

**CITY OF FULSHEAR, TEXAS**  
**Annual Financial Report**  
**For the Year Ended December 31, 2007**

**PS Stephenson & Co., P.C.**  
**Certified Public Accountants**  
**Wharton, Texas**

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**City of Fulshear, Texas**  
**Elected Officials, Administration and Other Information**  
**December 31, 2007**

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**Current Elected Governing Body:**

		<u>Term</u>
James W. Roberts	Mayor	May 1, 2006 to April 30, 2008
Bill Archer	Mayor Pro Tem and Councilman	May 1, 2007 to April 30, 2009
Carl G. Utley	Council member	May 1, 2006 to April 30, 2008
J.B. Collins, Jr.	Council member	May 1, 2007 to April 30, 2009
Laverne Patterson	Council member	May 1, 2006 to April 30, 2008
Dennis Clack	Council member	May 1, 2006 to April 30, 2008

**Administrative Officials**

D. Gordon Offord	City Secretary
Becky Lyons	City Treasurer
David Frishman	City Attorney

**General Information**

City Hall, Fulshear, Texas	30603 FM 1093, P.O. Box 279, Fulshear, Texas 77441 Phone Number (281) 346-1796
Date of Incorporation	April 2, 1977
Council Meetings	3rd Tuesday of each month at 7:00 P.M. Meeting place: City Hall, Fulshear, Texas
2007 State of Texas Sales Tax Rate	8.25%
2007 Property Tax Rate	\$ 0.205921 per \$100 valuation

**FINANCIAL SECTION**



**PS STEPHENSON & CO., P.C.**

Certified Public Accountants  
1609 N. Richmond Road  
Wharton, Texas 77488

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fulshear, Texas (the "City"), as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the index to the financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**City of Fulshear, Texas**  
**Management's Discussion and Analysis**  
**December 31, 2007**

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The discussion and analysis of the City of Fulshear's (the "City") financial performance provides an overview of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's performance.

**Overview of the Financial Statements**

This annual financial report of the City of Fulshear, Texas (the "City") consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and Other Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

**Government-Wide Financial Analysis**

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets provide an indication of the City's financial condition. The City's net assets reflect the difference between assets and liabilities. The Statements of Revenues, Expenses and Change in Net Assets identify the various revenue and expense items that affect the change in net assets.

A summary of the City's Statements of Net Assets is presented below.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 1,652,389	\$ 14,248	\$1,666,637
Capital assets, net	850,588	1,516,169	2,366,757
Total assets	<u>2,502,977</u>	<u>1,530,417</u>	<u>4,033,394</u>
Current and other liabilities	128,588	230,043	358,631
Long-term debt	20,670	-	20,670
Total liabilities	<u>149,258</u>	<u>230,043</u>	<u>379,301</u>
Net assets			
Invested in capital assets, net of related debt	819,658	1,516,169	2,335,827
Restricted	378,753	6,384	385,137
Unrestricted	1,155,308	(222,179)	933,129
Total Net Assets	<u>\$ 2,353,719</u>	<u>\$ 1,300,374</u>	<u>\$3,654,093</u>

The largest portion of the City's net assets (64.8%) reflects its investment in capital assets (e.g., land, buildings, streets and equipment), less any related debt used to acquired those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Governmental activities increased the City's net assets by \$419,052 in fiscal 2007 as compared to an increase of \$197,534 in fiscal 2006. There was a net decrease of \$139,053 in net assets in fiscal 2007 reported in connection with the City's business-type activities as compared to a net decrease of \$44,420 in net assets in fiscal 2006.

**City of Fulshear, Texas**  
**Management's Discussion and Analysis**  
**December 31, 2007**

A summary of the City's Changes in Net Assets for the year ended December 31, 2007 is presented below.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues			
Charges for services	\$ 115,548	\$ 124,728	\$ 240,276
Capital grants and contributions	16,840	-	16,840
General revenues			
Property taxes	173,319	-	173,319
Other taxes	211,018	-	211,018
Franchise fees	44,362	-	44,362
Public improvement fees	219,153	-	219,153
Other	156,782	224	157,006
Total revenues	<u>937,022</u>	<u>124,952</u>	<u>1,061,974</u>
Expenses			
General government	383,783	-	383,783
Municipal court	38,209	-	38,209
Public works	109,478	-	109,478
Water and sewer	-	264,005	264,005
Total expenses	<u>531,470</u>	<u>264,005</u>	<u>795,475</u>
Changes in net assets before transfers and other	405,552	(139,053)	266,499
Transfers	-	-	-
Gain on disposal of assets	13,500	-	13,500
Change in net assets	<u>419,052</u>	<u>(139,053)</u>	<u>279,999</u>
Beginning net assets	1,934,667	1,439,427	3,374,094
Ending net assets	<u>\$ 2,353,719</u>	<u>\$ 1,300,374</u>	<u>\$3,654,093</u>

Following is a detail of revenue by source for the governmental activities and business-type activities for the year ended December 31, 2007:

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Revenues</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 115,548	12.16%	\$ 124,728	99.82%
Capital grants	16,840	1.77%	-	0.00%
Property taxes	173,319	18.23%	-	0.00%
Sales taxes	211,018	22.20%	-	0.00%
Public improvement fee:	219,153	23.06%		
Franchise taxes	44,362	4.67%	-	0.00%
Investment earnings	62,023	6.53%	224	0.18%
Miscellaneous	94,759	9.97%	-	0.00%
Gain on asset sales	13,500	1.42%	-	0.00%
Total	<u>\$ 950,522</u>		<u>\$ 124,952</u>	

**City of Fulshear, Texas**  
**Management's Discussion and Analysis**  
**December 31, 2007**

A summary of the City's Changes in Net Assets for the year ended December 31, 2006 is presented below.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Program revenues			
Charges for services	\$ 147,805	\$ 109,925	\$ 257,730
Capital grants and contributions	-	77,356	77,356
General revenues			
Property taxes	140,422	-	140,422
Other taxes	163,039	-	163,039
Franchise fees	50,435	-	50,435
Other	65,086	477	65,563
Total revenues	<u>566,787</u>	<u>187,758</u>	<u>754,545</u>
Expenses			
General government	320,632	-	320,632
Municipal court	1,238	-	1,238
Public works	56,383	-	56,383
Water and sewer	-	232,178	232,178
Total expenses	<u>378,253</u>	<u>232,178</u>	<u>610,431</u>
Changes in net assets before transfers and other	188,534	(44,420)	144,114
Transfers	-	-	-
Gain on disposal of assets	9,000	-	9,000
Change in net assets	<u>197,534</u>	<u>(44,420)</u>	<u>153,114</u>
Beginning net assets	<u>1,737,143</u>	<u>1,483,847</u>	<u>3,220,990</u>
Ending net assets	<u>\$ 1,934,677</u>	<u>\$ 1,439,427</u>	<u>\$3,374,104</u>

Following is a detail of revenue by source for the governmental activities and business-type activities for the year ended December 31, 2006:

<b>Description</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Revenues</b>	<b>% of Total</b>	<b>Revenues</b>	<b>% of Total</b>
Charges for services	\$ 147,805	25.67%	\$ 109,925	58.55%
Capital grants	-	0.00%	77,356	41.20%
Property taxes	140,422	24.39%	-	0.00%
Sales taxes	163,039	28.32%	-	0.00%
Franchise taxes	50,435	8.76%	-	0.00%
Investment earnings	26,508	4.60%	477	0.25%
Miscellaneous	38,578	6.70%	-	0.00%
Gain on asset sales	9,000	1.56%	-	0.00%
Total	<u>\$ 575,787</u>		<u>\$ 187,758</u>	

For the year ended December 31, 2007, the City had total revenues from governmental activities of \$950,522 as compared to total revenues of \$575,787 for the year ended December 31, 2006. The primary revenue growth was from increased permits, licenses and other fee revenues of \$243,077 and increased sales tax revenues of \$47,979 from the prior year. Revenues from business-type activities, excluding the effects of capital grant revenue, increased by \$14,550 from \$110,402 in fiscal 2006 to \$124,952.

Total expenses from governmental activities increased \$153,217 from \$378,253 in fiscal 2006 to \$531,470 in fiscal 2007. The increase in expenses in 2007 is primarily related to additional repairs and maintenance the City performed in fiscal 2007, along with expenses incurred to reestablish the police and municipal court service.

### **Financial Analysis of Government Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal 2007, the City's governmental funds, consisting only of the General Fund, reported an ending fund balance of \$1,401,530, an increase of \$271,408 in comparison with the prior year. Unreserved fund balance is \$1,022,777 and is available for spending, subject to regulatory, statutory and budgetary restrictions. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the development of a Regional Park as part of the City's Subdivision Ordinance or to the Public Improvement Construction fund.

The fund balance of the City's General Fund increased \$271,408 during the current fiscal year. Key factors in this increase were increases in licenses, permits and other fees and sales tax revenues, both which increased significantly from the prior year due to continued positive growth of businesses and housing development in the City.

### **Financial Analysis of Proprietary Funds**

The City's proprietary fund provides the same type of information found in the government-wide financial statement, but in more detail. The proprietary fund consists of the water, sewer and garbage operations of the City.

Net assets of the proprietary fund decreased \$139,053. The key factor in this decrease is depreciation expense of \$68,831 and increase maintenance and repair costs of the City's water and sewer system. Excluding these items, the proprietary fund recorded an operating loss of \$41,984 in fiscal 2007.

### **Analysis of Changes in Capital Assets and Long-Term Debt**

#### **Capital Assets**

As of December 31, 2007, the District had total capital assets, net of accumulated depreciation of \$2,366,757 as compared to total capital assets, net of accumulated depreciation of \$2,227,959 at December 31, 2006. This investment in capital assets includes land, machinery and equipment, buildings, infrastructure, and water and sewer distribution systems. During the year ended December 31, 2007, the City acquired \$241,548 in new capital assets. Total depreciation expense for the year ended December 31, 2007 was \$102,750. Additional information of the City's capital assets can be found in Note 4 of this report.

**Long-Term Debt**

On November 30, 2007, the City entered into a lease-purchase agreement for various tractors and maintenance equipment. The aggregate purchase price of the equipment was \$83,090. Upon execution of the agreement, the City made an initial payment of \$18,241. The terms of the lease agreement call for annual principal and interest payments of \$18,241 until November 28, 2011, at which time title to the equipment passes to the City. At December 31, 2007, the principal outstanding under the capital lease agreement was \$64,849.

**Economic Factors and Next Year's Budget and Rates**

The City Council has adopted the City's 2008 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2008 fiscal year. The City expects revenues from all sources to remain consistent with the 2007 fiscal year and expects a positive growth in net assets during 2008 for both governmental activities and business-type activities. The City's water, sewer and garbage rates are reviewed by the City Council and adjusted based on current operating costs, customer demand and usage, and other pertinent factors affecting operations.

**Additional Financial Information**

This financial report is designed to present users with a general overview of the City's financial operations and financial condition and to demonstrate the City's accountability. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the City of Fulshear, P.O. Box 279, Fulshear, Texas 77441.

## **BASIC FINANCIAL STATEMENTS**

**City of Fulshear, Texas**  
**Statement of Net Assets**  
**December 31, 2007**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 741,023	\$ 5,318	\$ 746,341
Restricted cash - Note 5	-	-	-
Certificates of deposit	578,926	-	578,926
Receivables	-	-	-
Franchise taxes	6,489	-	6,489
Sales taxes	17,518	-	17,518
Delinquent taxes (less allowance of \$8,322)	21,798	-	21,798
Current taxes	89,256	-	89,256
Customers (less allowance of \$5,479)	-	8,930	8,930
Grants	-	-	-
Due from other funds	197,379	-	197,379
<b>Total current assets</b>	<b>1,652,389</b>	<b>14,248</b>	<b>1,666,637</b>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Land	44,290	60,292	104,582
Buildings, infrastructure and equipment	1,102,795	2,175,626	3,278,421
Less accumulated depreciation	(296,497)	(719,749)	(1,016,246)
<b>Total capital assets</b>	<b>850,588</b>	<b>1,516,169</b>	<b>2,366,757</b>
<b>Total assets</b>	<b>\$ 2,502,977</b>	<b>\$ 1,530,417</b>	<b>\$ 4,033,394</b>
 <b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 49,611	\$ 25,110	\$ 74,721
Accrued liabilities	13,828	1,170	14,998
Security deposits	300	6,384	6,684
Obligations under lease-purchase agreement	64,849	-	64,849
Deferred revenue - property taxes	-	-	-
Due to other governmental units/other funds	20,670	197,379	218,049
<b>Total current liabilities</b>	<b>149,258</b>	<b>230,043</b>	<b>379,301</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	819,658	1,516,169	2,335,827
Restricted net assets	378,753	6,384	385,137
Unrestricted net assets	1,155,308	(222,179)	933,129
<b>Total Net Assets</b>	<b>\$ 2,353,719</b>	<b>\$ 1,300,374</b>	<b>\$ 3,654,093</b>

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

Function/Program	Expenses	Charges for Services	Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets		
				Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 383,783	\$ 115,548	\$ 16,840	\$ (251,395)	\$ -	\$ (251,395)
Public service	38,209	-	-	(38,209)	-	(38,209)
Public works	109,478	-	-	(109,478)	-	(109,478)
Total governmental activities	<u>531,470</u>	<u>115,548</u>	<u>16,840</u>	<u>(399,082)</u>	<u>-</u>	<u>(399,082)</u>
<b>Business-type Activities</b>						
Contractual services	122,004	124,728	-	-	2,724	2,724
Repairs	28,238	-	-	-	(28,238)	(28,238)
Supplies	6,394	-	-	-	(6,394)	(6,394)
Utilities	25,019	-	-	-	(25,019)	(25,019)
Other expenses	13,519	-	-	-	(13,519)	(13,519)
Depreciation expense	68,831	-	-	-	(68,831)	(68,831)
Total business-type activities	<u>264,005</u>	<u>124,728</u>	<u>-</u>	<u>-</u>	<u>(139,277)</u>	<u>(139,277)</u>
Total	<u>\$ 795,475</u>	<u>\$ 240,276</u>	<u>\$ 16,840</u>	<u>(399,082)</u>	<u>(139,277)</u>	<u>(538,359)</u>
<b>General revenues:</b>						
<b>Taxes</b>						
Property				173,319	-	173,319
Sales and use				211,018	-	211,018
Franchise				44,362	-	44,362
Unrestricted investment earnings				62,023	224	62,247
Miscellaneous				94,759	-	94,759
Public improvement fees				219,153	-	219,153
Gain on disposal of capital assets				13,500	-	13,500
Total general revenues and transfers				<u>818,134</u>	<u>224</u>	<u>818,358</u>
Changes in net assets				419,052	(139,053)	279,999
Net assets - beginning				<u>1,934,667</u>	<u>1,439,427</u>	<u>3,374,094</u>
Net assets - ending				<u>\$ 2,353,719</u>	<u>\$ 1,300,374</u>	<u>\$ 3,654,093</u>

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas**  
**Balance Sheet - Governmental Funds**  
**December 31, 2007**

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<b>Assets</b>	<u>General Fund</u>
Cash and cash equivalents	\$ 741,023
Certificates of deposit	578,926
Receivables	
Franchise taxes	6,489
Sales taxes	17,518
Delinquent taxes (less allowance of \$8,322)	21,798
Current taxes	89,256
Due from other funds	197,379
Total assets	<u>\$ 1,652,389</u>

**Liabilities and Fund Balance**

<b>Liabilities</b>	
Accounts payable	\$ 49,611
Accrued liabilities	13,828
Security deposits	300
Deferred revenue - delinquent taxes	21,798
Deferred revenue - current taxes	144,652
Due to other governmental units	20,670
Total liabilities	<u>250,859</u>
<b>Fund balance</b>	
Fund balance - reserved	378,753
Fund balance - unreserved	1,022,777
Total fund balance	<u>1,401,530</u>
Total liabilities and fund balance	<u>\$ 1,652,389</u>

**Reconciliation to the Statement of Net Assets of Governmental Activities:**

Total governmental fund balance	\$ 1,401,530
Add capital assets not reported in governmental funds, net of accumulated depreciation of \$296,497	850,588
Less liabilities not reported in governmental funds	(64,849)
Deferred revenues for property taxes receivable recognized as revenue in the government-wide statement of net assets	166,450
Net Assets of Governmental Activities	<u>\$ 2,353,719</u>

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas**

**Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds**

**For the Year Ended December 31, 2007**

<b>Revenues</b>	<b>General</b>
Taxes	
Property	\$ 165,523
Penalties and interest	2,942
Sales and use	211,018
Franchise	44,362
Total taxes	423,845
Public improvement fees	219,153
Licenses, permits and other	115,548
Interest	62,023
Regional park fees	78,300
Rent and other income	16,459
Total revenues	915,328
<b>Expenditures</b>	
General government	362,345
Public Service	33,959
Public works	101,257
Capital outlay	158,458
Total expenditures	656,019
Revenues over (under) expenditures	259,309
<b>Other Financial Sources (Uses)</b>	
Lease payment	(18,241)
Sale of fixed assets	13,500
State and county grant	16,840
Total other financial sources (uses)	12,099
Net change in fund balance	271,408
Beginning fund balance	1,130,122
Ending fund balance	\$ 1,401,530

**Reconciliation to the Statement of Activities**

Total net change in fund balance - governmental funds	\$ 271,408
Increase in property tax revenues on the Statement of Activities not included in the governmental funds statement	4,864
Current year capital outlays not included in the Statement of Activities	158,458
Expenses on the Statement of Activities not included in the governmental funds statement	
Depreciation expense	(33,919)
Principal payment on capital lease obligation	18,241
Change in net assets of governmental activities	\$ 419,052

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas**  
**Statement of Net Assets - Proprietary Funds**  
**December 31, 2007**

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<b>Assets</b>	<b>Business-type Activities Enterprise Fund</b>
<b>Current assets</b>	
Cash and cash equivalents	\$ 5,318
Restricted cash - Note 5	-
Customer receivables, net of allowance of \$1,219	8,930
Grant receivable	-
Total current assets	<u>14,248</u>
<b>Noncurrent assets</b>	
Capital assets	
Land	60,292
Sewer system property, plant and equipment	2,175,626
Less accumulated depreciation	<u>(719,749)</u>
Net capital assets	<u>1,516,169</u>
Total assets	<u><u>\$ 1,530,417</u></u>
 <b>Liabilities and Fund Equity</b>	
<b>Liabilities</b>	
Accounts payable	\$ 25,110
Accrued liabilities	1,170
Security deposits	6,384
Due to other funds	<u>197,379</u>
Total liabilities	230,043
 <b>Net Assets</b>	
Invested in capital assets	1,516,169
Restricted net assets	6,384
Unrestricted net assets	<u>(222,179)</u>
Total net assets	<u><u>\$ 1,300,374</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas****Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds****For the Year Ended December 31, 2007**

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	Business-type Activities
	<u>Enterprise Fund</u>
Operating revenues	
Charges for services	\$ 124,728
Operating expenses	
Contractual services	122,004
Repairs	28,238
Supplies	6,394
Utilities	25,019
Other expenses	13,519
Depreciation expense	68,831
Total operating expenses	<u>264,005</u>
Operating income (loss)	(139,277)
Non-operating income	
Grant income	-
Loss on disposal of assets	-
Transfer in	-
Interest income	224
Total non-operating income	<u>224</u>
Changes in net assets	(139,053)
Net assets - beginning of year	<u>1,439,427</u>
Net assets - end of year	<u><u>\$ 1,300,374</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Fulshear, Texas**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended December 31, 2007**

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	Business-type Activities <u>Enterprise Fund</u>
Cash Flows Provided (Used) By Operating Activities	
Net income (loss) from operations	\$ (139,277)
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities	
Depreciation expense	68,831
(Increase) decrease in accounts receivable	(3,225)
Increase (decrease) in customer deposits	(3,091)
Increase (decrease) in accounts payable	12,776
Increase (decrease) in accrued liabilities	887
Increase (decrease) in due to other funds	31,250
Net cash provided (used) by operating activities	<u>(31,849)</u>
Cash Flows Provided (Used) By Non-capital Financing Activities	
Operating transfers from (to) other funds	<u>-</u>
Net cash provided (used) by non-capital financing activities	-
Cash Flows Provided (Used) By Capital and Related Financing Activities	
Proceeds from grant awards	-
Acquisition of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	-
Cash Flows Provided (Used) By Investing Activities	
Interest earned on investments	<u>224</u>
Net cash provided (used) by investing activities	<u>224</u>
Net increase (decrease) in cash and cash equivalents	(31,625)
Cash and cash equivalents - beginning of year	<u>36,943</u>
Cash and cash equivalents - end of year	<u><u>\$ 5,318</u></u>

The accompanying notes are an integral part of these financial statements.

## **1. Summary of Significant Accounting Policies**

### **Introduction**

The City of Fulshear, Texas (the “City”) was organized in 1977. The City Council is the principal legislative body of the City and is composed of a mayor and five council members who serve two-year terms. The mayor presides at the council meetings. All powers of the City are vested in the council.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The significant reporting changes required under the provisions of this Statement are:

Financial statements issued by the City will include:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City’s activities.

A Change in the fund financial statements to focus on the City’s major funds.

The City implemented the provisions of Statement No. 34 in fiscal 2004.

### **Reporting Entity**

In evaluating how to define the City for reporting purposes, management has considered all potential component units. The decision to exclude all potential component units from the reporting entity was made by applying the criteria set forth in GAAP. The City is not included in any other governmental reporting entity as defined by GASB and there are no component units included within the reporting entity.

### **Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or business-type activity. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The City reports governmental type funds.

**Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. A one-year availability period is used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition on the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The District reports the following funds:

*Governmental Fund Types*

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. Governmental fund types include the following:

General Fund – is used to account for resources used in general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds are accounted for in this fund.

Capital Projects Fund – is used to account for the revenue and expenditures of resources used for the acquisition and construction of major capital facilities. The principal resources of the Capital Projects Fund are capital grants. The City does not budget for the Capital Projects Fund since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City’s fiscal year, a comparison of budget information would not be meaningful and has not been presented in the accompanying financial statements.

*Proprietary Fund Types*

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Proprietary fund types include the following:

Enterprise fund – used to account for operations that provide water and sewer service and the construction of related facilities. The fund is financed and operated in a manner similar to private business whereby costs of providing services to customers on a continuing basis is recovered primarily through customer service charges. The construction of the wastewater treatment plant facility required to provide these services was financed by a grant from the State of Texas Department of Commerce.

**Budget policy and practice**

The Mayor submits an annual budget to the council members in accordance with the City's Charter and the Texas Municipal Budget Act. In September, the council members and the Mayor adopt an annual fiscal year appropriated budget for the general fund and proprietary fund. Once approved, the council members and the Mayor may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

**Budgetary control**

The general fund appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by departments. This constitutes the legal level of control. Expenditures may not exceed appropriations and beginning fund balances. Budget revisions at this level are subject to final review by the council members. Within these above control levels, the mayor may transfer appropriations without council approval.

**Budget basis of accounting**

The budgets for the general and proprietary funds are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The City did not have any outstanding encumbrances at December 31, 2007.

**Cash and investments**

Cash includes amounts in demand deposits, change funds and short-term certificates of deposit with a maturity date within three months of the date acquired by the government. Investments consist of certificate of deposits reported at cost, which approximates fair value.

**Due to and from other funds**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Inventories**

Supplies and materials are charged to expense accounts of the affected fund or department when purchased.

**Restricted assets**

Certain proceeds of funds received in the Enterprise Fund are restricted for specific purposes and are classified as restricted assets on the balance sheet because their use is limited.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide statement of net assets. The City defines capital assets as assets with initial, individual costs of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Water and sewer plant	50 years
Infrastructure	50 years
Equipment	5 - 7 years

**Compensated absences and retirement plan**

There were no compensated absences at December 31, 2007 for any employee of the City.

**Property taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. All property taxes are recognized in compliance with NCGA Interpretation-3 (Revenue Recognition – Property Taxes), which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

**Statement of cash flows**

For the purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**City of Fulshear, Texas**  
**Notes to Financial Statements**  
**December 31, 2007**

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**2. Deposits and Investments**

The City's cash and investments at December 31, 2007 are as follows:

Cash and deposit accounts	\$ 746,341
Restricted cash	-
Certificates of deposit	<u>578,926</u>
	<u>\$ 1,325,267</u>

It is the City's policy for deposits and investments to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's demand deposits are listed at cost at December 31, 2007 and are entirely covered by federal depository insurance or by pledged collateral held by a financial institution in the City's name.

The City's deposits and investments are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1- Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2- Collateralized with securities held by the pledging financial institution trust department or agent in the City's name.

Category 3- Uncollateralized

Based on these three levels of risk, all of the City's cash and investments are classified as Category 1.

**3. Receivables**

Receivables at December 31, 2007 consist of the following:

	<u>General</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Receivable:			
Franchise taxes	\$ 6,489	\$ -	\$ 6,489
Property taxes	119,376	-	119,376
Sales taxes	17,518	-	17,518
Customer accounts	<u>-</u>	<u>14,409</u>	<u>14,409</u>
Total receivables	143,383	14,409	157,792
Less allowance for uncollectibles	<u>(8,322)</u>	<u>(5,479)</u>	<u>(13,801)</u>
Net total receivables	<u>\$ 135,061</u>	<u>\$ 8,930</u>	<u>\$143,991</u>

**City of Fulshear, Texas**  
**Notes to Financial Statements**  
**December 31, 2007**

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**4. Fixed Assets**

The following is a summary of the governmental activities capital assets at December 31, 2007.

	<b>Balance</b>			<b>Balance</b>
	<b>Jan. 1, 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Dec. 31, 2007</b>
Land	\$ 44,290	\$ -	\$ -	\$ 44,290
City Hall building	173,922	-	-	173,922
Office equipment	17,660	-	-	17,660
Public works equipment	16,490	104,340	-	120,830
Park and ride facility	209,455	-	-	209,455
F. Smart park facility	10,808	-	-	10,808
Community center	324,088	-	-	324,088
Police equipment	-	84,998	-	84,998
Infrastructure	108,824	52,210	-	161,034
Total capital assets	905,537	241,548	-	1,147,085
Accumulated depreciation	(262,578)	33,919	-	(296,497)
Capital assets, net	<u>\$ 642,959</u>	<u>\$207,629</u>	<u>\$ -</u>	<u>\$ 850,588</u>

Depreciation expense for the year ended December 31, 2007 was \$33,919, of which \$21,438 was charged to general government programs, \$4,250 was charged to public service programs, and \$8,321 was charged to public works programs.

The following is a summary of business-type capital assets at December 31, 2007:

	<b>Balance</b>			<b>Balance</b>
	<b>Jan. 1, 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Dec. 31, 2007</b>
Land	\$ 60,292	\$ -	\$ -	\$ 60,292
Buildings	104,220	-	-	104,220
Sewer and water plant	1,945,332	-	-	1,945,332
Equipment	122,074	-	-	122,074
Construction in progress	-	-	-	-
Total capital assets	2,235,918	-	-	2,235,918
Accumulated depreciation	(650,918)	(68,831)	-	(719,749)
Capital assets, net	<u>\$ 1,585,000</u>	<u>\$ (68,831)</u>	<u>\$ -</u>	<u>\$ 1,516,169</u>

Depreciation expense for the year ended December 31, 2007 was \$68,831.

**5. Regional Park Fund**

During 2004, the City entered into an agreement with a developer whereby the developer would pay a Regional Park Fee for every lot per plat the developer finalized. During 2007, the City received \$78,300 in Regional Park Fees. Since the inception of the agreement, the City has received \$159,600. The terms of the agreement state that the Regional Park Fees must be utilized in the development of a regional park within 5 years from the date the fees are paid to the City. Otherwise, the funds must be returned to the lot owner of record at the 5 year anniversary date. As of December 31, 2007, the City has restricted net assets of \$159,600 reserved for a regional park.

**6. Obligations Under Lease-Purchase Agreement**

On November 30, 2007, the City entered into a lease-purchase agreement for various tractors and maintenance equipment. The aggregate purchase price of the equipment was \$83,090. Upon execution of the agreement, the City made an initial payment of \$18,241. The terms of the lease agreement call for annual principal and interest payments of \$18,241 until November 28, 2011, at which time title to the equipment passes to the City. At December 31, 2007, the principal outstanding under the capital lease agreement was \$64,849.

**7. Interfund Receivables and Payables**

Interfund receivables and payables consisted of the following at December 31, 2007:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Enterprise Fund	\$ 197,379	\$ -
Total General Fund	197,379	-
Enterprise Fund:		
General Fund	-	197,379
Total	<u>\$ 197,379</u>	<u>\$ 197,379</u>

**8. Franchise Taxes**

The City has entered into agreements with certain utilities companies to pay a franchise fee in-lieu of a sales tax. Revenues earned under these agreements for the year ended December 31, 2007 were \$44,362, of which over 85% is earned from electric utility providers.

**9. Sales Taxes**

The City receives its allocation of sales tax receipts for its incorporated boundaries monthly from the State of Texas. During the year-ended December 31, 2007, the City recorded \$211,018 in sales tax revenues. During 2007, the City established 2 separate economic development corporations, with each entity establishing a 0.5% sales tax rate. The City is responsible for collecting the additional 1.0% sales tax and remitting the appropriate funds to the economic development corporations. The city received the first sales tax collection for the economic development corporations in December 2007 aggregating \$20,670. The sales tax collected is recorded as amounts due to other governmental units on the accompanying Statement of Net Assets at December 31, 2007.

**10. Contingencies**

**Litigation**

The City is not a party to any litigation as of December 31, 2007 that the City believes will have a material adverse effect on the financial condition of the City or would not be covered by insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Fulshear, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget (GAAP Basis) and Actual - General Fund**  
**For the Year Ended December 31, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes			
Property	\$ 157,000	\$ 165,523	\$ 8,523
Penalties and interest	-	2,942	2,942
Sales and use	156,685	211,018	54,333
Franchise	46,990	44,362	(2,628)
Total taxes	<u>360,675</u>	<u>423,845</u>	<u>63,170</u>
Public improvement fees	-	219,153	219,153
Licenses, permits and other	80,650	115,548	34,898
Interest	56,800	62,023	5,223
Regional park fees	15,000	78,300	63,300
Rent	4,800	16,459	11,659
Total revenues	<u>517,925</u>	<u>915,328</u>	<u>397,403</u>
<b>Expenditures</b>			
Current			
General government	375,920	362,345	13,575
Public service	104,824	33,959	70,865
Public works	243,620	101,257	142,363
Capital outlay	133,400	158,458	(25,058)
Total expenditures	<u>857,764</u>	<u>656,019</u>	<u>201,745</u>
Revenues over (under) expenditures	(339,839)	259,309	599,148
<b>Other Financial Sources (Uses)</b>			
Grant revenue	-	16,840	16,840
Lease payments	-	(18,241)	18,241
Sales of fixed assets	-	13,500	13,500
Total other financial sources (uses)	<u>-</u>	<u>12,099</u>	<u>48,581</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (339,839)</u>	271,408	<u>\$ 647,729</u>
Beginning fund balance		<u>1,130,122</u>	
Ending fund balance		<u>\$ 1,401,530</u>	

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Fulshear, Texas**  
**General Fund**  
**Schedule of Revenues - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2007**

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	Budget	Actual	Variance Favorable (Unfavorable)
Taxes			
Property	\$ 157,000	\$ 165,523	\$ 8,523
Penalties and interest	-	2,942	2,942
Sales and use	156,685	211,018	54,333
Franchise	46,990	44,362	(2,628)
Total taxes	<u>360,675</u>	<u>423,845</u>	<u>63,170</u>
Public improvement fees	-	219,153	219,153
Licenses, permits and other			
Permit fees	24,800	34,300	9,500
Inspection, registration and platting fees	52,470	55,660	3,190
License fees	1,000	978	(22)
Plan review and other review fees	2,380	24,610	22,230
Total licenses, permits & other	<u>80,650</u>	<u>115,548</u>	<u>34,898</u>
Interest	56,800	62,023	5,223
Regional park fees	15,000	78,300	63,300
Rent			
Community center rental	4,800	16,459	11,659
Total rent	<u>4,800</u>	<u>16,459</u>	<u>11,659</u>
Total revenues	<u>\$ 517,925</u>	<u>\$ 915,328</u>	<u>\$ 397,403</u>

**City of Fulshear, Texas**

**General Fund**

**Schedule of Expenditures - Budget (GAAP Basis) and Actual**

**For the Year Ended December 31, 2007**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>General Government</b>			
Personal services	\$ 138,034	\$ 137,256	\$ 778
Building inspector fees	30,300	24,649	5,651
Legal, accounting and other professional fees	30,000	21,335	8,665
Insurance and bonds	13,500	13,625	(125)
Telephone and pagers	11,400	10,248	1,152
Expense allowance - Mayor	7,400	5,400	2,000
Dues and subscriptions	3,850	3,490	360
Professional services	50,400	54,117	(3,717)
Office supplies and printing	33,850	29,207	4,643
Travel and entertainment	8,000	11,011	(3,011)
Postage and box rent	2,336	1,497	839
Gifts and condolences	1,200	1,199	1
Public legal notices	3,600	2,143	1,457
Training and certification	5,000	658	4,342
Utilities	27,100	20,826	6,274
Repairs and supplies	5,000	21,531	(16,531)
Permits and other fees	1,550	1,255	295
Other	3,400	2,898	502
Total general government	<u>375,920</u>	<u>362,345</u>	<u>13,575</u>
<b>Public Service</b>			
Judge's fee	-	200	(200)
Police department auto expenses	6,000	1,667	4,333
Salaries-police department	85,674	22,476	63,198
Supplies-police department	11,450	7,573	3,877
Other	1,700	2,043	(343)
Total public service	<u>104,824</u>	<u>33,959</u>	<u>70,865</u>
<b>Public Works</b>			
Personal services	52,720	49,849	2,871
Contract services	8,000	30,826	(22,826)
Utilities	8,500	8,230	270
Repairs and maintenance	34,400	12,352	22,048
Street repair	140,000	-	140,000
Total public works	<u>243,620</u>	<u>101,257</u>	<u>142,363</u>
Capital Outlay	<u>133,400</u>	<u>158,458</u>	<u>(25,058)</u>
Total expenditures	<u>\$ 857,764</u>	<u>\$ 656,019</u>	<u>\$ 201,745</u>

City of Fulshear, Texas

Enterprise Fund

Schedule of Operating Expenses - Budget (GAAP Basis) and Actual

For the Year Ended December 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses			
Contractual services			
Water and sewer service contract	\$ 28,000	\$ 82,438	\$ (54,438)
Garbage contract	28,800	28,734	66
Lab testing	10,000	10,832	(832)
Total contractual services	<u>66,800</u>	<u>122,004</u>	<u>(55,204)</u>
Repairs	30,000	28,238	1,762
Supplies			
Permits	-	1,210	(1,210)
Chemicals	4,200	2,483	1,717
Other	250	2,701	(2,451)
Total supplies	<u>4,450</u>	<u>6,394</u>	<u>(1,944)</u>
Utilities	32,400	25,019	7,381
Other expenses			
Sludge hauling	8,500	9,950	(1,450)
Water pumpage fees	6,000	3,569	2,431
Capital outlays	189,000	-	189,000
Total other expenses	<u>203,500</u>	<u>13,519</u>	<u>189,981</u>
Depreciation expense			
Buildings	-	-	-
Water and sewer plant	60,000	68,831	(8,831)
Equipment	-	-	-
Total depreciation expense	<u>60,000</u>	<u>68,831</u>	<u>(8,831)</u>
Total operating expenses	<u>\$ 397,150</u>	<u>\$ 264,005</u>	<u>\$ 133,145</u>

**City of Fulshear, Texas**  
**Schedule of Investments**  
**December 31, 2007**

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<u>Financial Institution</u>	<u>Current Interest Rate</u>	<u>Date</u>		<u>Principal Balance Dec. 31, 2007</u>
		<u>Acquired</u>	<u>Matures</u>	
Commercial State Bank	5.06%	10/2/07	10/2/08	\$ 100,000
Commercial State Bank	5.06%	10/2/07	10/2/08	100,000
Commercial State Bank	5.06%	10/2/07	10/2/08	100,000
Commercial State Bank	5.06%	10/2/07	10/2/08	50,000
Commercial State Bank	5.51%	3/7/08	3/1/08	50,000
Tradition Bank	4.75%	11/27/07	11/27/08	105,250
Tradition Bank	4.75%	11/27/07	11/27/08	<u>73,676</u>
Total				<u><u>\$ 578,926</u></u>

## **OTHER REQUIRED REPORTS**



**PS STEPHENSON & CO., P.C.**

Certified Public Accountants  
1609 N. Richmond Road  
Wharton, Texas 77488

**Independent Auditor's Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards**

Honorable Mayor and Members of City Council  
City of Fulshear, Texas

We have audited the financial statements of the City of Fulshear, Texas (the "City") as of and for the year ended December 31, 2007 and have issued our report thereon dated March 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Fulshear, Texas' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Fulshear, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We also noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, others within the City and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PS Stephenson & Co., P.C.*

Wharton, Texas  
March 6, 2008