910 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,823,343 | 2,489,910 | 1,333,433 | 1,111,596 |
| Administrative services | 831,398 | 870,790 | (39,392) | 676,176 |
| Debt service: | | | | |
| Principal | 2,205,000 | 2,205,000 | - | 2,140,000 |
| Interest and other charges | 1,744,032 | 1,743,231 | 801 | 1,798,582 |
| Bond issuance costs | - | - | - | 165,703 |
| Capital outlay | 1,437,297 | 111,134 | 1,326,163 | 122,622 |
| Total expenditures | 10,041,070 | 7,420,065 | 2,621,005 | 6,014,679 |
| Excess (deficiency) of revenues over expenditures | 5,495,481 | 8,597,102 | 3,101,621 | 3,153,231 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding bonds issued | - | - | - | 4,880,000 |
| Premium on debt issued | - | - | - | 670,296 |
| Payment to refunded bond escrow agent | - | - | - | (5,461,722) |
| Transfers out | (50,000) | (50,000) | - | (50,000) |
| Total other financing sources (uses) | (50,000) | (50,000) | - | 38,574 |
| Net change in fund balance | 5,445,481 | 8,547,102 | 3,101,621 | 3,191,805 |
| Fund balance, beginning of year | 16,427,212 | 16,427,212 | - | 13,235,407 |
| FUND BALANCE, END OF YEAR | \$ 21,872,693 | \$ 24,974,314 | \$ 3,101,621 | \$ 16,427,212 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Enclave at River Park PID

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|------------------|------------------|------------------------------------|------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Franchise and other taxes | \$ 58,753 | \$ 59,214 | \$ 461 | \$ 65,892 |
| Investment earnings | 2,000 | 3,584 | 1,584 | 551 |
| Total revenues | 60,753 | 62,798 | 2,045 | 66,443 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services | 60 | 56 | 4 | 50 |
| Total expenditures | 60 | 56 | 4 | 50 |
| Excess (deficiency) of revenues over expenditures | 60,693 | 62,742 | 2,049 | 66,393 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 79,430 | 79,430 | - | 85,430 |
| Transfers out | (146,969) | (146,969) | - | (156,494) |
| Total other financing sources (uses) | (67,539) | (67,539) | - | (71,064) |
| Net change in fund balance | (6,846) | (4,797) | 2,049 | (4,671) |
| Fund balance, beginning of year | 60,768 | 60,768 | - | 65,439 |
| FUND BALANCE, END OF YEAR | \$ 53,922 | \$ 55,971 | \$ 2,049 | \$ 60,768 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Truancy Prevention Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|-------------------|---|------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 42,234 | \$ 44,178 | \$ 1,944 | \$ 34,663 |
| Investment earnings | 2,500 | 4,494 | 1,994 | 513 |
| Total revenues | 44,734 | 48,672 | 3,938 | 35,176 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | 44,734 | 48,672 | 3,938 | 35,176 |
| Fund balance, beginning of year | 82,533 | 82,533 | - | 47,357 |
| FUND BALANCE, END OF YEAR | \$ 127,267 | \$ 131,205 | \$ 3,938 | \$ 82,533 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Jury Services Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|-----------------|---|-----------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 1,000 | \$ 904 | \$ (96) | \$ 693 |
| Investment earnings | 50 | 90 | 40 | 10 |
| Total revenues | 1,050 | 994 | (56) | 703 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | 1,050 | 994 | (56) | 703 |
| Fund balance, beginning of year | 1,650 | 1,650 | - | 947 |
| FUND BALANCE, END OF YEAR | \$ 2,700 | \$ 2,644 | \$ (56) | \$ 1,650 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Animal Shelter Donations

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-------------------|-------------------|------------------------------------|-------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 5,000 | \$ 6,514 | \$ 1,514 | \$ 501 |
| Other | 34,000 | 34,787 | 787 | 14,745 |
| Total revenues | 39,000 | 41,301 | 2,301 | 15,246 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Environmental and neighborhood services | 31,125 | 10,404 | 20,721 | 7,383 |
| Capital outlay | - | - | - | 11,465 |
| Total expenditures | 31,125 | 10,404 | 20,721 | 18,848 |
| Excess (deficiency) of revenues over expenditures | 7,875 | 30,897 | 23,022 | (3,602) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | 84,114 |
| Total other financing sources (uses) | - | - | - | 84,114 |
| Net change in fund balance | 7,875 | 30,897 | 23,022 | 80,512 |
| Fund balance, beginning of year | 143,092 | 143,092 | - | 62,580 |
| FUND BALANCE, END OF YEAR | \$ 150,967 | \$ 173,989 | \$ 23,022 | \$ 143,092 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Public Education and Government Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-------------------------|-------------------|---|-------------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Franchise and other taxes | \$ 170,000 | \$ 156,599 | \$ (13,401) | \$ 178,389 |
| Investment earnings | 7,000 | 13,473 | 6,473 | 954 |
| Other | 37,080 | 37,080 | - | - |
| Total revenues | 214,080 | 207,152 | (6,928) | 179,343 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 377,144 | 169,908 | 207,236 | 84,715 |
| Capital outlay | 218,719 | 43,046 | 175,673 | 27,706 |
| Total expenditures | 595,863 | 212,954 | 382,909 | 112,421 |
| Excess (deficiency) of revenues over expenditures | (381,783) | (5,802) | 375,981 | 66,922 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 203,638 | 203,638 | - | - |
| Total other financing sources (uses) | 203,638 | 203,638 | - | - |
| Net change in fund balance | (178,145) | 197,836 | 375,981 | 66,922 |
| Fund balance, beginning of year | 185,145 | 185,145 | - | 118,223 |
| FUND BALANCE, END OF YEAR | \$ 7,000 | \$ 382,981 | \$ 375,981 | \$ 185,145 |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – American Rescue Plan Act (ARPA) Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|---|-------------------------|---------------|---|-------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 250,000 | \$ - | \$ (250,000) | \$ - |
| Intergovernmental | - | 3,815,665 | 3,815,665 | - |
| Total revenues | 250,000 | 3,815,665 | 3,565,665 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 703,953 | 77,451 | 626,502 | - |
| Administrative services | 52,283 | 49,830 | 2,453 | - |
| Public safety - Police | 722,108 | 549,535 | 172,573 | - |
| Public safety - Dispatch | 170,000 | 169,062 | 938 | - |
| Public works | 3,199,350 | 1,951,895 | 1,247,455 | - |
| Environmental and neighborhood services | 2,000,000 | 220,014 | 1,779,986 | - |
| Capital outlay | 3,919,698 | 797,878 | 3,121,820 | - |
| Total expenditures | 10,767,392 | 3,815,665 | 6,951,727 | - |
| Net change in fund balance | (10,517,392) | - | 10,517,392 | - |
| Fund balance, beginning of year | - | - | - | - |
| FUND BALANCE, END OF YEAR | \$ (10,517,392) | \$ - | \$ 10,517,392 | \$ - |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

Nonmajor Special Revenue Fund – Public Arts Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|--|-----------------|-------------------|------------------------------------|-------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 4,000 | \$ 6,935 | \$ 2,935 | \$ - |
| Other | 250,000 | 250,000 | - | - |
| Total revenues | 254,000 | 256,935 | 2,935 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 169,880 | 15,536 | 154,344 | - |
| Capital outlay | 1,028,255 | 217,752 | 810,503 | - |
| Total expenditures | 1,198,135 | 233,288 | 964,847 | - |
| Excess (deficiency) of revenues over expenditures | (944,135) | 23,647 | 967,782 | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 948,135 | 226,837 | (721,298) | - |
| Total other financing sources (uses) | 948,135 | 226,837 | (721,298) | - |
| Net change in fund balance | 4,000 | 250,484 | 246,484 | - |
| Fund balance, beginning of year | - | - | - | - |
| FUND BALANCE, END OF YEAR | \$ 4,000 | \$ 250,484 | \$ 246,484 | \$ - |

City of Sugar Land, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Budget and Actual

Nonmajor Special Revenue Fund – Opioid Litigation Fund

For the Fiscal Year Ended September 30, 2023

With Comparative Actual Totals for the Year Ended September 30, 2022

| | 2023 | | | 2022 |
|----------------------------------|-------------------------|-------------------|---|-------------|
| | Budget Final | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Investment earnings | \$ 120 | \$ 2,317 | \$ 2,197 | \$ - |
| Other | 100,945 | 100,945 | - | - |
| Total revenues | 101,065 | 103,262 | 2,197 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | 101,065 | 103,262 | 2,197 | - |
| Fund balance, beginning of year | - | - | - | - |
| FUND BALANCE, END OF YEAR | \$ 101,065 | \$ 103,262 | \$ 2,197 | \$ - |

City of Sugar Land, Texas

Nonmajor Enterprise Funds

September 30, 2023

NONMAJOR ENTERPRISE FUNDS

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

The **Stormwater Fund** is used to account for stormwater compliance activities and drainage related maintenance and operations previously funded in the General Fund. This fund is supported through a Storm Water Compliance Fee charged to residents, businesses, and establishments considered non-exempt by law or ordinance to this fee.

City of Sugar Land, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2023

| | Solid Waste Fund | Stormwater Fund | Total Nonmajor Enterprise Funds |
|--|-----------------------------|----------------------------|--|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ - | \$ 383,168 | \$ 383,168 |
| Receivables, net of allowance for uncollectibles | 1,300,306 | 230,451 | 1,530,757 |
| Prepaid items | - | 22,720 | 22,720 |
| Total current assets | 1,300,306 | 636,339 | 1,936,645 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Capital assets being depreciated | 14,820 | 174,461 | 189,281 |
| Total noncurrent assets | 14,820 | 174,461 | 189,281 |
| Total assets | 1,315,126 | 810,800 | 2,125,926 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows relating to pension activities | 89,411 | 119,214 | 208,625 |
| Deferred outflows relating to OPEB activities | 4,105 | 5,474 | 9,579 |
| Total deferred outflows of resources | 93,516 | 124,688 | 218,204 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 254,543 | 214,983 | 469,526 |
| Noncurrent liabilities due within one year | 7,068 | 10,026 | 17,094 |
| Total current liabilities | 261,611 | 225,009 | 486,620 |
| Noncurrent liabilities: | | | |
| Due in more than one year | 7,403 | - | 7,403 |
| Net pension liability | 142,187 | 189,583 | 331,770 |
| Total OPEB liability | 23,627 | 31,503 | 55,130 |
| Total noncurrent liabilities | 173,217 | 221,086 | 394,303 |
| Total liabilities | 434,828 | 446,095 | 880,923 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows relating to pension activities | 1,845 | 2,460 | 4,305 |
| Deferred inflows relating to OPEB activities | 5,951 | 7,935 | 13,886 |
| Total deferred inflows of resources | 7,796 | 10,395 | 18,191 |
| NET POSITION | | | |
| Investment in capital assets | 14,820 | 174,461 | 189,281 |
| Unrestricted | 951,198 | 304,537 | 1,255,735 |
| TOTAL NET POSITION | \$ 966,018 | \$ 478,998 | \$ 1,445,016 |

City of Sugar Land, Texas

Combining Statement of Revenues, Expenses, and Changes
in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2023

| | Solid Waste Fund | Stormwater Fund | Total Nonmajor Enterprise Funds |
|---|-----------------------------|----------------------------|--|
| OPERATING REVENUES | | | |
| Charges for services | \$ 9,809,546 | \$ 1,650,293 | \$ 11,459,839 |
| Total operating revenues | 9,809,546 | 1,650,293 | 11,459,839 |
| OPERATING EXPENSES | | | |
| Personnel services | 262,240 | 529,547 | 791,787 |
| Supplies and materials | 11,593 | 83,316 | 94,909 |
| Contractual services | 8,584,116 | 212,572 | 8,796,688 |
| Repairs and maintenance | 9,055 | 585,791 | 594,846 |
| Other expenses | 64,674 | 73,805 | 138,479 |
| Depreciation | 9,880 | 11,271 | 21,151 |
| Total operating expenses | 8,941,558 | 1,496,302 | 10,437,860 |
| Operating income (loss) | 867,988 | 153,991 | 1,021,979 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 11,113 | 7,986 | 19,099 |
| Miscellaneous revenue (expense) | 9,728 | - | 9,728 |
| Total nonoperating revenues (expenses) | 20,841 | 7,986 | 28,827 |
| Income (loss) before transfers | 888,829 | 161,977 | 1,050,806 |
| Transfers in | - | 317,021 | 317,021 |
| Transfers out | (300,000) | - | (300,000) |
| Change in net position | 588,829 | 478,998 | 1,067,827 |
| Net position, beginning of year | 377,189 | - | 377,189 |
| NET POSITION, END OF YEAR | \$ 966,018 | \$ 478,998 | \$ 1,445,016 |

City of Sugar Land, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2023

| | Solid Waste Fund | Stormwater Fund | Total Nonmajor Enterprise Funds |
|--|-----------------------------|----------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from interfund charges for services | \$ 9,679,536 | \$ 1,419,842 | \$ 11,099,378 |
| Other receipts | 9,728 | - | 9,728 |
| Disbursed for personnel services | (264,155) | (422,754) | (686,909) |
| Disbursed for goods and services | (9,166,040) | (753,195) | (9,919,235) |
| Net cash provided by operating activities | 259,069 | 243,893 | 502,962 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | - | 317,021 | 317,021 |
| Transfers to other funds | (300,000) | - | (300,000) |
| Net cash provided (used) by noncapital financing activities | (300,000) | 317,021 | 17,021 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | - | (185,732) | (185,732) |
| Net cash used by capital and related financing activities | - | (185,732) | (185,732) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 11,113 | 7,986 | 19,099 |
| Net cash provided by investing activities | 11,113 | 7,986 | 19,099 |
| Net increase (decrease) in cash and cash equivalents | (29,818) | 383,168 | 353,350 |
| Cash and cash equivalents, beginning balance | 29,818 | - | 29,818 |
| CASH AND CASH EQUIVALENTS, ENDING BALANCE | \$ - | \$ 383,168 | \$ 383,168 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | \$ 867,988 | \$ 153,991 | \$ 1,021,979 |
| Adjustments to reconcile operating income to cash provided by operating activities: | | | |
| Depreciation and amortization | 9,880 | 11,271 | 21,151 |
| Other receipts for nonoperating revenue | 9,728 | - | 9,728 |
| Changes in assets, liabilities and related deferrals: | | | |
| (Increase) decrease in assets and deferred outflows: | | | |
| Receivables, net of allowances | (130,010) | (230,451) | (360,461) |
| Prepaid items | 999 | (22,720) | (21,721) |
| Deferred outflows - net pension liability | (54,739) | (119,214) | (173,953) |
| Deferred outflows - OPEB | 1,673 | (5,474) | (3,801) |
| Increase (decrease) in liabilities and deferred inflows: | | | |
| Accounts payable and accrued expenses | (497,601) | 225,009 | (272,592) |
| Net pension liability | 129,176 | 189,583 | 318,759 |
| OPEB liability | (9,298) | 31,503 | 22,205 |
| Deferred inflows - net pension liability | (72,589) | 2,460 | (70,129) |
| Deferred inflows - OPEB | 3,862 | 7,935 | 11,797 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 259,069 | \$ 243,893 | \$ 502,962 |

City of Sugar Land, Texas

Internal Service Funds

September 30, 2023

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 Position
Internal Service Funds
September 30, 2023

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|--|-----------------------------------|---------------------------------------|--|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,189,407 | \$ 1,150,428 | \$ 1,530,558 | \$ 4,870,393 |
| Cash with fiscal agent | 703,000 | - | - | 703,000 |
| Investments | 1,230,105 | 724,348 | 486,132 | 2,440,585 |
| Receivables, net of allowance for uncollectibles | 34,214 | 23,493 | 13,991 | 71,698 |
| Prepaid items | 30,316 | - | - | 30,316 |
| | | | | |
| Total current assets | 4,187,042 | 1,898,269 | 2,030,681 | 8,115,992 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Capital assets being depreciated | - | 5,539,693 | 645,656 | 6,185,349 |
| | | | | |
| Total noncurrent assets | - | 5,539,693 | 645,656 | 6,185,349 |
| | | | | |
| Total assets | 4,187,042 | 7,437,962 | 2,676,337 | 14,301,341 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 140,673 | 12,304 | 93,505 | 246,482 |
| Claims and judgments | 552,415 | - | - | 552,415 |
| | | | | |
| Total current liabilities | 693,088 | 12,304 | 93,505 | 798,897 |
| | | | | |
| Total liabilities | 693,088 | 12,304 | 93,505 | 798,897 |
| NET POSITION | | | | |
| Investment in capital assets | - | 5,539,693 | 645,656 | 6,185,349 |
| Unrestricted | 3,493,954 | 1,885,965 | 1,937,176 | 7,317,095 |
| | | | | |
| TOTAL NET POSITION | \$ 3,493,954 | \$ 7,425,658 | \$ 2,582,832 | \$ 13,502,444 |

City of Sugar Land, Texas

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended September 30, 2023

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total Internal Service Funds |
|---|-----------------------------------|---------------------------------------|--|---|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 14,525,764 | \$ 1,157,068 | \$ 926,726 | \$ 16,609,558 |
| Total operating revenues | 14,525,764 | 1,157,068 | 926,726 | 16,609,558 |
| OPERATING EXPENSES | | | | |
| Personnel services | - | 57,716 | - | 57,716 |
| Supplies and materials | - | 429,884 | 395,460 | 825,344 |
| Contractual services | 51,370 | - | - | 51,370 |
| Repairs and maintenance | - | 12,365 | - | 12,365 |
| Insurance claims | 13,783,220 | - | - | 13,783,220 |
| Depreciation | - | 1,129,119 | 206,767 | 1,335,886 |
| Total operating expenses | 13,834,590 | 1,629,084 | 602,227 | 16,065,901 |
| Operating income (loss) | 691,174 | (472,016) | 324,499 | 543,657 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest and investment revenue | 112,630 | 125,712 | 79,738 | 318,080 |
| Gain (loss) on disposal of capital assets | - | 152,461 | 15,900 | 168,361 |
| Total nonoperating revenues (expenses) | 112,630 | 278,173 | 95,638 | 486,441 |
| Change in net position | 803,804 | (193,843) | 420,137 | 1,030,098 |
| Net position, beginning of year | 2,690,150 | 7,619,501 | 2,162,695 | 12,472,346 |
| NET POSITION, END OF YEAR | \$ 3,493,954 | \$ 7,425,658 | \$ 2,582,832 | \$ 13,502,444 |

City of Sugar Land, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2023

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total Internal Service Funds |
|---|-----------------------------------|---------------------------------------|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from interfund charges for services | \$ 14,497,876 | \$ 1,261,799 | \$ 916,723 | \$ 16,676,398 |
| Disbursed for personnel services | - | (57,716) | - | (57,716) |
| Disbursed for goods and services | (13,963,704) | (435,997) | (465,093) | (14,864,794) |
| Net cash provided by operating activities | 534,172 | 768,086 | 451,630 | 1,753,888 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | - | (2,291,629) | (447,953) | (2,739,582) |
| Proceeds from sale of capital assets | - | 173,360 | 15,900 | 189,260 |
| Net cash used by capital and related financing activities | - | (2,118,269) | (432,053) | (2,550,322) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Sales of investments, net | - | 999,999 | 752,001 | 1,752,000 |
| Interest received | 63,882 | 88,847 | 61,708 | 214,437 |
| Net cash provided by investing activities | 63,882 | 1,088,846 | 813,709 | 1,966,437 |
| Net increase (decrease) in cash and cash equivalents | 598,054 | (261,337) | 833,286 | 1,170,003 |
| Cash and cash equivalents, beginning balance | 2,294,353 | 1,411,765 | 697,272 | 4,403,390 |
| CASH AND CASH EQUIVALENTS, ENDING BALANCE | \$ 2,892,407 | \$ 1,150,428 | \$ 1,530,558 | \$ 5,573,393 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 691,174 | \$ (472,016) | \$ 324,499 | \$ 543,657 |
| Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | - | 1,129,119 | 206,767 | 1,335,886 |
| Changes in assets, liabilities and related deferrals: | | | | |
| (Increase) decrease in assets and deferred outflows: | | | | |
| Receivables, net of allowances | (27,888) | 104,731 | (10,003) | 66,840 |
| Prepaid items | 326 | - | - | 326 |
| Increase (decrease) in liabilities and deferred inflows: | | | | |
| Accounts payable | (95,965) | 6,252 | (69,633) | (159,346) |
| Claims and judgments | (33,475) | - | - | (33,475) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 534,172 | \$ 768,086 | \$ 451,630 | \$ 1,753,888 |

Discretely Presented Component Units Fund Based Financial Statements



City of Sugar Land, Texas
Discretely Presented Component Units
Balance Sheets – Governmental Funds
September 30, 2023

| | 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 cash equivalents | \$ 5,081,372 | \$ 173,307 | \$ 76,671 | \$ 7,510,791 | \$ 12,842,141 |
| Investments | 13,549,893 | - | - | - | 13,549,893 |
| Receivables, net of allowance for uncollectibles | 1,635,683 | 771 | 343 | 11,424 | 1,648,221 |
| Lease receivable | 1,465,783 | - | - | - | 1,465,783 |
| Prepaid items | 12,302 | - | - | - | 12,302 |
| Restricted cash and cash equivalents | 1,901,500 | - | - | - | 1,901,500 |
| TOTAL ASSETS | \$ 23,646,533 | \$ 174,078 | \$ 77,014 | \$ 7,522,215 | \$ 31,419,840 |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenditures | \$ 144,930 | \$ - | \$ 78,297 | \$ - | \$ 223,227 |
| Total liabilities | 144,930 | - | 78,297 | - | 223,227 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows relating to leases | 1,462,625 | - | - | - | 1,462,625 |
| Total deferred inflows of resources | 1,462,625 | - | - | - | 1,462,625 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 12,302 | - | - | - | 12,302 |
| Restricted for: | | | | | |
| Debt service | 1,901,500 | - | - | - | 1,901,500 |
| Economic development activities | 20,125,176 | 174,078 | - | 7,522,215 | 27,821,469 |
| Unassigned | - | - | (1,283) | - | (1,283) |
| Total fund balances | 22,038,978 | 174,078 | (1,283) | 7,522,215 | 29,733,988 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 23,646,533 | \$ 174,078 | \$ 77,014 | \$ 7,522,215 | \$ 31,419,840 |
| Reconciliation from fund balance to net position | | | | | |
| Fund balance | \$ 22,038,978 | \$ 174,078 | \$ (1,283) | \$ 7,522,215 | \$ 29,733,988 |
| Plus deferred outflows of resources | 56,020 | - | - | - | 56,020 |
| Less long-term liabilities | (20,882,292) | - | - | - | (20,882,292) |
| Less interest payable | (90,963) | - | - | - | (90,963) |
| NET POSITION | \$ 1,121,743 | \$ 174,078 | \$ (1,283) | \$ 7,522,215 | \$ 8,816,753 |

City of Sugar Land, Texas

Discretely Presented Component Units
 Statements of Revenues, Expenditures, and
 Changes in Fund Balances – Governmental Funds
 For the Fiscal Year Ended September 30, 2023

| | 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 | | | | | |
| Property taxes | \$ - | \$ 2,521,084 | \$ 1,569,421 | \$ 1,290,520 | \$ 5,381,025 |
| Sales tax | 8,405,963 | - | - | - | 8,405,963 |
| Investment earnings | 778,339 | 37,830 | 1,395 | 313,027 | 1,130,591 |
| Intergovernmental | 145,008 | - | - | - | 145,008 |
| Other | 7,923,806 | - | - | - | 7,923,806 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 17,253,116 | 2,558,914 | 1,570,816 | 1,603,547 | 22,986,393 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,976,182 | 2,511,562 | 1,594,927 | 120,760 | 7,203,431 |
| Debt service: | | | | | |
| Principal | 1,260,000 | - | - | - | 1,260,000 |
| Interest and other charges | 753,650 | - | - | - | 753,650 |
| Capital outlay | 4,162,473 | - | - | - | 4,162,473 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 9,152,305 | 2,511,562 | 1,594,927 | 120,760 | 13,379,554 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (deficiency) of revenues over (under) expenditures | 8,100,811 | 47,352 | (24,111) | 1,482,787 | 9,606,839 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net change in fund balances | 8,100,811 | 47,352 | (24,111) | 1,482,787 | 9,606,839 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balances, beginning of year | 13,938,167 | 126,726 | 22,828 | 6,039,428 | 20,127,149 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES, END OF YEAR | \$ 22,038,978 | \$ 174,078 | \$ (1,283) | \$ 7,522,215 | \$ 29,733,988 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Reconciliation from changes in fund balance to changes in net position | | | | | |
| Change in fund balance | \$ 8,100,811 | \$ 47,352 | \$ (24,111) | \$ 1,482,787 | \$ 9,606,839 |
| Add principal payments | 1,260,000 | - | - | - | 1,260,000 |
| Add other changes in long-term assets and liabilities | 147,557 | - | - | - | 147,557 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| CHANGES IN NET POSITION | \$ 9,508,368 | \$ 47,352 | \$ (24,111) | \$ 1,482,787 | \$ 11,014,396 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Statistical Section



Statistical Section
(Unaudited)

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

| | <u>Page</u> |
|--|-------------|
| Financial Trends – Schedules 1-4 | 132 |
| 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 – Schedules 5-9 | 142 |
| These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes. | |
| Debt Capacity – Schedules 10-13 | 151 |
| 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 – Schedules 14-15 | 157 |
| 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 – Schedules 16-18 | 160 |
| 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 Position by Component
Last Ten Fiscal Years
(Amounts in 000's – Accrual Basis of Accounting)

| | 2023 | 2022 | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|-------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Net investment in capital assets | \$ 373,732 | \$ 360,328 | \$ 360,769 | \$ 365,400 |
| Restricted | 42,074 | 28,212 | 22,705 | 21,241 |
| Unrestricted | 42,056 | 45,162 | 33,547 | 18,105 |
| TOTAL GOVERNMENTAL ACTIVITIES NET POSITION | \$ 457,862 | \$ 433,701 | \$ 417,021 | \$ 404,746 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Net investment in capital assets | \$ 220,712 | \$ 225,459 | \$ 226,097 | \$ 234,213 |
| Restricted | 8,239 | 9,705 | 8,391 | 9,003 |
| Unrestricted | 81,022 | 53,847 | 45,399 | 44,065 |
| TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION | \$ 309,973 | \$ 289,011 | \$ 279,887 | \$ 287,281 |
| PRIMARY GOVERNMENT | | | | |
| Net investment in capital assets | \$ 594,444 | \$ 585,787 | \$ 586,866 | \$ 599,613 |
| Restricted | 50,313 | 37,917 | 31,096 | 30,244 |
| Unrestricted | 123,078 | 99,009 | 78,946 | 62,170 |
| TOTAL PRIMARY GOVERNMENT NET POSITION | \$ 767,835 | \$ 722,712 | \$ 696,908 | \$ 692,027 |

* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts effective December 12, 2017.

Schedule 1

| <u>2019</u> | <u>2018*</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 359,391 | \$ 358,639 | \$ 340,298 | \$ 304,720 | \$ 268,582 | \$ 282,719 |
| 22,177 | 19,535 | 21,152 | 24,902 | 51,879 | 28,311 |
| 19,059 | 23,129 | 23,084 | 37,413 | 24,026 | 37,503 |
| <u>\$ 400,627</u> | <u>\$ 401,303</u> | <u>\$ 384,534</u> | <u>\$ 367,035</u> | <u>\$ 344,487</u> | <u>\$ 348,533</u> |
| | | | | | |
| \$ 237,564 | \$ 252,642 | \$ 228,369 | \$ 225,650 | \$ 224,544 | \$ 229,356 |
| 11,190 | 9,770 | 9,116 | 8,549 | 27,736 | 26,945 |
| 48,726 | 48,149 | 45,383 | 47,766 | 22,722 | 16,718 |
| <u>\$ 297,480</u> | <u>\$ 310,561</u> | <u>\$ 282,868</u> | <u>\$ 281,965</u> | <u>\$ 275,002</u> | <u>\$ 273,019</u> |
| | | | | | |
| \$ 596,955 | \$ 611,281 | \$ 568,667 | \$ 530,370 | \$ 493,126 | \$ 512,075 |
| 33,367 | 29,305 | 30,268 | 33,451 | 79,615 | 55,256 |
| 67,785 | 71,278 | 68,467 | 85,179 | 46,748 | 54,221 |
| <u>\$ 698,107</u> | <u>\$ 711,864</u> | <u>\$ 667,402</u> | <u>\$ 649,000</u> | <u>\$ 619,489</u> | <u>\$ 621,552</u> |

City of Sugar Land, Texas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| EXPENSES | | | | |
| Governmental activities: | | | | |
| General government | \$ 34,127,922 | \$ 26,787,184 | \$ 26,502,325 | \$ 21,662,768 |
| Administrative services | 7,128,798 | 5,228,139 | 5,683,094 | 7,277,456 |
| Public safety - Police | 29,553,021 | 22,868,120 | 22,060,087 | 26,657,068 |
| Public safety - Dispatch | 3,411,607 | 2,907,956 | 2,607,837 *** | - |
| Public safety - Fire | 20,850,555 | 16,080,691 | 16,700,504 | 17,330,279 |
| Public safety - EMS | - | - | - | - |
| Public works | 30,734,154 | 29,174,071 | 28,235,914 | 35,122,270 |
| Parks and recreation | 9,002,318 | 11,340,980 | 9,785,044 | 8,059,592 |
| Community development | 6,075,355 | 5,247,221 | 5,358,357 | 5,683,703 |
| Environmental and neighborhood services | 10,315,245 | 7,950,729 | 6,845,976 | 7,065,218 |
| Interest on long-term debt | 8,848,006 | 8,737,684 | 8,804,328 | 10,071,344 |
| | <u>160,046,981</u> | <u>136,322,775</u> | <u>132,583,466</u> | <u>138,929,698</u> |
| Business-type activities: | | | | |
| Utility | 62,481,285 | 57,453,880 | 56,673,831 | 58,197,111 |
| Regional airport | 24,305,701 | 24,397,948 | 16,831,368 | 14,288,142 |
| Solid waste and stormwater | 10,437,119 | 8,792,031 | 9,493,324 | 8,445,476 |
| | <u>97,224,105</u> | <u>90,643,859</u> | <u>82,998,523</u> | <u>80,930,729</u> |
| TOTAL EXPENSES | <u>\$ 257,271,086</u> | <u>\$ 226,966,634</u> | <u>\$ 215,581,989</u> | <u>\$ 219,860,427</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Administrative services | 7,096,551 | 7,365,195 | 6,992,560 | 7,444,922 |
| Public safety - Fire | 4,904,508 | 3,576,812 | 3,434,502 | 3,144,902 |
| Public safety - EMS | - | - | - | - |
| Community development | 2,644,518 | 3,119,954 | 3,015,571 | 4,048,652 |
| Other | 2,148,865 | 1,522,630 | 731,394 | 695,229 |
| Operating grants and contributions | 7,727,684 | 5,930,810 | 9,275,496 | 2,920,226 |
| Capital grants and contributions | 7,577,969 | 1,807,269 | 1,729,294 | 10,132,207 |
| | <u>32,100,095</u> | <u>23,322,670</u> | <u>25,178,817</u> | <u>28,386,138</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Utility | 72,601,475 | 63,913,593 | 52,097,006 | 49,529,990 |
| Regional airport | 23,501,267 | 24,901,563 | 15,025,315 | 12,256,798 |
| Solid waste and stormwater | 11,459,839 | 9,228,068 | 9,081,812 | 8,871,017 |
| Operating grants and contributions | 50,000 | 198,000 | 231,379 | 174,204 |
| Capital grants and contributions | 6,068,449 | 4,189,805 | 3,040,386 | 2,991,345 |
| | <u>113,681,030</u> | <u>102,431,029</u> | <u>79,475,898</u> | <u>73,823,354</u> |
| TOTAL PROGRAM REVENUES | <u>\$ 145,781,125</u> | <u>\$ 125,753,699</u> | <u>\$ 104,654,715</u> | <u>\$ 102,209,492</u> |
| NET (EXPENSE)/REVENUE | | | | |
| Governmental activities | \$ (127,946,886) | \$ (113,000,105) | \$ (107,404,649) | \$ (110,543,560) |
| Business-type activities | 16,456,925 | 11,787,170 | (3,522,625) | (7,107,375) |
| TOTAL NET EXPENSE | <u>\$ (111,489,961)</u> | <u>\$ (101,212,935)</u> | <u>\$ (110,927,274)</u> | <u>\$ (117,650,935)</u> |

| 2019 | 2018** | 2017 | 2016 | 2015 | 2014 |
|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| \$ 23,018,595 | \$ 19,825,982 | \$ 23,393,933 | \$ 18,591,072 | \$ 12,886,353 | \$ 15,675,644 |
| 5,705,656 | 5,877,451 | 5,514,367 | 6,643,488 | 9,067,022 | 7,876,517 |
| 28,010,543 | 26,691,650 | 26,137,845 | 22,979,425 | 21,128,023 | 19,541,680 |
| - | - | - | - | - | - |
| 15,098,092 | 14,516,604 | 14,196,831 | 14,195,523 | 13,164,239 | 12,045,062 |
| 2,137,263 | 2,109,566 | 1,803,131 | 1,722,037 | 1,916,547 | - |
| 32,541,073 | 37,700,186 | 27,074,624 | 22,827,677 | 30,122,770 | 24,894,769 |
| 9,471,888 | 10,891,960 | 7,870,047 | 6,215,405 | 8,286,024 | 7,916,451 |
| 7,597,307 | 5,570,870 | 5,563,555 | 5,484,522 | 5,672,387 | 5,188,471 |
| 6,873,883 | 6,138,127 | 6,064,691 | 5,902,886 | - | - |
| 10,233,207 | 9,810,360 | 9,393,095 | 9,778,640 | 10,243,695 | 5,910,083 |
| 140,687,507 | 139,132,756 | 127,012,119 | 114,340,675 | 112,487,060 | 99,048,677 |
| 57,533,727 | 59,854,392 | 46,153,991 | 46,517,275 | 44,002,542 | 34,946,846 |
| 16,934,859 | 16,239,202 | 14,345,583 | 12,485,217 | 14,335,885 | 16,828,870 |
| 8,200,994 | 7,980,124 | 6,196,978 | 5,926,813 | 5,625,859 | 5,147,195 |
| 82,669,580 | 84,073,718 | 66,696,552 | 64,929,305 | 63,964,286 | 56,922,911 |
| \$ 223,357,087 | \$ 223,206,474 | \$ 193,708,671 | \$ 179,269,980 | \$ 176,451,346 | \$ 155,971,588 |
| 8,933,444 | 7,532,287 | 6,598,604 | 8,522,761 | 6,906,002 | 2,678,310 |
| 1,065,013 | 1,390,232 | 3,139,758 | 2,833,491 | 2,369,089 | 2,233,714 |
| 1,864,409 | 1,634,675 | 1,426,438 | 1,132,847 | 459,223 | - |
| 3,589,181 | 3,388,539 | 3,061,505 | 3,242,529 | 3,494,806 | 3,033,205 |
| 3,431,576 | 5,211,165 | 3,830,309 | 4,164,196 | 4,967,637 | 4,766,369 |
| 2,438,000 | 2,215,263 | 1,824,906 | 1,740,054 | 2,831,268 | 936,559 |
| 4,621,744 | 15,378,644 | 29,996,719 | 19,053,728 | 11,071,624 | 9,004,691 |
| 25,943,367 | 36,750,805 | 49,878,239 | 40,689,606 | 32,099,649 | 22,652,848 |
| 45,314,713 | 50,529,248 | 42,458,489 | 46,140,497 | 43,037,218 | 44,302,320 |
| 15,351,003 | 15,449,972 | 13,539,743 | 11,830,391 | 13,747,794 | 16,939,277 |
| 8,620,756 | 7,974,887 | 6,475,296 | 5,950,568 | 5,770,866 | 5,030,491 |
| 58,221 | 195,438 | 50,000 | 50,000 | 131,567 | 73,199 |
| 3,221,729 | 11,538,729 | 6,675,068 | 9,417,603 | 3,020,185 | 6,641,939 |
| 72,566,422 | 85,688,274 | 69,198,596 | 73,389,059 | 65,707,630 | 72,987,226 |
| \$ 98,509,789 | \$ 122,439,079 | \$ 119,076,835 | \$ 114,078,665 | \$ 97,807,279 | \$ 95,640,074 |
| \$ (114,744,140) | \$ (102,381,951) | \$ (77,133,880) | \$ (73,651,069) | \$ (80,387,411) | \$ (76,395,829) |
| (10,103,158) | 1,614,556 | 2,502,044 | 8,459,754 | 1,743,344 | 16,064,315 |
| \$ (124,847,298) | \$ (100,767,395) | \$ (74,631,836) | \$ (65,191,315) | \$ (78,644,067) | \$ (60,331,514) |

City of Sugar Land, Texas
Changes in Net Position - Continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 62,087,727 | \$ 55,957,225 | \$ 53,377,354 | \$ 52,129,954 |
| Sales tax | 58,841,739 | 56,292,755 | 49,209,137 | 44,465,725 |
| Franchise and other taxes | 9,143,214 | 8,702,875 | 7,865,705 | 7,957,981 |
| Investment earnings | 9,220,391 | (559,598) | 29,881 | 1,472,845 |
| Miscellaneous | 9,195,248 | 5,089,419 | 3,279,916 | 2,628,940 |
| Transfers | 3,619,988 | 4,197,437 | 5,917,384 | 6,007,096 |
| Total governmental activities | <u>152,108,307</u> | <u>129,680,113</u> | <u>119,679,377</u> | <u>114,662,541</u> |
| Business-type activities: | | | | |
| Investment earnings | 6,074,101 | (713,158) | 83,551 | 1,001,393 |
| Miscellaneous | 2,051,298 | 2,246,816 | 1,963,079 | 1,913,729 |
| Transfers | (3,619,988) | (4,197,437) | (5,917,384) | (6,007,096) |
| Extraordinary item | - | - | - | - |
| Total business-type activities | <u>4,505,411</u> | <u>(2,663,779)</u> | <u>(3,870,754)</u> | <u>(3,091,974)</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 156,613,718</u> | <u>\$ 127,016,334</u> | <u>\$ 115,808,623</u> | <u>\$ 111,570,567</u> |
| CHANGE IN NET POSITION | | | | |
| Governmental activities | \$ 24,161,421 | \$ 16,680,008 | \$ 12,274,728 | \$ 4,118,981 |
| Business-type activities | <u>20,962,336</u> | <u>9,123,391</u> | <u>(7,393,379)</u> | <u>(10,199,349)</u> |
| TOTAL NET REVENUE (EXPENSE) | <u>\$ 45,123,757</u> | <u>\$ 25,803,399</u> | <u>\$ 4,881,349</u> | <u>\$ (6,080,368)</u> |

* Starting in fiscal year 2020, Public safety - EMS is combined with Public safety - Fire.

** In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts (MUDs) effective December 12, 2017. Operations for this fiscal year include the activity from the MUDs from the beginning of the fiscal year to the date of the annexation.

*** Starting in fiscal year 2021, Public safety - Dispatch is separated from Public safety - Police.

| 2019 | 2018** | 2017 | 2016 | 2015 | 2014 |
|------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 49,988,676 | \$ 44,092,389 | \$ 39,052,391 | \$ 37,227,640 | \$ 34,205,770 | \$ 31,367,793 |
| 47,580,665 | 47,038,175 | 41,330,120 | 45,967,293 | 45,320,979 | 43,453,673 |
| 8,925,196 | 9,196,843 | 8,535,339 | 8,231,034 | 8,398,820 | 8,373,935 |
| 2,616,889 | 1,106,332 | 826,905 | 1,089,499 | 1,062,965 | 240,913 |
| (1,222,389) | 2,642,416 | 2,645,117 | 1,507,896 | 1,297,768 | 1,393,438 |
| 6,179,094 | 3,093,659 | 2,243,212 | 2,176,006 | (1,300,673) | 7,161,781 |
| 114,068,131 | 107,169,814 | 94,633,084 | 96,199,368 | 88,985,629 | 91,991,533 |
| 2,331,002 | 1,077,401 | 561,113 | 599,435 | 531,396 | 117,683 |
| 869,998 | 44,386 | 83,106 | 79,707 | 59,565 | 580,735 |
| (6,179,094) | (3,093,659) | (2,243,212) | (2,176,006) | 1,300,673 | (7,161,781) |
| - | (2,410,372) | - | - | - | - |
| (2,978,094) | (4,382,244) | (1,598,993) | (1,496,864) | 1,891,634 | (6,463,363) |
| <u>\$ 111,090,037</u> | <u>\$ 102,787,570</u> | <u>\$ 93,034,091</u> | <u>\$ 94,702,504</u> | <u>\$ 90,877,263</u> | <u>\$ 85,528,170</u> |
| \$ (676,009) | \$ 4,787,863 | \$ 17,499,204 | \$ 22,548,299 | \$ 8,598,218 | \$ 15,595,704 |
| (13,081,252) | (2,767,688) | 903,051 | 6,962,890 | 3,634,978 | 9,600,952 |
| <u>\$ (13,757,261)</u> | <u>\$ 2,020,175</u> | <u>\$ 18,402,255</u> | <u>\$ 29,511,189</u> | <u>\$ 12,233,196</u> | <u>\$ 25,196,656</u> |

City of Sugar Land, Texas

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| GENERAL FUND | | | | |
| Nonspendable: | | | | |
| Inventories | \$ 204,360 | \$ 233,029 | \$ 218,125 | \$ 224,914 |
| Prepaid items | 73,485 | 58,486 | 38,014 | 35,153 |
| Committed | 1,770,816 | 778,023 | 199,543 | 582,853 |
| Assigned | 597,187 | 1,128,922 | 450,554 | 307,804 |
| Unassigned | <u>55,190,662</u> | <u>54,188,706</u> | <u>48,153,148</u> | <u>38,515,913</u> |
| Total general fund | 57,836,510 | 56,387,166 | 49,059,384 | 39,666,637 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | |
| Nonspendable: | | | | |
| Inventories | 7,483 | 8,746 | 9,875 | 8,403 |
| Prepaid items | 19,143 | 4,600 | 3,269 | 2,740 |
| Restricted: | | | | |
| General government | 382,981 | 185,145 | 118,223 | - |
| Debt service funds | 17,608,896 | 14,217,296 | 12,714,894 | 13,353,725 |
| Capital projects funds | 107,880,210 | 79,117,839 | 51,385,052 | 34,341,116 |
| Economic development activities | 21,582,722 | 12,662,854 | 9,355,269 | 7,006,144 |
| Public safety | 793,383 | 503,762 | 244,574 | 598,607 |
| Tourism and marketing | 2,452,369 | 1,714,474 | 1,261,499 | 1,513,830 |
| Environmental and neighborhood services | 171,189 | 143,092 | 62,580 | - |
| Committed | - | - | - | - |
| Assigned | 5,024,721 | 4,713,494 | 3,807,715 | 3,822,042 |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>155,923,097</u> | <u>113,271,302</u> | <u>78,962,950</u> | <u>60,646,607</u> |
| TOTAL GOVERNMENTAL FUNDS | <u>\$ 213,759,607</u> | <u>\$ 169,658,468</u> | <u>\$ 128,022,334</u> | <u>\$ 100,313,244</u> |

Schedule 3

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| \$ 250,126 | \$ 217,019 | \$ 211,199 | \$ 195,050 | \$ 204,263 | \$ 217,124 |
| 77,771 | 54,161 | 255,751 | 27,701 | 18,328 | 25,655 |
| 749,136 | 341,202 | 376,995 | 411,849 | 146,728 | 3,091,704 |
| 314,423 | 409,335 | 272,224 | 332,452 | 339,946 | 385,205 |
| <u>38,910,023</u> | <u>34,043,167</u> | <u>27,980,279</u> | <u>27,575,295</u> | <u>28,085,267</u> | <u>24,544,824</u> |
| 40,301,479 | 35,064,884 | 29,096,448 | 28,542,347 | 28,794,532 | 28,264,512 |
| 7,104 | 7,935 | - | - | - | - |
| 12,359 | 7,036 | 11,735 | 18,353 | 2,740 | 2,740 |
| - | - | - | - | - | - |
| 14,133,339 | 9,242,690 | 13,287,453 | 18,881,941 | 11,892,292 | 11,448,975 |
| 22,113,944 | 8,700,056 | 18,346,186 | 14,122,714 | 60,550,768 | 23,785,846 |
| 7,098,197 | 9,608,501 | 7,655,992 | 5,656,856 | 37,689,753 | 11,048,740 |
| 404,232 | 278,116 | 215,855 | 228,335 | 202,439 | 209,920 |
| 1,941,997 | 1,786,346 | 1,395,355 | 1,053,237 | 3,533,713 | 5,359,797 |
| - | - | - | - | - | - |
| - | 2,997,650 | 7,768,052 | 18,273,467 | - | - |
| - | - | - | - | - | - |
| - | (3,184) | (26,513) | - | (17,434) | - |
| <u>45,711,172</u> | <u>32,625,146</u> | <u>48,654,115</u> | <u>58,234,903</u> | <u>113,854,271</u> | <u>51,856,018</u> |
| <u>\$ 86,012,651</u> | <u>\$ 67,690,030</u> | <u>\$ 77,750,563</u> | <u>\$ 86,777,250</u> | <u>\$ 142,648,803</u> | <u>\$ 80,120,530</u> |

City of Sugar Land, Texas

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

| | 2023 | 2022 | 2021 | 2020 |
|--|----------------------|----------------------|----------------------|----------------------|
| REVENUES | | | | |
| Taxes | | | | |
| General property | \$ 61,784,415 | \$ 55,820,788 | \$ 53,283,518 | \$ 51,999,696 |
| Sales and use taxes | 58,841,739 | 56,292,755 | 49,209,137 | 44,427,280 |
| Franchise taxes | 9,202,428 | 8,768,767 | 7,942,660 | 8,061,540 |
| Licenses and permits | 3,580,007 | 3,470,579 | 3,380,955 | 4,047,286 |
| Fines and forfeitures | 1,515,026 | 1,299,751 | 1,215,515 | 1,412,839 |
| Charges for services | 11,734,396 | 11,041,160 | 9,361,811 | 9,700,698 |
| Investment earnings | 8,902,311 | (445,237) | 27,618 | 1,394,417 |
| Intergovernmental | 8,000,595 | 5,513,934 | 9,736,646 | 7,539,349 |
| Other | 12,442,135 | 4,358,217 | 2,770,210 | 2,737,166 |
| Total revenues | 176,003,052 | 146,120,714 | 136,928,070 | 131,320,271 |
| EXPENDITURES | | | | |
| General government | 26,649,515 | 21,581,755 | 21,368,483 | 21,257,753 |
| Administrative services | 8,758,072 | 7,112,828 | 8,093,905 | 6,194,245 |
| Public safety | 52,026,270 | 44,519,626 | 41,203,391 | 42,416,274 |
| Public works | 15,953,847 | 14,295,837 | 12,649,542 | 15,403,076 |
| Parks and recreation | 6,059,289 | 5,662,215 | 4,818,174 | 4,750,769 |
| Community development | 5,760,963 | 5,526,198 | 5,375,408 | 5,556,124 |
| Environmental and neighborhood services | 9,206,418 | 7,216,061 | 6,003,184 | 6,186,662 |
| Debt service: | | | | |
| Principal | 23,139,965 | 21,049,359 | 22,884,611 | 21,949,254 |
| Interest and other charges | 10,424,368 | 9,815,473 | 10,380,673 | 11,295,663 |
| Bond issuance costs | 369,406 | 479,407 | 224,654 | 390,939 |
| Capital outlay | 11,380,236 | 13,873,625 | 9,321,348 | 13,987,525 |
| Total expenditures | 169,728,349 | 151,132,384 | 142,323,373 | 149,388,284 |
| Excess (deficiency) of revenues over (under) expenditures | 6,274,703 | (5,011,670) | (5,395,303) | (18,068,013) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Certificates of obligation issued | 1,460,000 | 27,500,000 | - | 15,025,000 |
| General obligation bonds issued | 30,430,000 | 13,115,000 | 26,970,000 | 9,355,000 |
| Revenue bonds issued | - | 4,880,000 | - | - |
| Refunding bonds issued | - | - | - | 12,245,000 |
| Premium (discount) on debt issued | 1,544,212 | 2,417,089 | 1,599,165 | 3,231,900 |
| Payments to refunded bond escrow agent | - | (5,461,722) | (1,382,156) | (13,312,235) |
| Leases and other debt issued | 772,236 | - | - | - |
| Proceeds of the sale of capital assets | - | - | - | - |
| Transfers in | 6,487,776 | 6,666,558 | 7,845,669 | 9,254,348 |
| Transfers out | (2,867,788) | (2,469,121) | (1,928,285) | (3,430,407) |
| Total other financing sources | 37,826,436 | 46,647,804 | 33,104,393 | 32,368,606 |
| NET CHANGE IN FUND BALANCE | \$ 44,101,139 | \$ 41,636,134 | \$ 27,709,090 | \$ 14,300,593 |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 21.29% | 22.48% | 24.96% | 24.61% |

Schedule 4

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------|------------------------|-----------------------|------------------------|----------------------|----------------------|
| \$ 49,910,560 | \$ 43,924,495 | \$ 38,999,063 | \$ 37,310,936 | \$ 34,073,015 | \$ 31,356,582 |
| 47,349,948 | 46,807,458 | 41,829,998 | 45,821,869 | 44,975,136 | 43,008,054 |
| 9,063,027 | 9,196,843 | 8,535,339 | 8,231,034 | 8,398,820 | 8,373,935 |
| 3,585,270 | 3,392,020 | 3,052,646 | 3,242,529 | 3,494,806 | 3,033,205 |
| 3,598,926 | 4,681,871 | 3,983,863 | 3,741,662 | 3,956,657 | 3,964,053 |
| 9,856,589 | 9,803,954 | 11,668,937 | 11,732,687 | 9,792,915 | 4,477,416 |
| 2,434,365 | 1,049,546 | 803,175 | 1,050,958 | 1,030,032 | 235,034 |
| 4,150,591 | 8,469,413 | 21,608,448 | 4,295,673 | 4,853,727 | 14,014,873 |
| 3,434,202 | 3,742,667 | 4,344,488 | 6,335,230 | 4,676,006 | 1,300,331 |
| <u>133,383,478</u> | <u>131,068,267</u> | <u>134,825,957</u> | <u>121,762,578</u> | <u>115,251,114</u> | <u>109,763,483</u> |
| 20,381,432 | 18,828,683 | 19,441,297 | 17,263,024 | 13,932,805 | 13,934,579 |
| 6,030,777 | 6,277,823 | 6,807,905 | 7,167,251 | 9,221,555 | 7,743,921 |
| 41,803,434 | 41,773,376 | 39,819,840 | 36,894,350 | 38,688,191 | 29,573,636 |
| 13,102,921 | 17,704,168 | 15,014,862 | 12,004,180 | 17,764,680 | 13,947,304 |
| 5,010,592 | 5,960,126 | 5,383,089 | 5,107,971 | 5,452,923 | 6,726,036 |
| 5,337,472 | 5,269,134 | 5,163,724 | 5,155,978 | 5,583,223 | 4,917,761 |
| 5,826,617 | 5,143,190 | 5,112,858 | 4,892,216 | - | - |
| 36,311,024 | 21,343,344 | 16,149,483 | 14,565,041 | 13,339,382 | 12,216,112 |
| 11,002,213 | 11,122,619 | 10,159,604 | 9,282,752 | 7,716,310 | 5,717,937 |
| 374,909 | - | 355,510 | 629,239 | 2,012,869 | 322,504 |
| 13,290,174 | 10,890,406 | 51,470,423 | 89,073,807 | 55,311,453 | 21,672,372 |
| <u>158,471,565</u> | <u>144,312,869</u> | <u>174,878,595</u> | <u>202,035,809</u> | <u>169,023,391</u> | <u>116,772,162</u> |
| (25,088,087) | (13,244,602) | (40,052,638) | (80,273,231) | (53,772,277) | (7,008,679) |
| 20,760,000 | - | 19,060,000 | 19,190,000 | 52,115,000 | 24,440,000 |
| - | - | 7,570,000 | - | 13,010,000 | - |
| - | - | - | - | 38,265,000 | 7,200,000 |
| 13,715,000 | - | - | 32,120,000 | 28,940,000 | - |
| 2,756,614 | - | 2,045,464 | 6,464,472 | 11,469,874 | 201,566 |
| - | - | - | (36,935,787) | (32,902,683) | - |
| - | 840,000 | 107,275 | 1,350,000 | 3,510,000 | - |
| - | 36,569 | - | 36,987 | 54,099 | 54,949 |
| 11,567,007 | 12,180,115 | 11,854,100 | 20,089,727 | 12,979,491 | 13,794,353 |
| (5,387,913) | (9,872,615) | (9,610,888) | (17,913,721) | (11,140,231) | (9,684,662) |
| <u>43,410,708</u> | <u>3,184,069</u> | <u>31,025,951</u> | <u>24,401,678</u> | <u>116,300,550</u> | <u>36,006,206</u> |
| <u>\$ 18,322,621</u> | <u>\$ (10,060,533)</u> | <u>\$ (9,026,687)</u> | <u>\$ (55,871,553)</u> | <u>\$ 62,528,273</u> | <u>\$ 28,997,527</u> |
| 21.50% | 24.10% | 21.50% | 21.20% | 19.10% | 19.10% |

City of Sugar Land, Texas

Taxable Sales

Last Ten Calendar Years

| | 2022 | 2021 | 2020 | 2019 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Retail trade | \$ 1,168,396,939 | \$ 1,146,811,980 | \$ 911,853,973 | \$ 1,053,258,117 |
| Accommodation/food services | 419,404,916 | 378,012,859 | 286,618,583 | 351,678,694 |
| Wholesale trade | 131,462,440 | 128,491,300 | 107,656,657 | 109,199,784 |
| Construction | 52,748,307 | 28,342,742 | 25,459,871 | 33,256,075 |
| Information | 46,156,736 | 81,370,349 | 57,091,408 | 91,537,106 |
| Professional/scientific/technical services | 84,774,379 | 81,131,371 | 71,699,681 | 74,945,678 |
| Arts/entertainment/recreation | 58,583,640 | 44,236,964 | 34,688,578 | 57,619,224 |
| Manufacturing | 258,532,803 | 134,059,973 | 121,035,321 | 41,918,450 |
| Other services (except public administration) | 39,393,129 | 32,933,440 | 26,202,606 | 31,742,417 |
| Admin/support/waste mgmt/remediation service | 260,192,759 | 240,033,798 | 209,568,258 | 193,982,478 |
| Real estate/rental leasing | 18,984,389 | 5,514,878 | 11,002,119 | 13,193,376 |
| Utilities | 2,070,238 | 38,946,649 | 51,515,179 | 62,863,776 |
| Management of companies /enterprises | 1,088,668 | 13,953 | 1,759 | 710,751 |
| Transportation/warehousing | 33,740,250 | 31,626,025 | 55,971,085 | 53,309,028 |
| Health care/social assistance | 5,459,551 | 4,750,676 | 4,824,248 | 6,595,772 |
| Finance/insurance | 16,339,263 | 22,621,483 | 19,351,878 | 14,665,305 |
| Educational services | 1,268,993 | 1,487,627 | 1,091,687 | 1,682,446 |
| Mining/quarrying/oil and gas extraction | 4,584,472 | 13,590,090 | 12,543,811 | 35,446,578 |
| Public administration | 8,481,843 | 8,419,383 | 8,249,479 | 8,087,339 |
| Agriculture/forestry/fishing/hunting | 20,153 | - | - | - |
| Other | - | - | - | - |
| TOTAL | \$ 2,611,683,868 | \$ 2,422,395,540 | \$ 2,016,426,181 | \$ 2,235,692,394 |

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% |
| TOTAL | 2.00% |

Source of information: Texas State Comptrollers Office.

<https://mycpa.cpa.state.tx.us/allocation/HistSales.jsp>

Schedule 5

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 1,115,249,001 | \$ 1,107,045,921 | \$ 1,078,154,112 | \$ 1,112,422,397 | \$ 1,079,111,307 | \$ 1,013,038,055 |
| 348,338,861 | 333,828,851 | 310,863,946 | 306,003,246 | 291,440,468 | 266,588,831 |
| 107,641,860 | 91,137,977 | 203,846,328 | 264,383,272 | 322,215,101 | 223,242,793 |
| 37,280,176 | 22,812,465 | 34,515,325 | 32,514,909 | 31,891,454 | 34,937,314 |
| 99,393,379 | 94,842,740 | 90,100,073 | 77,592,685 | 65,549,620 | 58,052,627 |
| 86,423,185 | 83,684,771 | 70,067,880 | 73,059,491 | 70,107,578 | 50,596,341 |
| 56,504,179 | 51,106,601 | 48,468,763 | 49,334,544 | 47,548,675 | 50,560,192 |
| 75,091,082 | 51,980,628 | 35,093,475 | 33,044,113 | 52,646,578 | 33,219,238 |
| 28,370,411 | 29,400,115 | 26,317,822 | 30,318,512 | 30,831,362 | 28,242,044 |
| 198,013,909 | 138,907,539 | 28,754,310 | 26,562,888 | 30,250,196 | 26,184,607 |
| 30,098,567 | 61,691,905 | 68,015,167 | 44,888,541 | 25,860,657 | 18,062,334 |
| 146,896,379 | 85,489,356 | 54,203,886 | 50,970,885 | 42,308,231 | 32,630,922 |
| 255,496 | 1,142,959 | 1,579,909 | 2,196,489 | 470,557 | 394,466 |
| 8,774,930 | 3,125,489 | 1,836,865 | 2,306,433 | 5,214,426 | 1,721,390 |
| 5,401,865 | 4,881,867 | 4,606,933 | 5,201,086 | 4,539,906 | 3,994,579 |
| 16,558,369 | 11,304,921 | 8,103,032 | 7,515,705 | 5,420,994 | 4,575,685 |
| 1,535,277 | 1,513,260 | 1,659,343 | 1,626,077 | 1,714,360 | 1,568,185 |
| 41,870,881 | 32,799,761 | 7,323,000 | 10,431,168 | 14,160,548 | 10,513,820 |
| 7,845,421 | 5,763,562 | 5,432,006 | 5,284,355 | 5,096,682 | 4,958,782 |
| 1,131 | - | 1,886 | - | - | - |
| 13,333 | - | - | - | - | - |
| <u>\$ 2,411,557,692</u> | <u>\$ 2,212,460,688</u> | <u>\$ 2,078,944,061</u> | <u>\$ 2,135,656,796</u> | <u>\$ 2,126,378,700</u> | <u>\$ 1,863,082,205</u> |

City of Sugar Land, Texas

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Fiscal Year | Tax Year | Real Property | | Personal Property | |
|-------------|----------|----------------------|---------------------|-------------------|---------------|
| | | Residential Property | Commercial Property | Motor Vehicles | Other |
| 2014 | 2013 | \$ 7,304,799,346 | \$ 4,716,532,408 | \$ 46,326,301 | \$ 11,026,160 |
| 2015 | 2014 | 7,848,719,852 | 4,902,444,421 | 40,119,210 | 10,982,250 |
| 2016 | 2015 | 8,753,398,998 | 5,250,244,090 | 13,465,326 | 10,934,610 |
| 2017 | 2016 | 9,356,751,552 | 5,577,510,842 | 61,980,101 | 10,933,960 |
| 2018 | 2017 | 9,629,528,349 | 5,821,685,395 | 100,439,699 | 11,030,700 |
| 2019 | 2018 | 12,913,825,342 | 6,086,844,258 | 133,597,965 | 10,513,100 |
| 2020 | 2019 | 12,947,717,832 | 6,456,464,118 | 147,202,108 | 10,399,650 |
| 2021 | 2020 | 13,107,708,385 | 6,888,627,953 | 133,494,082 | 10,925,407 |
| 2022 | 2021 | 13,379,859,930 | 7,125,175,221 | 147,177,808 | 10,987,300 |
| 2023 | 2022 | 14,927,081,059 | 7,948,321,953 | 116,827,839 | 10,987,300 |

Source: Budget Department of the City.

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

Schedule 6

| Less Tax Exempt Real Property | 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 |
|--|---|---|----------------------------------|---|---|
| \$ 834,025,711 | \$ 940,543,105 | \$ 10,304,115,399 | \$ 0.30895 | \$ 10,304,115,399 | 100.00% |
| 850,115,704 | 1,006,806,921 | 10,945,343,108 | 0.31595 | 10,945,343,108 | 100.00% |
| 890,919,215 | 1,093,598,345 | 12,043,525,464 | 0.31595 | 12,043,525,464 | 100.00% |
| 1,053,008,824 | 1,334,356,794 | 12,619,810,837 | 0.31595 | 12,619,810,837 | 100.00% |
| 1,125,507,638 | 1,457,960,326 | 12,979,216,179 | 0.31762 | 12,979,216,179 | 100.00% |
| 1,166,296,847 | 1,879,921,316 | 16,098,562,502 | 0.31762 | 16,098,562,502 | 100.00% |
| 1,266,248,946 | 2,124,024,803 | 16,171,509,959 | 0.33200 | 16,171,509,959 | 100.00% |
| 1,410,030,106 | 2,143,692,154 | 16,587,033,567 | 0.33650 | 16,587,033,567 | 100.00% |
| 1,490,373,622 | 2,275,209,316 | 16,897,617,321 | 0.34650 | 16,897,617,321 | 100.00% |
| 1,627,719,675 | 2,583,160,525 | 18,792,337,951 | 0.34650 | 18,792,337,951 | 100.00% |

City of Sugar Land, Texas

Property Tax Rates (A)

Direct and Overlapping Governments (B)

Last Ten Fiscal Years

| Fiscal Year Tax Year | 2014 2013 | 2015 2014 | 2016 2015 | 2017 2016 |
|---------------------------------|--------------|--------------|--------------|--------------|
| TAX RATES | | | | |
| City of Sugar Land | | | | |
| Operating tax rate | \$ 0.17285 | \$ 0.17035 | \$ 0.17035 | \$ 0.17035 |
| Debt service tax rate | 0.13610 | 0.14560 | 0.14560 | 0.14560 |
| | | | | |
| Total tax rate | \$ 0.30895 | \$ 0.31595 | \$ 0.31595 | \$ 0.31595 |
| | | | | |
| Fort Bend County | \$ 0.49976 | \$ 0.49476 | \$ 0.48600 | \$ 0.47400 |
| Fort Bend ISD | 1.34000 | 1.34000 | 1.34000 | 1.34000 |
| Fort Bend LID 2 | 0.12900 | 0.12000 | 0.11000 | 0.10670 |
| Fort Bend County MUD No. 21 | - | - | - | - |
| Fort Bend LID 7 | 0.20500 | 0.23500 | 0.23500 | 0.22500 |
| Eldridge Road MUD | - | - | - | - |
| Fort Bend WCID No. 2 | 0.18000 | 0.18000 | 0.18000 | 0.21250 |
| First Colony LID No. 2 | 0.27500 | 0.25000 | 0.25000 | 0.20000 |
| Burney Road MUD | 0.26000 | 0.26000 | 0.25500 | 0.25000 |
| First Colony MUD 10 | 0.47000 | 0.41000 | 0.25000 | 0.20000 |
| Ft. Bend MUD 136 | 0.54000 | 0.50000 | 0.43000 | 0.42000 |
| Ft. Bend MUD 137 | 0.48000 | 0.43000 | 0.42000 | 0.41500 |
| Ft. Bend MUD 138 | 0.48000 | 0.44500 | 0.43500 | 0.41500 |
| Ft. Bend MUD 139 | 0.54000 | 0.44000 | 0.41000 | 0.41000 |
| Ft. Bend LID 17 | 0.65000 | 0.63000 | 0.61000 | 0.57000 |
| Imperial Redevelopment District | 1.10000 | 1.10000 | 1.10000 | 1.10000 |
| Ft. Bend LID 14 | 0.20500 | 0.20000 | 0.19500 | 0.19500 |
| Ft. Bend LID 10 | 0.62000 | 0.64300 | 0.64300 | 0.64300 |
| First Colony LID 1 | 0.15500 | 0.15500 | 0.01520 | 0.15000 |
| Lamar CISD | 1.39000 | 1.39000 | 1.39000 | 1.39000 |

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.

<http://www.fortbendcountytexas.gov/index.aspx>

<http://www.fbcad.org/districtinfo/tax&exempt>

Schedule 7

| 2018 2017 | 2019 2018 | 2020 2019 | 2021 2020 | 2022 2021 | 2023 2022 |
|---|---|--|---|---|---|
| \$ 0.17921 0.13841 | \$ 0.18131 0.13631 | \$ 0.19705 0.13495 | \$ 0.20305 0.13345 | \$ 0.20885 0.13765 | \$ 0.20006 0.14644 |
| \$ 0.31762 | \$ 0.31762 | \$ 0.33200 | \$ 0.33650 | \$ 0.34650 | \$ 0.34650 |
| \$ 0.46900 1.32000 0.11100 - 0.32000 - 0.21250 0.20000 0.23000 0.19000 0.42000 0.41500 0.41500 0.41000 0.57000 1.10000 0.19500 0.69000 1.46200 1.39000 | \$ 0.46400 1.32000 0.14500 - 0.32000 - 0.21250 0.20000 0.22000 0.17000 0.42000 0.41000 0.40860 0.41000 0.57000 1.10000 0.20950 0.69000 1.46200 1.39000 | \$ 0.46000 1.27000 0.14900 - 0.43000 - 0.21250 0.20000 0.22000 0.01600 0.42000 0.41000 0.41000 0.56000 1.10000 0.15000 0.69000 0.15000 1.32000 | \$ 0.45321 1.24020 0.14900 - 0.43000 - 0.21250 0.20000 0.22000 0.01500 0.42000 0.37500 0.35000 0.40500 0.56000 1.10000 0.11850 0.68240 0.15000 1.26910 | \$ 0.45280 1.21010 0.14900 - 0.43000 - 0.21250 0.20000 0.22000 0.15000 0.42000 0.36000 0.32500 0.40000 0.54500 1.10000 0.11500 0.65640 0.15000 1.24200 | \$ 0.45120 1.21010 0.14000 - 0.43000 - 0.21250 0.18600 0.20000 0.15000 0.40000 0.33000 0.29000 0.36000 0.49500 1.10000 0.10800 0.61000 0.15000 1.24200 |



City of Sugar Land, Texas
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Schedule 8

| Fiscal Year | Tax Rate | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections (Refunds) in Subsequent Years | Total Collections to Date | |
|-------------|------------|----------------------------------|--|--------------------|---|---------------------------|--------------------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2014 | \$ 0.30895 | \$ 31,510,269 | \$31,543,063 | 99.6% | \$ (40,448) | \$31,502,615 | 100.0% |
| 2015 | 0.31595 | 34,686,633 | 34,625,522 | 99.6% | 25,695 | 34,651,217 | 99.9% |
| 2016 | 0.31595 | 37,935,518 | 37,856,002 | 99.5% | 53,686 | 37,909,688 | 99.9% |
| 2017 | 0.31595 | 39,637,482 | 39,563,094 | 99.6% | 40,440 | 39,603,534 | 99.9% |
| 2018 | 0.31762 | 40,931,077 | 40,828,540 | 99.6% | 46,673 | 40,875,213 | 99.9% |
| 2019 | 0.31762 | 51,146,415 | 50,871,136 | 99.5% | 206,001 | 51,077,137 | 99.9% |
| 2020 | 0.33200 | 53,438,020 | 53,122,949 | 99.5% | 193,196 | 53,316,145 | 99.8% |
| 2021 | 0.33650 | 54,935,930 | 54,651,453 | 99.5% | 141,769 | 54,793,222 | 99.7% |
| 2022 | 0.34650 | 57,499,082 | 57,204,477 | 99.5% | 124,679 | 57,329,156 | 99.7% |
| 2023 | 0.34650 | 64,583,430 | 64,061,833 | 99.2% | - | 64,061,833 | 99.2% |

Source: Tax assessor/collector's records

City of Sugar Land, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago

Schedule 9

| Taxpayer | Fiscal Year 2023 Tax Year 2022 | | | Fiscal Year 2014 Tax Year 2013 | | |
|---|-----------------------------------|------|-------------------------------|-----------------------------------|------|-------------------------------|
| | Taxable Assessed Value | Rank | % of Total Assessed Valuation | Taxable Assessed Value | Rank | % of Total Assessed Valuation |
| LCFRE Sugar Land Town Square LLC | \$ 199,175,961 | 1 | 1.06% | \$ 81,300,000 | 5 | 0.79% |
| Lakepointe Assets, LLC | 143,181,118 | 2 | 0.76% | 90,179,840 | 2 | 0.88% |
| First Colony Mall LLC | 118,384,454 | 3 | 0.63% | 59,721,760 | 7 | 0.58% |
| Amerisource Bergen Drug Corp. | 102,896,110 | 4 | 0.55% | | | |
| Market Town Center Owner LLC | 97,297,454 | 5 | 0.52% | | | |
| API Realty LLC | 85,845,990 | 6 | 0.46% | 74,467,840 | 6 | 0.72% |
| Houston Sugar Creek LLC | 85,801,009 | 7 | 0.46% | | | |
| Tramontina USA | 76,891,217 | 8 | 0.41% | 82,026,040 | 4 | 0.80% |
| Sugar Creek/EPG LLC & Sugar Creek TIC Investors LLC | 74,723,120 | 9 | 0.40% | | | |
| Telfair Lofts Cedros LLC et al | 64,104,340 | 10 | 0.34% | | | |
| Schlumberger Tech Corp-SPC & Well Services | | | | 99,322,540 | 1 | 0.96% |
| Fairfield Industries | | | | 84,270,520 | 3 | 0.82% |
| NNP=Telfair LLC | | | | 53,322,450 | 8 | 0.52% |
| Weingarten Realty Investors & WRI/Post Oak Inc. | | | | 53,294,670 | 9 | 0.52% |
| Schlumberger Tech Corp-SPC | | | | 49,822,520 | 10 | 0.48% |
| Other taxpayers | 1,048,300,773 | | 5.58% | 727,728,180 | | 7.06% |
| | 17,744,037,178 | | 94.42% | 9,576,387,219 | | 92.94% |
| TOTAL ASSESSED VALUATION | \$ 18,792,337,951 | | 100.0% | \$ 10,304,115,399 | | 100.0% |

Source: Tax assessor/collector's records

Note: Assessed valuation is net of exemptions

City of Sugar Land, Texas

Schedule 10

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | Tax Year | General Obligation Debt*** | Less: Amounts Available in Debt Service Fund | Total | Percentage of Actual Taxable Value* of Property | Per Capita** |
|--------------------|-----------------|-----------------------------------|---|----------------|--|---------------------|
| 2014 | 2013 | \$ 236,850,000 | \$ 3,230,208 | \$ 233,619,792 | 2.3% | \$ 2,701 |
| 2015 | 2014 | 286,340,000 | 4,105,011 | 282,234,989 | 2.6% | 3,245 |
| 2016 | 2015 | 289,765,000 | 4,639,682 | 285,125,318 | 2.4% | 3,258 |
| 2017 | 2016 | 302,289,999 | 5,749,686 | 296,540,313 | 2.3% | 3,380 |
| 2018 | 2017 | 312,025,000 | 6,263,712 | 305,761,288 | 2.4% | 2,605 |
| 2019 | 2018 | 333,206,868 | 8,847,239 | 324,359,629 | 2.0% | 2,748 |
| 2020 | 2019 | 337,108,071 | 7,890,552 | 329,217,519 | 2.0% | 2,787 |
| 2021 | 2020 | 339,105,776 | 6,988,077 | 332,117,699 | 2.0% | 2,797 |
| 2022 | 2021 | 357,187,326 | 8,194,949 | 348,992,377 | 2.1% | 3,143 |
| 2023 | 2022 | 371,233,582 | 11,011,073 | 360,222,509 | 1.9% | 3,244 |

Notes: 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.

***Includes general obligation bonds and certificates of obligation of governmental activities and business-type activities, net of original issuance discounts and premiums.

City of Sugar Land, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | | |
|-------------|--------------------------|------------------|----------------------------|----------------|-------------------------|-----------|-------------------------------|
| | General Obligation Bonds | Annexed MUD Debt | Certificates of Obligation | Capital Leases | Sales Tax Revenue Bonds | Tax Note | Issuance Premiums (Discounts) |
| 2014 | \$ 58,440,000 | \$ 11,665,000 | \$ 63,231,995 | \$ 954,273 | \$ 15,345,000 | \$ - | \$ 1,731,326 |
| 2015 | 66,190,000 | 6,270,000 | 111,279,394 | 611,817 | 52,400,000 | 3,120,675 | 12,054,362 |
| 2016 | 82,065,000 | 2,325,000 | 104,245,202 | 260,170 | 50,655,000 | 3,964,881 | 16,802,933 |
| 2017 | 82,095,000 | 1,785,000 | 118,057,601 | - | 48,865,000 | 3,193,169 | 17,512,513 |
| 2018 | 74,750,000 | 31,405,000 | 111,255,000 | - | 47,020,000 | 3,247,426 | 17,506,838 |
| 2019 | 74,270,000 | 25,005,000 | 119,265,000 | - | 45,120,000 | 2,181,402 | 18,596,408 |
| 2020 | 85,825,000 | 8,760,000 | 128,480,000 | - | 43,140,000 | 1,095,996 | 19,609,788 |
| 2021 | 100,020,000 | 6,890,000 | 122,045,000 | - | 41,085,000 | - | 19,412,205 |
| 2022 | 102,089,244 | 5,565,000 | 142,995,000 | - | 38,475,000 | - | 19,997,755 |
| 2023 | 119,991,050 | 4,190,000 | 137,780,000 | - | 36,270,000 | - | 19,639,185 |

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

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

Schedule 11

| Business-type Activities | | | | Total Primary Government | Percentage of Personal Income* | Percentage of Actual Taxable Value of Property | Per Capita* |
|---------------------------------|---|---------------------------------------|---|---|---|---|------------------------|
| Revenue Bonds | General Obligation Bonds | Certificates of Obligation | Issuance Premiums/ (Discounts) | | | | |
| \$ 86,180,000 | \$ 5,510,000 | \$ 98,003,005 | \$ 1,222,767 | \$ 342,283,366 | 9.1% | 3.3% | \$ 3,957 |
| 92,980,000 | 5,080,000 | 97,520,606 | 2,278,431 | 449,785,285 | 10.8% | 4.1% | 5,172 |
| 91,355,000 | 7,660,000 | 93,469,798 | 7,756,729 | 460,559,713 | 11.3% | 3.8% | 5,263 |
| 105,220,000 | 7,030,000 | 93,322,398 | 8,228,825 | 485,309,506 | 11.1% | 3.8% | 5,532 |
| 98,510,000 | 84,580,000 | 10,035,000 | 15,488,679 | 493,797,943 | 8.3% | 3.8% | 4,207 |
| 105,695,000 | 83,890,000 | 7,615,000 | 14,977,716 | 496,615,526 | 8.6% | 3.1% | 4,208 |
| 105,650,000 | 83,180,000 | 6,785,000 | 14,925,389 | 497,451,173 | 8.3% | 3.1% | 4,211 |
| 105,715,000 | 80,015,000 | 6,470,000 | 18,106,498 | 499,758,703 | 8.0% | 3.0% | 4,208 |
| 120,250,000 | 76,975,756 | 6,140,000 | 19,139,611 | 531,627,366 | 8.1% | 3.1% | 4,788 |
| 127,395,000 | 73,748,950 | 12,035,000 | 19,530,595 | 550,579,780 | 8.7% | 2.9% | 4,959 |



City of Sugar Land, Texas

Schedule 12

Direct and Estimated Overlapping Governmental Activities Debt
September 30, 2023

| Taxing Jurisdiction | Gross Debt | Overlapping | |
|---|---------------|-----------------------|--------------------------------|
| | | Estimated Percentage* | Amount |
| Burney Road MUD | \$ 3,830,000 | 100.00% | \$ 3,830,000 |
| First Colony MUD No. 10 | 8,790,000 | 100.00% | 8,790,000 |
| Fort Bend County** | 954,413,703 | 17.93% | 171,126,377 |
| Fort Bend Co Drainage District | 23,615,000 | 17.93% | 4,234,170 |
| Fort Bend County LID No. 2 | 81,850,000 | 100.00% | 81,850,000 |
| Fort Bend County LID No. 7 | 116,421,000 | 100.00% | 116,421,000 |
| Fort Bend County LID No. 10 | 10,870,000 | 100.00% | 10,870,000 |
| Fort Bend County LID No. 11 | 23,120,000 | 100.00% | 23,120,000 |
| Fort Bend County LID No. 14 | 1,900,000 | 100.00% | 1,900,000 |
| Fort Bend County LID No. 17 | 52,955,000 | 100.00% | 52,955,000 |
| Fort Bend County MUD No. 116 | 14,365,000 | 0.76% | 109,174 |
| Fort Bend County MUD No. 136 | 5,350,000 | 100.00% | 5,350,000 |
| Fort Bend County MUD No. 137 | 13,755,000 | 100.00% | 13,755,000 |
| Fort Bend County MUD No. 138 | 25,400,000 | 100.00% | 25,400,000 |
| Fort Bend County MUD No. 139 | 10,260,000 | 100.00% | 10,260,000 |
| Fort Bend County WC&ID No. 2 | 97,020,000 | 0.08% | 77,616 |
| Fort Bend ISD | 1,548,150,000 | 31.08% | 481,165,020 |
| Imperial Redevelopment District | 51,105,000 | 100.00% | 51,105,000 |
| Lamar CISD | 2,834,465,000 | 8.11% | 229,875,112 |
| TOTAL OVERLAPPING DEBT | | | \$ 1,292,193,468 |
| City of Sugar Land | 317,870,235 | 100.00% | 317,870,235 |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | <u>\$ 1,610,063,703</u> |
| Ratio of Direct and Overlapping Funded Debt to 2022 Taxable Assessed Valuation | | | 8.57% |
| Per Capita Debt - Direct and Overlapping | | | \$ 14,502 |

Notes: 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.

** Does not include the \$104,065,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2012.

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

Schedule 13

| 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/Surface Water - Waterworks and Sewer System Revenue Bonds | | | | | | | |
| 2014 | \$ 44,461,529 | \$ 15,551,786 | \$ 28,909,743 | \$ 5,395,000 | \$ 3,105,204 | \$ 8,500,204 | 3.40 |
| 2015 | 43,600,496 | 18,328,040 | 25,272,456 | 5,575,000 | 3,383,656 | 8,958,656 | 2.82 |
| 2016 | 46,769,917 | 18,788,100 | 27,981,817 | 5,915,000 | 3,424,344 | 9,339,344 | 3.00 |
| 2017 | 43,050,288 | 19,820,706 | 23,229,582 | 6,710,000 | 3,997,194 | 10,707,194 | 2.17 |
| 2018 | 50,858,241 | 25,895,388 | 24,962,853 | 6,075,000 | 3,764,669 | 9,839,669 | 2.54 |
| 2019 | 48,383,222 | 25,473,677 | 22,909,545 | 6,765,000 | 4,024,713 | 10,789,713 | 2.12 |
| 2020 | 52,130,247 | 25,389,919 | 26,740,328 | 6,930,000 | 4,075,630 | 11,005,630 | 2.43 |
| 2021 | 53,764,777 | 26,304,535 | 27,460,242 | 7,285,000 | 4,502,908 | 11,787,908 | 2.33 |
| 2022 | 65,099,364 | 26,047,637 | 39,051,727 | 8,410,000 | 5,041,192 | 13,451,192 | 2.90 |
| 2023 | 79,864,309 | 29,765,404 | 50,098,905 | 9,500,000 | 5,487,538 | 14,987,538 | 3.34 |
| Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds | | | | | | | |
| 2014 | \$ 16,947,944 | \$ 14,005,337 | \$ 2,942,607 | \$ 672,399 | \$ 359,000 | \$ 1,031,399 | 2.85 |
| 2015 | 13,773,157 | 11,605,184 | 2,167,973 | 692,399 | 400,254 | 1,092,653 | 1.98 |
| 2016 | 11,884,935 | 9,844,254 | 2,040,681 | 757,399 | 365,604 | 1,123,003 | 1.82 |
| 2017 | 13,574,284 | 11,661,097 | 1,913,187 | 837,398 | 433,676 | 1,271,074 | 1.51 |
| 2018 | 15,561,819 | 13,592,408 | 1,969,411 | 860,000 | 398,623 | 1,258,623 | 1.56 |
| 2019 | 15,753,168 | 13,943,863 | 1,809,305 | 890,000 | 366,285 | 1,256,285 | 1.44 |
| 2020 | 12,551,268 | 10,941,038 | 1,610,230 | 995,000 | 387,323 | 1,382,323 | 1.16 |
| 2021 | 15,233,483 | 13,431,582 | 1,801,901 | 980,000 | 368,374 | 1,348,374 | 1.34 |
| 2022 | 25,309,179 | 20,910,618 | 4,398,561 | 1,026,806 | 314,784 | 1,341,590 | 3.28 |
| 2023 | 24,323,661 | 20,878,488 | 3,445,173 | 1,382,194 | 550,834 | 1,933,028 | 1.78 |
| Sugar Land Development Corporation - Sales Tax Revenue Bonds | | | | | | | |
| 2014 | \$ 6,155,747 | \$ - | \$ 6,155,747 | \$ 775,000 | \$ 635,546 | \$ 1,410,546 | 4.36 |
| 2015 | 6,591,808 | - | 6,591,808 | 1,745,000 | 2,480,746 | 4,225,746 | 1.56 |
| 2016 | 6,679,523 | - | 6,679,523 | 1,790,000 | 2,395,290 | 4,185,290 | 1.60 |
| 2017 | 6,432,303 | - | 6,432,303 | 1,845,000 | 2,304,296 | 4,149,296 | 1.55 |
| 2018 | 7,126,296 | - | 7,126,296 | 1,900,000 | 2,210,621 | 4,110,621 | 1.73 |
| 2019 | 7,151,241 | - | 7,151,241 | 1,980,000 | 2,108,984 | 4,088,984 | 1.75 |
| 2020 | 6,513,155 | - | 6,513,155 | 2,055,000 | 1,998,721 | 4,053,721 | 1.61 |
| 2021 | 7,033,835 | - | 7,033,835 | 2,140,000 | 1,884,090 | 4,024,090 | 1.75 |
| 2022 | 7,867,910 | - | 7,867,910 | 2,205,000 | 1,740,981 | 3,945,981 | 1.99 |
| 2023 | 14,017,167 | - | 14,017,167 | 2,295,000 | 1,617,531 | 3,912,531 | 3.58 |
| Sugar Land 4B Corporation - Sales Tax Revenue Bonds | | | | | | | |
| 2014 | \$ 6,442,616 | \$ - | \$ 6,442,616 | \$ 1,780,000 | \$ 1,583,844 | \$ 3,363,844 | 1.92 |
| 2015 | 6,677,932 | - | 6,677,932 | 1,840,000 | 1,522,638 | 3,362,638 | 1.99 |
| 2016 | 6,714,723 | - | 6,714,723 | 1,885,000 | 1,457,419 | 3,342,419 | 2.01 |
| 2017 | 6,137,600 | - | 6,137,600 | 1,960,000 | 1,388,781 | 3,348,781 | 1.83 |
| 2018 | 6,907,114 | - | 6,907,114 | 2,025,000 | 1,316,344 | 3,341,344 | 2.07 |
| 2019 | 7,093,918 | - | 7,093,918 | 2,115,000 | 1,239,175 | 3,354,175 | 2.11 |
| 2020 | 6,543,195 | - | 6,543,195 | 2,155,000 | 865,625 | 3,020,625 | 2.17 |
| 2021 | 7,112,161 | - | 7,112,161 | 1,840,000 | 805,700 | 2,645,700 | 2.69 |
| 2022 | 8,015,906 | - | 8,015,906 | 1,260,000 | 752,900 | 2,012,900 | 3.98 |
| 2023 | 17,108,108 | - | 17,108,108 | 1,310,000 | 701,500 | 2,011,500 | 8.51 |

Note: Pledged revenue, as defined in the revenue bond ordinance, for SLDC and SL4B sales tax revenue bonds are sales tax revenues and interest and earnings from investment of funds on deposit. Expenses are not netted with pledged revenues for the purpose of calculating times coverage.

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, bond interest and fiscal charges or transfers to the general fund reclassified as operating expenses for external reporting purposes.

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

Schedule 14

| Fiscal Year | Population | Personal Income¹ (\$000's) | Per Capita Income¹ | Median Age² | Educational¹ Attainment* | Unemployment Rate² |
|--------------------|-------------------|--|--------------------------------------|-------------------------------|--|--------------------------------------|
| 2014 | 86,495 | \$ 3,781,499 | \$ 44,375 | 41.4 | 54% | 3.9% |
| 2015 | 86,972 | 4,149,181 | 48,807 | 41.7 | 55% | 4.6% |
| 2016 | 87,504 | 4,086,683 | 48,117 | 41.8 | 54% | 4.5% |
| 2017 | 87,730 | 4,391,939 | 50,062 | 42.0 | 56% | 3.9% |
| 2018 | 117,386 ** | 5,937,149 | 50,578 | 41.2 | 58% | 3.5% |
| 2019 | 118,023 | 5,786,550 | 49,029 | 41.4 | 60% | 3.7% |
| 2020 | 118,118 | 6,012,561 | 50,903 | 41.6 | 61% | 7.5% |
| 2021 | 118,755 | 6,226,800 | 52,434 | 41.6 | 61% | 5.9% |
| 2022 | 111,026 *** | 6,587,617 | 59,334 | 41.7 | 63% | 9.0% |
| 2023 | 111,026 | 6,325,706 | 56,975 | 41.2 | 64% | 3.8% |

Source:

1 - U.S. Census; ESRI

2 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

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

** Annexation of Greatwood and New Territory

*** Population adjusted in 2022 based on 2020 census results.



City of Sugar Land, Texas
Principal Employers
Current Year and Nine Years Ago

Schedule 15

| Employer | 2023 | | | 2014 | | |
|-----------------------------------|--------------|------|---|---------------|------|---|
| | Employees | Rank | Percentage of Total City Employment (A) | Employees | Rank | Percentage of Total City Employment (A) |
| Methodist Sugar Land Hospital | 2,459 | 1 | 4% | 1,400 | 4 | 3% |
| Schlumberger | 2,118 | 2 | 3% | 2,100 | 3 | 5% |
| Memorial Hermann Sugar Land | 1,035 | 3 | 2% | 450 | 8 | 1% |
| Fluor Enterprises, Inc. | 925 | 4 | 1% | 2,100 | 2 | 5% |
| ChampionX | 800 | 5 | 1% | | | |
| Accredo Packaging, Inc | 576 | 6 | 1% | | | |
| QuVa Pharma Inc | 518 | 7 | 1% | | | |
| St. Luke's Hospital Sugar Land | 500 | 8 | 1% | 500 | 6 | 1% |
| HCSS | 425 | 9 | 1% | | | |
| Applied Optoelectronics | 357 | 10 | 1% | | | |
| Nalco Champion, an Ecolab Company | | | | 580 | 5 | 1% |
| Fort Bend ISD | | | | 7,903 | 1 | 20% |
| Baker Petrolite Corp. | | | | 450 | 7 | 1% |
| Tramontina USA, Inc. | | | | 380 | 9 | 1% |
| Fairfield Nodal | | | | 375 | 10 | 1% |
| TOTALS | 9,713 | | 15% | 16,238 | | 40% |

Source: Total employment estimates were obtained from the City's Economic Development Website

(A) For 2023, estimated total employment was 66,275. For 2014, estimated total employment was 40,394

City of Sugar Land, Texas

Full-time Equivalent City Government Employees by Function Last Ten Fiscal Years

| Function | <i>Full-time Equivalent Employees as of September 30,</i> | | | |
|-------------------------------------|---|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities: | | | | |
| General government | 78.7 | 82.0 | 77.7 | 95.2 |
| Administrative services | 34.0 | 34.0 | 38.0 | 39.0 |
| Public safety - Police | 198.5 | 200.5 | 201.3 | 230.5 |
| Public safety - Fire | 108.0 | 109.0 | 109.0 | 109.0 |
| Public safety - EMS | 3.0 | 13.0 | 13.0 | 20.0 |
| Public works | 54.4 | 53.5 | 34.0 | 35.5 |
| Parks and recreation | 37.3 | 31.0 | 30.4 | 35.1 |
| Community development | 54.1 | 61.0 | 50.1 | 49.3 |
| Environment & Neighborhood Services | - | - | 40.5 | 40.5 |
| Business-type activities: | | | | |
| Utility | 66.0 | 67.5 | 71.5 | 85.5 |
| Solid waste management | 2.5 | 2.5 | 2.5 | 2.5 |
| Regional Airport | 42.0 | 41.0 | 44.0 | 46.0 |
| TOTALS | 678.5 | 695.0 | 712.0 | 788.0 |

Source: Budget Office

Full-time Equivalent Employees as of September 30,

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| 93.20 | 93.35 | 100.20 | 105.35 | 103.35 | 111.75 |
| 40.50 | 39.50 | 40.50 | 36.50 | 38.50 | 38.50 |
| 230.50 | 229.60 | 231.60 | 232.60 | 232.60 | 234.50 |
| 110.00 | 111.00 | 117.00 | 131.00 | 131.00 | 140.00 |
| 20.00 | 20.00 | 16.00 | - | - | - |
| 43.50 | 43.00 | 61.00 | 61.00 | 61.50 | 57.50 |
| 35.05 | 38.80 | 38.80 | 38.80 | 38.80 | 38.80 |
| 51.25 | 49.25 | 52.40 | 52.25 | 52.25 | 54.25 |
| 43.50 | 44.50 | 48.00 | 48.00 | 48.00 | 47.50 |
| 87.50 | 85.00 | 89.00 | 89.00 | 88.50 | 94.50 |
| 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.00 |
| 46.00 | 47.00 | 50.00 | 50.00 | 50.00 | 51.50 |
| 804.5 | 804.50 | 848.00 | 848.00 | 848.00 | 871.80 |

City of Sugar Land, Texas
 Operating Indicators by Function
 Last Ten Fiscal Years

| Function | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|---------------|---------------|--------------|---------------|
| City of Sugar Land | | | | |
| Population | 86,495 | 86,972 | 87,504 | 87,730 |
| Square miles | 35.2 | 35.2 | 36.5 | 36.5 |
| Acres | 22,500 | 22,500 | 23,341 | 23,341 |
| Budgeted full time employees | 678.5 | 695.0 | 712.0 | 788.0 |
| Police | | | | |
| Physical arrests | 2,899 | 2,247 | 2,033 | 1,951 |
| Traffic violations | 20,534 | 19,364 | 17,117 | 15,433 |
| Parking violations | 377 | 313 | 446 | 440 |
| Calls for service | 123,450 | 70,136 | 73,546 | 72,597 |
| Fire | | | | |
| Number of calls answered | 7,328 | 8,248 | 8,197 | 8,867 |
| Parks and recreation | | | | |
| Special events | 18 | 20 | 18 | 12 |
| Water | | | | |
| New connections | 186 | 194 | 207 | 210 |
| Water main breaks | 35 | 45 | 26 | 42 |
| Annual rainfall (inches) | 48.3 | 62.6 | 73.6 | 92.9 |
| Average daily production (MG) | 15.47 | 15.35 | 15.51 | 15.99 |
| Sewer | | | | |
| Average daily WW treatment (MG) | 8.02 | 8.65 | 8.59 | 8.49 |
| Community Development | | | | |
| Building permits issued | 7,271 | 6,798 | 6,973 | 6,683 |
| Airport | | | | |
| No. of fuel gallons sold | 2,968,546 | 2,868,330 | 2,820,170 | 3,064,106 |
| Fuel sales | \$ 14,934,003 | \$ 11,551,592 | \$ 9,636,133 | \$ 11,187,372 |
| Aircraft served | 12,017 | 11,375 | 11,648 | 11,510 |

Source: Various City Departments.

Schedule 17

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------|---------------|--------------|---------------|---------------|---------------|
| 117,386 | 118,023 | 118,118 | 118,755 | 111,026 | 110,888 |
| 42.9 | 42.9 | 43.0 | 43.0 | 43.0 | 43.0 |
| 27,425 | 27,424 | 27,405 | 27,402 | 27,402 | 27,402 |
| 804.5 | 804.5 | 848.0 | 848.0 | 848.0 | 871.8 |
| 2,279 | 1,848 | 955 | 1,181 | 1,047 | 1,946 |
| 15,740 | 13,740 | 10,299 | 7,728 | 16,222 | 17,878 |
| 560 | 527 | 258 | 202 | 403 | 94 |
| 84,468 | 77,195 | 61,752 | 72,615 | 73,936 | 81,858 |
| 9,464 | 9,587 | 13,209 | 10,663 | 11,503 | 12,432 |
| 7 | 9 | 7 | 30 | 28 | 23 |
| 200 | 175 | 183 | 96 | 34 | 42 |
| 33 | 27 | 43 | 22 | 83 | 134 |
| 47.4 | 66.0 | 40.1 | 56.8 | 24.9 | 23.3 |
| 19.56 | 20.02 | 19.43 | 19.60 | 21.66 | 23.53 |
| 10.75 | 10.88 | 10.43 | 11.33 | 10.12 | 10.34 |
| 7,850 | 8,585 | 8,057 | 8,811 | 8,873 | 7,422 |
| 3,203,339 | 3,237,334 | 2,694,627 | 3,268,007 | 4,206,527 | 4,179,791 |
| \$ 13,048,560 | \$ 13,050,412 | \$ 9,754,412 | \$ 12,343,690 | \$ 22,071,680 | \$ 20,369,312 |
| 12,274 | 13,207 | 11,624 | 13,008 | 14,908 | 14,019 |

City of Sugar Land, Texas
 Capital Assets Statistics by Function
 Last Ten Fiscal Years

| Function | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------|-------------|
| General government | | | | |
| Municipal buildings | 40 | 40 | 40 | 40 |
| Conference center | 1 | 1 | 1 | 1 |
| Public safety | | | | |
| Police Protection | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Fire Protection | | | | |
| Stations within city limits | 6 | 6 | 6 | 6 |
| Stations operated through agreements with MUDs served in ETJ | 1 | 1 | 1 | 1 |
| Highways and streets | | | | |
| Linear miles of sidewalks | 500 | 537 | 537 | 538 |
| Storm sewers (miles) | 338 | 350 | 350 | 343 |
| Traffic signals | 85 | 85 | 85 | 88 |
| Parks and recreation | | | | |
| Parks | 24 | 26 | 27 | 27 |
| Community centers | 6 | 6 | 6 | 6 |
| Parks acreage | | | | |
| Developed | 571 | 571 | 924 | 963 |
| Undeveloped | 807 | 807 | 1484 | 1261 |
| Water | | | | |
| Water wells | 16 | 16 | 16 | 16 |
| Water mains (miles) | 441 | 452 | 465 | 495 |
| Fire hydrants | 4,050 | 4,134 | 4,296 | 4,320 |
| Maximum daily demand (MG) | | | | |
| Groundwater | 29.97 | 25.84 | 31.00 | 35.70 |
| Waste water | | | | |
| Waste water treatment plants | 2 | 2 | 2 | 2 |
| Sanitary sewers (miles) | 412 | 426 | 424 | 450 |
| Max daily effluent flow (MG) | 13.5 | 24.3 | 18.8 | 44.4 |

Source: Various City Departments.

Schedule 18

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------|-------|-------|-------|-------|-------|
| 40 | 40 | 40 | 40 | 40 | 40 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| - | - | - | - | - | - |
| 846 | 903 | 903 | 848 | 848 | 848 |
| 619 | 662 | 662 | 397 | 397 | 397 |
| 90 | 92 | 92 | 92 | 92 | 92 |
| 27 | 27 | 27 | 27 | 27 | 27 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| 966 | 971 | 971 | 1174 | 1402 | 1402 |
| 1261 | 1261 | 1280 | 1280 | 1053 | 1179 |
| 23 | 23 | 23 | 23 | 23 | 23 |
| 643 | 652 | 652 | 652 | 652 | 652 |
| 5,495 | 5,837 | 5,829 | 5,829 | 5,829 | 5,829 |
| 36.22 | 37.27 | 30.86 | 37.78 | 42.08 | 47.06 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 549 | 550 | 550 | 550 | 550 | 550 |
| 21.2 | 30.3 | 26.7 | 23.8 | 17.8 | 19.9 |

