

CITY OF FAIR OAKS RANCH, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018



Prepared by:

Administration and Finance Department

Tobin Maples, City Manager

Sarah Buckelew, Finance Director

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CITY OF FAIR OAKS RANCH, TEXAS

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INTRODUCTORY SECTION

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7286 Dietz Elkhorn · Fair Oaks Ranch, Texas 78015 · 210-698-0900 · 866-258-2505 · Fax 210-698-3565 ·
www.fairoaksranchtx.org

February 21, 2019

Honorable Mayor and City Council
City of Fair Oaks Ranch
7286 Dietz Elkhorn
Fair Oaks Ranch, Texas 78015

Dear Mayor and Members of City Council:

The City of Fair Oaks Ranch, Texas is required to publish each year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Fair Oaks Ranch (the City) for the fiscal year ended September 30, 2018.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. 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. The City also acknowledges all disclosures that are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by ABIP, PC, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As required by GAAP, management has provided a narrative introduction, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

Fair Oaks Ranch was created by a group of visionaries who had both the foresight and the political courage to dream of a special community and make it a reality. The ability to make the city a reality was enhanced by having a single development company for many years and working with a family that had a desire for their ranch to become a unique community. This commonality of vision was the glue that held the development process together and created such a unique city.

The City was incorporated in 1988, and became a home rule city in 2017. The City is located 27 miles northwest of downtown San Antonio, has a land area of approximately 8.5 square miles and an estimated population of 8,645. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City has adopted a Council-Manager form of government. Policy-making and legislative authority are vested in a governing Council that is comprised of a Mayor and six Council members. The Mayor and Council members are all elected at large for three-year terms. Elections are staggered with the Mayor and one Council Member elected together, three Council Members the following year, and the remaining two Council Members the year after that. The City Manager is appointed by the Council and is responsible for implementing council policy and day-to-day operations of the City.

The City provides a full range of municipal services including public safety, water and wastewater services, public improvements, repair and maintenance of infrastructure, and general administrative services. The City provides water service to most of the area, with the San Antonio Water System providing water service to the remaining portion of the City.

The City of Fair Oaks Ranch Municipal Development District (MDD) is considered to meet the criteria of a component unit; therefore, has been included in the report as a discretely presented component unit. The MDD is governed by a seven-member board, consisting of two Council members and four other members appointed by City Council. The MDD is funded through a half cent Section 4B sales tax. The City is financially accountable for the MDD because the City appoints the governing body and the City is obligated to finance any deficits that may occur.

LOCAL ECONOMY

The information presented in the financial statements are perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Fair Oaks Ranch operates.

The City is located near one of the state's most active growth areas. It is adjacent to the City of San Antonio, the second largest city in Texas. The City has a close proximity to major airports and major military bases. The City is also not far from one of the busiest intersections in the San Antonio area, the Interstate 10 and Loop 1604 intersection. The City of Fair Oaks Ranch's convenient location along the boundaries of Interstate 10, one of the largest transportation arteries in the nation, continues to provide for a positive impact to the City.

Other economic indicators such as the unemployment rate and housing permits have remained positive in this area as compared to the national level. Sales tax receipts throughout the past fiscal year saw slightly higher levels than the previous fiscal year. At year end, sales tax revenue again came in above budget. A positive turn in the economy can also be seen on interest income and sales tax revenue the past several years. Fiscal Year 2019 is anticipated to be another very positive year.

Because the City is adjacent to the City of San Antonio, the local economy is anchored by what happens in the San Antonio Metropolitan Statistical Area. This area enjoys the benefit of a diversified economy. Major anchors of the economy in this area are the medical/biomedical industry, the military industry, tourism, telecommunications, insurance, finance and manufacturing. The national state of economy continues to show signs of stability and growth. As a result, commercial growth and sales tax receipts are on a positive track.

LONG-TERM FINANCIAL PLANNING

The budget preparation process at Fair Oaks Ranch is evolving into a strategic planning oriented process that can anticipate and plan for service delivery plans and expectations. As part of this budget process we have:

- Placed our senior staff in much more responsible roles for planning, justifying, and administering the budget process
- Provided resources on both the General Fund and Enterprise Fund sides to allow us to plan for replacements of assets instead of just reacting to these needs via “emergency” purchases
- Provided funding for foundational growth management tools the citizens have told us they desire like Master Land Use, Master Drainage Plan, Water/Wastewater Management, Subdivision & Zoning Regulations, Capital Recovery Fees, and Water/Wastewater Impact Fees
- Continued funding for other citizen led development efforts such as Wildlife Education Committee, Communications Committee, Planning and Zoning Committee, and Finance and Investment Committee
- Enhanced quality of life through investments in police, EMS, and fire services

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fair Oaks Ranch for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the efficient and dedicated service of the entire staff of the finance and administration departments. We appreciate the efforts of everyone involved. We wish to also express our appreciation to the Mayor and all City Council members for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Sarah Buckelew, Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fair Oaks Ranch
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

September 30, 2018

MAYOR

GARRY MANITZAS

CITY COUNCIL MEMBERS

MARY ANNE HAVARD

ROY ELIZONDO

STEVE HARTPENCE

GREG MAXTON

SNEHAL R. PATEL

LAURA KOERNER

CITY MANAGER

TOBIN MAPLES

ATTORNEY

DENTON, NAVARRO, ROCHA, BERNAL,
HYDE AND ZECH, PC

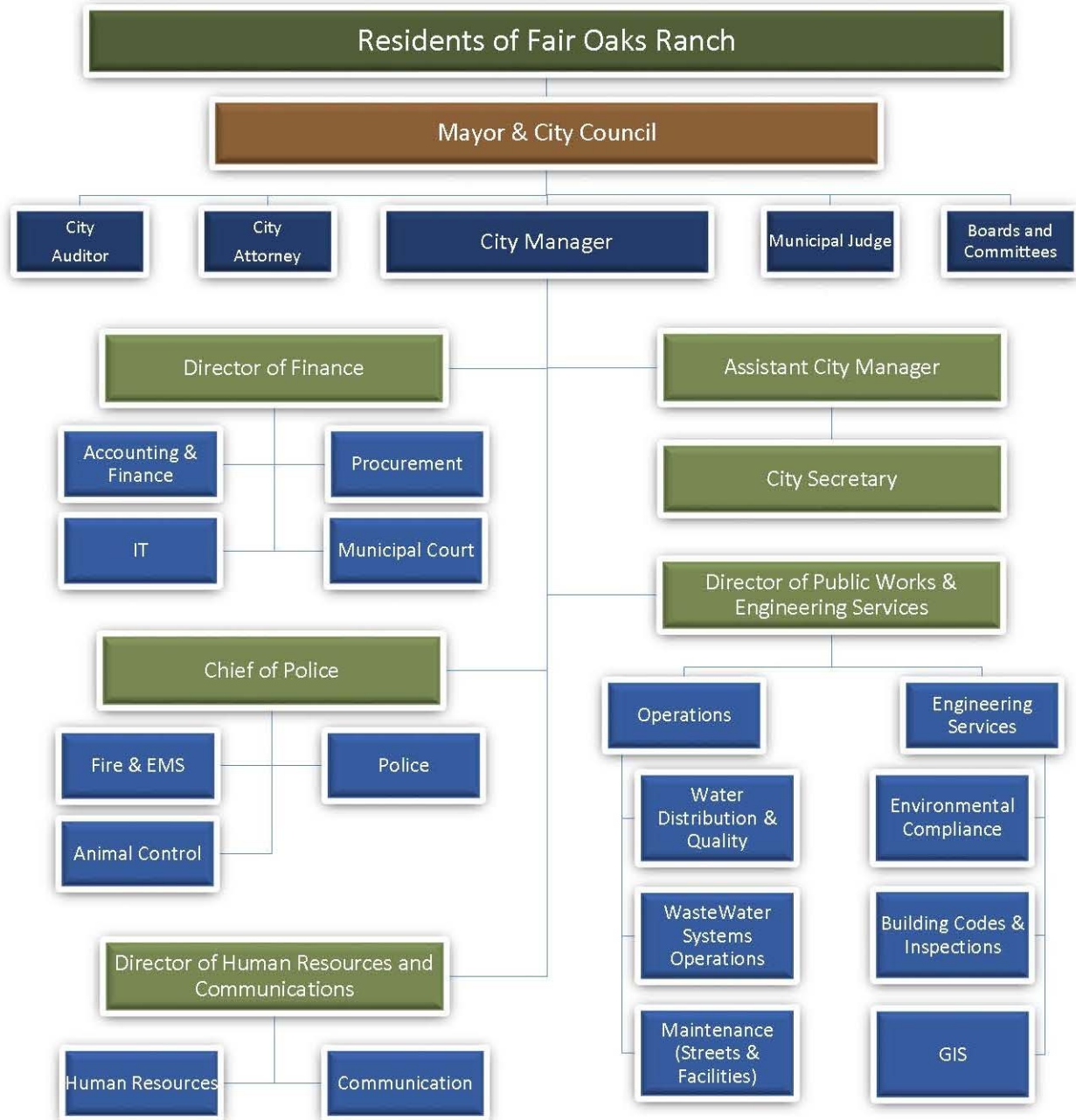
AUDITOR

ABIP, PC

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2018



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Fair Oaks Ranch, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas, as of September 30, 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison Information, and the Texas Municipal Retirement System Net Pension Liability and Net Other Postemployment Benefits Liability required schedules 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for the Debt Service Fund, and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

ABIP, PC

San Antonio, Texas
February 21, 2019

CITY OF FAIR OAKS RANCH, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Fair Oaks Ranch (the "City") comprehensive annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

OVERALL ACCOMPLISHMENTS FOR 2017-18

The 2017-18 year included significant advancements toward achieving the City's strategic objectives and advancing projects covering citizen driven initiatives. Encompassing over seventy (70) posted public meetings, highlights from 2017-18 include:

- Annexation
One of the major accomplishments for the City was the annexation of the City's extra territorial jurisdiction (ETJ). Due to the annexation process, the City can now make informed policy decisions relative to the physical development (build-out) of the City and the scheduled programming necessary to proactively plan, finance, and maintain reliable and efficient public services consistent with the Comprehensive Plan.
- Comprehensive Plan, Zoning and Unified Development Code
The comprehensive plan is the City's long-range plan intended to manage the growth and physical development of the community over a defined planning horizon. The Unified Development Code (UDC) is a complex but effective and user-friendly tool that re-thinks, updates, and centralizes the City's land use and land development policies.
- \$7 MM Road and Drainage Bond Program
Over the course of the past few years, City staff has engaged professional engineering services and contracted construction services for nearly 10 miles of street improvements. Along with some drainage improvements, the streets were improved either by full reconstruction, full-depth reclamation, or mill and overlay methods. The work will be completed in early 2019, on schedule and under budget.
- Financial Management and Strategic Planning Linkage
Ongoing annual review of the SAP, and defining each year's plan in terms of dollars and resources needed to accomplish goals is the foundation of the annual budget process. The 2018-19 budget year was the first year to provide a linkage between the annual budget and the SAP. This mature annual budgeting process lays the foundation to longer-term planning and forecasting abilities.
- Mayor's State of the City
The City held its first State of the City Luncheon in 2017. Council has determined that this is an important communication event the City hopes to make an annual occasion.
- 30th Anniversary City Celebration
The City held its 30th anniversary in 2018. Inclusive of honoring the Fair family, the celebration was a day of events designed to gather residents in community spirit. The overwhelming response from residents who participated in the celebration was very positive.
- Street Maintenance
The City continued its enhanced maintenance practices for over 60 miles of public streets. Since 2000, the City has persistently implemented an annual street maintenance program such that all streets received programmed seal coat to protect the street base material and prolong its life.

- Master Water/Wastewater and Drainage Plans
The Master Water/Wastewater and Drainage plan studies continued throughout the year and neared completion. The purpose of the studies was to establish elements of deficiency, poor performance, expiring lifecycle, and to prioritize future projects to implement under a Capital Improvement Plan.
- City Webpage Redesign and Social Media Outreach
With the help of citizen volunteers, the City's new website launched in October 2017 with a renovated appearance and enhanced site navigation.
- Staffing
After achieving home-rule status during 2016-17, the City Manager was given a year to evaluate operational efficiency and provide staffing recommendations to meet residents' service delivery expectations. Based on the City Manager's recommendation, and direction from the City Council, 10 new full-time equivalents were funded, 4 of those being mid-year hires. The full-time equivalents included 2 Public Safety Officers, an Accountant, Water Utility Technician, Wastewater Utility Technician, Administrative Public Service Professional, Public Works Maintenance Worker, Public Works Environmental Compliance Manager, Infrastructure Inspector, and a Municipal Court Supervisor.
- Proactive and Systematic Equipment and Vehicle Replacement Program
For the past 2 years, funds were set aside for systematic replacement of capital assets as the useful lives of those assets come to an end. The systematic saving for and replacement of capital assets results in forecasted outlays that lead to a more stable tax rate in the future.
- Solid Waste Collection and Household Hazardous Waste
With the help of a citizen volunteer, the City was able to renegotiate a new five-year contract with the City's solid waste collection service provider. The new contract included enhanced services at a reduced price to citizenry, and included an annual household hazardous waste collection event.
- Wildlife Education Committee
During 2017-18 the Committee established joint Wildlife Education Programs with Fair Oaks Ranch elementary schools, hosted a "Pig Out on the Ranch" event, improved awareness through posted banners and signs, and hosted several educational presentations.
- K9 Officer/Program
With the assistance of donations and monetary support from vendors and local civic groups, the Public Safety department launched a new K9 program.
- Top 100 Workplace in San Antonio Area
The City was honored as a 2018 Top Workplace in the San Antonio area by the San Antonio Express News. The recognition was a result of engagement survey scores from City employees.

FINANCIAL HIGHLIGHTS

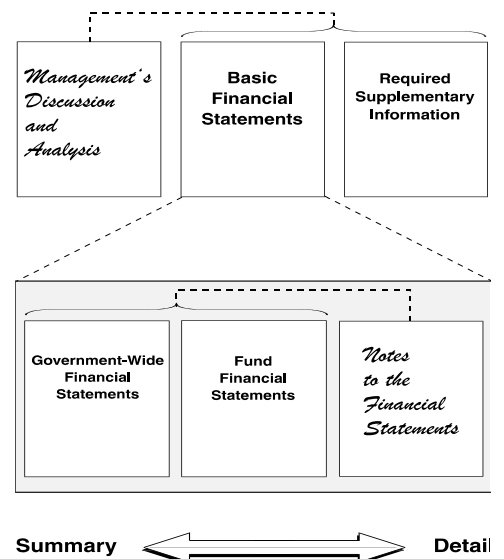
- The assets of the City exceeded its liabilities at September 30, 2018 by total combined net position of \$24,621,009. Of this amount \$8,726,854 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the City's governmental activities net position increased by \$1,070,683. A majority of the increase was attributable to a programmed savings for equipment and vehicle replacement fund, and a programmed savings target set by Council to replenish the City's reserves. The City's reserve policy is to maintain at least 6 months' worth of operating expenses in unrestricted reserves. The City currently has approximately 6 months of operating expenses in unrestricted reserves as of September 30, 2018.
- Expenses for the City's business-type activities were \$771,520 less than the \$4,987,161 generated from charges for services and investment earnings.
- The total cost of the City's expenses increased by \$838,470 from last year, primarily due to investments in public safety and utility personnel.
- The general fund reported a balance this year of \$2,757,376. Other governmental funds reported a fund balance of \$1,449,056, an overall decrease of \$1,231,980. The overall decrease was due to the continued work on the roadway reconstruction bond projects offset by programmed savings for the 6-month operating reserve target and equipment replacement funds.
- The City's outstanding principal on debt for governmental activities decreased by \$430,000. There is no bonded debt for business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like* businesses.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2, Major Features of the City's Government-Wide and Fund Financial Statements			
Fund Statements			
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and wastewater services
<i>Required financial statements</i>	<ul style="list-style-type: none"> ● Statement of Net Position ● Statement of Activities 	<ul style="list-style-type: none"> ● Balance Sheet ● Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> ● Statement of Net Position ● Statement of Revenues, Expenses and Changes in Net Position ● Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets, deferred outflows of resources, and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position, the difference between the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as general government, public safety, public works, building codes, public health/emergency, and culture and recreation. Property taxes, franchise fees and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24,621,009 (net position) at September 30, 2018 (see Table A-1). Of this amount, 64% represents net investment in capital assets, and 35% represents unrestricted resources available to fund the program of the City next year.

Changes in net position - The combined activities total revenues were \$11,800,316. The revenue from property taxes was \$4,712,247 or 39.93% (see Table A-2), 42% comes from utility, while only 4.94% relates to charges for services for governmental activities (Court, Public Works, Building Codes, etc.).

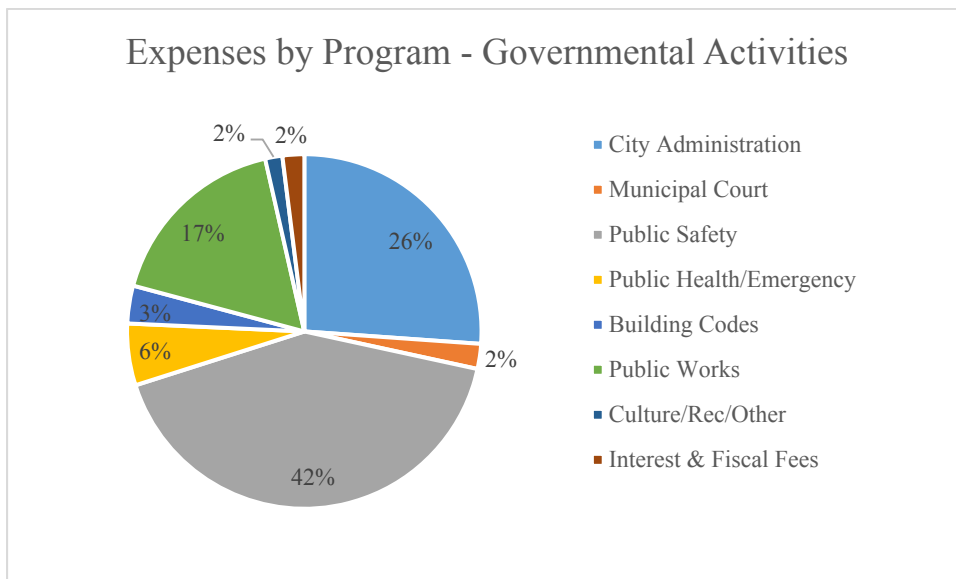
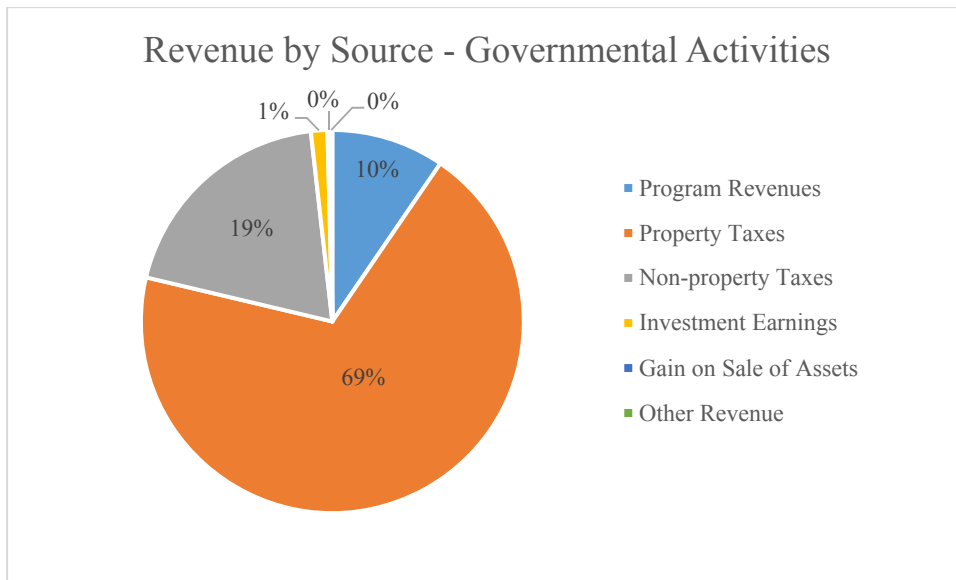
The total cost of all programs and services was \$9,958,113, 42.33% of these costs are Business-Type activities (see Table A-2).

Governmental Activities

Governmental activities increased the City's net position by \$1,070,683.

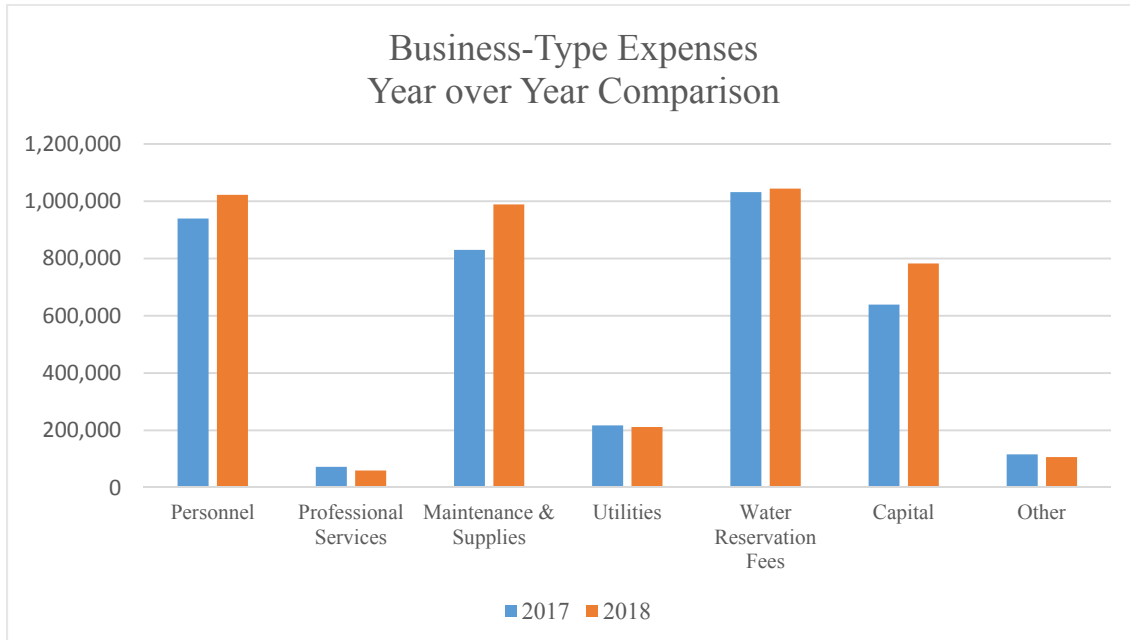
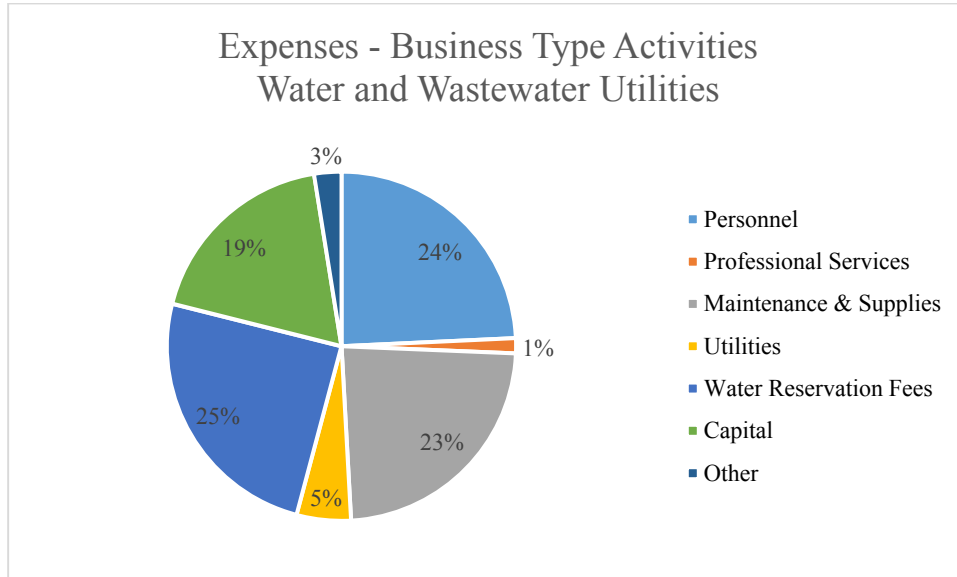
Key elements are as follows:

- General revenues increased by \$597,332 primarily due to the \$447,560 increase in property tax revenue and \$135,446 increase in sales tax revenue. Of the \$447,560 increase in property tax revenue, approximately \$194,000 is from new properties, approximately \$170,000 is from increased appraisal value on existing properties, and approximately \$84,000 is from increased tax rate on existing properties.
- Investment earnings increased by \$38,012 primarily due to increases in interest rates over the period.
- Expenses for City Administration increased by \$68,245 due to an increase in personnel offset by a decrease in capital projects from the prior year as those projects were completed.
- Expenses for Public Safety increased by \$269,215 due to a budgeted increase in personnel.
- Expenses for Public Works increased by \$9,926.
- Expenses for interest and fiscal fees decreased by \$5,669.



Business-type activities

The City’s business-type activities consist solely of water and wastewater services. These activities have rates and spending plans established by the City Council. Revenues of the City’s Water and Sewer business-type activities were \$4,987,161 and operating expenses were \$4,215,641, (see Table A-2). Business-type activities increased the City’s net position by \$771,520. The increase in net position is primarily attributable to revenues over expenses in the water utility offset by an operating loss in the wastewater utility.



The revenues in the current fiscal year for the business-type activities increased by \$23,914 from 2017. The total expenditures for the business-type activities increased by \$368,863. The primary reason for the slight increase of revenue one-half percent over prior year can be attributed to many factors including variables in weather between the two years, and increased water and wastewater connections. The increase in utility expenditures was primarily due to investments in utility worker personnel, maintenance and capital assets.

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TABLE A-1
CITY OF FAIR OAKS RANCH'S NET POSITION

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2018	2017	2018	2017	2018	2017	Change
							2018-2017
Current Assets:							
Cash and cash equivalents	\$ 4,564,082	\$ 5,594,464	\$ 5,427,464	4,461,054	\$ 9,991,546	\$ 10,055,518	-0.6%
Receivables	336,802	331,841	393,573	547,494	730,375	879,335	-16.9%
Inventories and prepaids	54,260	19,281	140,860	140,919	195,120	160,200	21.8%
Total current assets	<u>4,955,144</u>	<u>5,945,586</u>	<u>5,961,897</u>	<u>5,149,467</u>	<u>10,917,041</u>	<u>11,095,053</u>	<u>-1.6%</u>
Non-Current Assets:							
Land	116,798	116,798	53,600	53,600	170,398	170,398	0.0%
Building and land improvements	4,037,292	4,037,292	-	-	4,037,292	4,037,292	0.0%
Utility plant and easements	-	-	18,180,205	16,115,717	18,180,205	16,115,717	12.8%
Vehicles and equipment	1,648,228	1,341,967	739,785	662,429	2,388,013	2,004,396	19.1%
Infrastructure	3,200,813	3,200,813	-	-	3,200,813	3,200,813	0.0%
Construction in progress	6,610,176	4,727,618	-	1,770,816	6,610,176	6,498,434	1.7%
Less: accumulated depreciation	<u>(2,899,999)</u>	<u>(2,574,229)</u>	<u>(7,438,772)</u>	<u>(6,791,622)</u>	<u>(10,338,771)</u>	<u>(9,365,851)</u>	<u>10.4%</u>
Total non-current assets	<u>12,713,308</u>	<u>10,850,259</u>	<u>11,534,818</u>	<u>11,810,940</u>	<u>24,248,126</u>	<u>22,661,199</u>	<u>7.0%</u>
Total assets	<u>17,668,452</u>	<u>16,795,845</u>	<u>17,496,715</u>	<u>16,960,407</u>	<u>35,165,167</u>	<u>33,756,252</u>	<u>4.2%</u>
Deferred Outflows of Resources:							
Deferred OPEB related outflows	6,802	-	2,069	-	8,871	-	100.0%
Deferred pension related outflows	<u>285,403</u>	<u>394,091</u>	<u>88,906</u>	<u>133,846</u>	<u>374,309</u>	<u>527,937</u>	<u>-29.1%</u>
Total deferred outflows	<u>292,205</u>	<u>394,091</u>	<u>90,975</u>	<u>133,846</u>	<u>383,180</u>	<u>527,937</u>	<u>-27.4%</u>
Liabilities:							
Current liabilities	695,371	567,371	391,328	590,536	1,086,699	1,157,907	-6.1%
Non-current liabilities:							
Due within one year	474,636	436,673	265,063	57,558	739,699	494,231	49.7%
Due in more than one year	5,492,286	5,835,071	2,841,912	3,070,798	8,334,198	8,905,869	-6.4%
Net OPEB liability	62,884	-	19,132	-	82,016	-	100.0%
Net pension liability	<u>300,571</u>	<u>626,949</u>	<u>91,449</u>	<u>205,870</u>	<u>392,020</u>	<u>832,819</u>	<u>-52.9%</u>
Total liabilities	<u>7,025,748</u>	<u>7,466,064</u>	<u>3,608,884</u>	<u>3,924,762</u>	<u>10,634,632</u>	<u>11,390,826</u>	<u>-6.6%</u>
Deferred Inflows of Resources	<u>226,895</u>	<u>34,654</u>	<u>65,811</u>	<u>12,229</u>	<u>292,706</u>	<u>46,883</u>	<u>524.3%</u>
Net Position:							
Net investment in capital assets	7,334,582	6,898,385	8,464,020	8,682,584	15,798,602	15,580,969	1.4%
Restricted	95,553	76,346	-	-	95,553	76,346	25.2%
Unrestricted	<u>3,277,879</u>	<u>2,714,487</u>	<u>5,448,975</u>	<u>4,474,678</u>	<u>8,726,854</u>	<u>7,189,165</u>	<u>21.4%</u>
Total net position	<u>\$ 10,708,014</u>	<u>\$ 9,689,218</u>	<u>\$ 13,912,995</u>	<u>\$ 13,157,262</u>	<u>\$ 24,621,009</u>	<u>\$ 22,846,480</u>	<u>7.8%</u>

TABLE A-2
CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

	Governmental		Business-Type		Total		Total Percentage Change 2018-2017
	Activities		Activities				
	2018	2017	2018	2017	2018	2017	
Revenues:							
Program Revenues:							
Charges for services	\$ 583,267	\$ 610,888	\$ 4,908,925	\$ 4,930,347	\$ 5,492,192	\$ 5,541,235	-0.9%
Operating grants and contributions	51,102	13,295	-	-	51,102	13,295	284.4%
Capital grants and contributions	15,908	-	-	-	15,908	-	100.0%
General Revenues:							
Property taxes	4,712,247	4,264,687	-	-	4,712,247	4,264,687	10.5%
Non property taxes	1,328,220	1,192,774	-	-	1,328,220	1,192,774	11.4%
Investment earnings	94,557	56,545	78,236	32,900	172,793	89,445	93.2%
Gain on sale of capital assets	16,452	23,874	-	-	16,452	23,874	-31.1%
Miscellaneous	11,402	27,666	-	-	11,402	27,666	-58.8%
Total revenues	<u>6,813,155</u>	<u>6,189,729</u>	<u>4,987,161</u>	<u>4,963,247</u>	<u>11,800,316</u>	<u>11,152,976</u>	<u>5.8%</u>
Expenses:							
City administration	1,499,717	1,431,472	-	-	1,499,717	1,431,472	4.8%
Municipal court	131,153	92,032	-	-	131,153	92,032	42.5%
Public safety	2,394,097	2,124,882	-	-	2,394,097	2,124,882	12.7%
Public health/emergency	322,918	299,734	-	-	322,918	299,734	7.7%
Building codes	198,266	177,495	-	-	198,266	177,495	11.7%
Public works	992,400	982,474	-	-	992,400	982,474	1.0%
Culture/recreation/other	89,710	44,896	-	-	89,710	44,896	99.8%
Interest and fiscal fees	114,211	119,880	-	-	114,211	119,880	-4.7%
Utility	-	-	4,215,641	3,846,778	4,215,641	3,846,778	9.6%
Total expenses	<u>5,742,472</u>	<u>5,272,865</u>	<u>4,215,641</u>	<u>3,846,778</u>	<u>9,958,113</u>	<u>9,119,643</u>	<u>9.2%</u>
Change in net position	1,070,683	916,864	771,520	1,116,469	1,842,203	2,033,333	-9.4%
Net position - beginning	<u>9,689,218</u>	<u>8,772,354</u>	<u>13,157,262</u>	<u>12,040,793</u>	<u>22,846,480</u>	<u>20,813,147</u>	<u>9.8%</u>
Prior Period Adjustment	<u>(51,887)</u>	<u>-</u>	<u>(15,787)</u>	<u>-</u>	<u>(67,674)</u>	<u>-</u>	<u>-100.0%</u>
Net position - ending	<u>\$ 10,708,014</u>	<u>\$ 9,689,218</u>	<u>\$ 13,912,995</u>	<u>\$ 13,157,262</u>	<u>\$ 24,621,009</u>	<u>\$ 22,846,480</u>	<u>7.8%</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was \$5,742,472.
- Total amount that our taxpayers paid for these activities through property taxes was \$4,712,247.
- Some of the cost, \$583,267 or 10.12% was paid by those who directly benefited from the programs and activities.

TABLE A-3
CITY OF FAIR OAKS RANCH'S NET COST OF SELECT CITY FUNCTIONS

	Total Cost of Services			Net Cost of Services		
	2018	2017	% Change	2018	2017	% Change
City administration	\$ 1,499,717	\$ 1,431,472	4.77%	\$ 1,275,113	\$ 1,225,950	4.01%
Municipal court	131,153	92,032	42.51%	5,001	(37,228)	-113.43%
Public safety	2,394,097	2,124,882	12.67%	2,345,426	2,112,060	11.05%
Public health/emergency	322,918	299,734	7.73%	320,503	297,234	7.83%
Building codes	198,266	177,495	11.70%	(30,449)	(96,584)	-68.47%
Public works	992,400	982,474	1.01%	992,400	982,474	1.01%
Culture/recreation/other	89,710	44,896	99.82%	69,990	44,896	55.89%
Water and sewer	4,215,641	3,846,778	9.59%	(693,284)	(1,083,569)	-36.02%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$4,206,432, a net decrease of (\$1,231,980). Revenues from governmental fund types totaled \$6,805,405 with an additional \$28,197 for sales of assets in fiscal year 2018 while expenditures from governmental fund types totaled \$8,065,582 for a reduction of total fund balance of (\$1,231,980).

The decrease in fund balance is attributable to the following categories:

General Fund	\$ -
2015 Bond Fund	(1,863,525)
Other Government Funds	<u>631,545</u>
 Combined Fund Balance Change	 <u><u>\$(1,231,980)</u></u>

Revenues equaled expenses in the General Fund, with only a slight residual surplus of \$38,145 that was closed out to assigned fund balances which are classified as “Other Government Funds”.

The decrease in the 2015 Bond Fund is primarily due to the continued expenditures related to the bond projects. The bond projects consist of roadway reconstruction work that will be completed during 2018-19.

The increase in other Governmental funds represents programmed savings for both the equipment replacement fund and the 6-month operating reserve. The purpose of building a fund balance is to create a vehicle and equipment replacement fund. The purpose of the fund is to forecast and budget for equipment replacement pro-actively, thereby resulting in a more stable tax rate in the future.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements. Total net position at the close of the fiscal year was \$13,912,995 of which \$8,464,020 represented net investment in capital assets and \$5,448,975 represented unrestricted net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget. Actual revenues were more than final budgeted amounts by \$41,959 while actual expenditures were \$173,208 below final budget amounts.

Below is a brief summarization of the major differences between the final amended budget and actual results for both revenues and expenditures.

\$41,959 under budget in total revenues:

- Property Taxes – were less than budget by \$32,198 primarily due to early payment discounts provided.
- Sales Taxes – exceeded budget by \$97,124 due to a better than anticipated economic environment.
- Franchise Fees – exceeded budget by \$29,481 due to additional residences built or joining the City that are CPS customers.
- Interest Earned – were less than budget by \$15,167 due to interest allocations between the general fund and utility fund.
- Total Permits – were less than budget by \$43,430 due to less commercial and residential building permits being issued than forecasted.
- Fines and Fees – were less than budget by \$55,473 due to lower amount of citations being issued than anticipated.

\$173,208 under budget in total expenditures:

- Administration – under budget by \$20,996 due to an audio enhancement to the council chambers was deferred until City Hall renovations occur during 2018-19, and training was also under budget. These savings items were offset by unanticipated metes and bounds fees related to the annexation.
- Municipal Court – under budget by \$33,661 primarily due to personnel vacancies and fewer jury trials than anticipated.
- Maintenance – under budget by \$111,767 primarily due to personnel vacancies and street maintenance that was not required.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had invested \$34,586,897 in a broad range of capital assets, including land, equipment, buildings, vehicles, infrastructure and construction in progress (see Table A-4). This amount less accumulated depreciation totaling \$10,338,771 results in a total Net Capital Asset value of \$24,248,126.

TABLE A-4
CITY OF FAIR OAKS RANCH'S CAPITAL ASSETS

	Governmental		Business-Type		Total		Total Percentage Change 2018-2017
	Activities		Activities				
	2018	2017	2018	2017	2018	2017	
<u>Capital assets - not depreciated</u>							
Land	\$ 116,798	\$ 116,798	\$ 53,600	\$ 53,600	\$ 170,398	\$ 170,398	0.0%
Construction in progress	6,610,176	4,727,618	-	1,770,816	6,610,176	6,498,434	1.7%
<u>Capital Assets - Not Depreciated</u>							
Buildings and land improvements	4,037,292	4,037,292	-	-	4,037,292	4,037,292	0.0%
Vehicles and equipment	1,648,228	1,341,967	739,785	662,429	2,388,013	2,004,396	19.1%
Infrastructure	3,200,813	3,200,813	-	-	3,200,813	3,200,813	0.0%
Utility plant	-	-	18,180,205	16,115,717	18,180,205	16,115,717	12.8%
Totals at historical cost	15,613,307	13,424,488	18,973,590	18,602,562	34,586,897	32,027,050	8.0%
Total accumulated depreciation	(2,899,999)	(2,574,229)	(7,438,772)	(6,791,622)	(10,338,771)	(9,365,851)	10.4%
Net capital assets	<u>\$ 12,713,308</u>	<u>\$ 10,850,259</u>	<u>\$ 11,534,818</u>	<u>\$ 11,810,940</u>	<u>\$ 24,248,126</u>	<u>\$ 22,661,199</u>	<u>7.0%</u>

Capital Assets (Table A-4)

The City's investment in Capital assets for its governmental and business-type activities of September 30, 2018 amounted to \$24,248,126 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, facilities, the water and wastewater system plants and service lines, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 7.0%.

At the end of the fiscal year 2018, the City had invested in a broad range of equipment for both Governmental and Utility use. For the Utility, most of the investment was in maintenance and reconstruction of two major water lines, and a water distribution interconnect. The Utility also undertook repairs to the collection system, and invested in several pieces of equipment. For Governmental, most of the investment was in vehicles and equipment, specifically a street sweeper. The City also had significant construction in progress for the bond roadway reconstruction that will be final in 2018-19 and placed in service.

Additional detail regarding capital assets can be found within the notes to the financial statements.

TABLE A-5
CITY OF FAIR OAKS RANCH'S LONG-TERM DEBT

	Governmental		Business-Type		Total		Total Percentage Change 2018-2017
	Activities		Activities				
	2018	2017	2018	2017	2018	2017	
Bonds payable	\$ 5,755,000	\$ 6,185,000	\$ -	\$ -	\$ 5,755,000	\$ 6,185,000	-7.0%
Capital lease	-	-	3,070,798	3,128,356	3,070,798	3,128,356	-1.8%
Total bonds and leases	<u>\$ 5,755,000</u>	<u>\$ 6,185,000</u>	<u>\$ 3,070,798</u>	<u>\$ 3,128,356</u>	<u>\$ 8,825,798</u>	<u>\$ 9,313,356</u>	<u>-5.2%</u>

Long-Term Debt

At year end, the City had \$5,755,000 in Roadway Reconstruction bonds outstanding and \$3,070,798 in capital leases for the Water Utility Scada system. More detailed information about the City’s long-term liabilities is presented in the notes to the financial statements notes, note 7.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected officials considered many factors when settling the fiscal year 2018 budget, tax rates, and fees that will be charged for the business-type activities. The 2018 budget was developed through an extensive Strategic Planning process that defined citizen driven service expectations and risk mitigation strategies. The strategies are then tied to the resources necessary to deliver them in the budget.

Priorities for the 2018-19 fiscal year focus on the continued development and implementation of the City’s Strategic Plan, inclusive of sustaining one of the lowest tax rates in the region while maintaining an aging infrastructure and enhancing the high level of service within a maturing 30-year old organization. The Strategic Plan developed by the City Council focuses on four main risk areas with the approved budget making the following investment in each risk category.

<u>RESPONSIBLE GROWTH MANAGEMENT PROJECTS</u> <i>Risk #1 – Citizen Investment and Quality of Life</i>	
<p><u>Unified Development Code</u></p> <ul style="list-style-type: none"> • Zoning & form-based design guidelines • Master water & wastewater plan • Master stormwater plan • Subdivision Regulations • Infrastructure design guidelines • Sign design guidelines • Sustainability 	<p><u>FM 3351 Expansion</u> Owners Representative Consultant Develop context sensitive design solutions</p> <p><u>Storm Water Feasibility Study</u> Funding Source Capital Improvement Implementation</p> <p><u>Code Enforcement</u> Growth Management Administration</p> <p><u>Street and Facility Maintenance</u> Protection of Public Investment</p>
Projects require the following resources:	
<ul style="list-style-type: none"> • Code Enforcement FTE • 3rd Party Contract Planning • 3rd Party Owners Rep. Consultant • 3rd Party Fire Inspections • 3rd Party Stormwater Consultant 	<ul style="list-style-type: none"> • Office Space • Computer, desk, & telephone • Campus Renovations

PUBLIC SAFETY

Risk #2 – Citizen Safety and Protection of Property

24/7 Full-Service Department and Command Structure

- Patrol availability/Priority-one calls
- Criminal investigation services
- Community outreach

Requires the following resources:

- | | |
|--|---|
| <ul style="list-style-type: none">• Two patrol officers• One Criminal Investigation Sergeant• One Administrative Clerk | <ul style="list-style-type: none">• Patrol vehicle, camera systems & radios• Officer body armor• Officer Weapons• K-9 services• Community outreach aids |
|--|---|

GOVERNMENT SERVICE EXPECTATIONS & MANDATES

Risk #3 - Open and Transparent Government and Preservation of Public Infrastructure and Facilities

Full Service Administration and Public Works Services

- | | |
|--|---|
| <ul style="list-style-type: none">• City Council, Planning & Zoning, Zoning Board of Adjustment• Records Management and Retention• Public Information Act• Public Relations | <ul style="list-style-type: none">• Citizen Committees and Outreach Initiatives• Street maintenance program• Drainage maintenance program• Right-of-way maintenance program• Stormwater Quality Program• Public facility maintenance program |
|--|---|

Projects require the following resources:

- | | |
|---|---|
| <ul style="list-style-type: none">• Street Maintenance/Custodian• Deputy City Secretary• Administrative Clerk• Public Relations/HR Assistant | <ul style="list-style-type: none">• Office space• Computer, desk, & telephones• Public Works Vehicles & Material• Campus Renovations |
|---|---|

FINANCIAL INTEGRITY AND SUSTAINABILITY

Risk #4: Responsible Stewardship of Public Assets

Financial Management Tool Box (Develop and Administer)

- Budgeting & Financial Reporting
- Asset Management & Replacement
- Internal Controls & Procurement
- Strategic Planning & Forecasting
- IT Infrastructure & Cyber Security
- Accounts Payable & Payroll Administration
- Infrastructure Financial Strategy Support

Requires the following resources:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Procurement Manager • Staff Accountant • IT Manager | <ul style="list-style-type: none"> • Office space • Computer, Desk, & telephone • Campus Renovations |
|---|---|

The budget’s investment in the above four risk categories required an increase in budgeted property tax revenue of approximately \$840,000 and an increase in the property tax rate from 0.32950 per \$100 valuation to 0.36678 per \$100 valuation.

Comparison of FY 17-18 to FY 18-19 Budgeted Property Tax Revenue		
	<u>2017-18 Budget</u>	<u>2018-19 Budget</u>
Assessed Valuation	1,457,896,648	1,543,216,218
Tax rate/\$100 Valuation	0.32950	0.36678
Total Levy	4,803,769	5,660,270
Collection Rate	98.0%	98.0%
Collections \$	\$ 4,707,694	\$ 5,547,065
Year over Year Increase		<u>\$ 839,371</u>

Of the increase in budgeted property tax revenue, \$532,691 is a direct result of the increase in tax rate on existing property taxes, \$170,905 results from new properties on the tax roll for the 2018-19 fiscal year, \$75,378 results from annexed properties, and \$60,397 results from increased appraised values on existing properties.

Breakdown of Budgeted Revenue Increase	
Annexations	75,378
New Properties: Non-Annexations	170,905
Increased Appraisals on Existing Properties	60,397
Tax Rate on Existing Properties	532,691
	<u>839,371</u>

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 (210-698-0900) or (866-258-2505).

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and investments	\$ 4,564,082	\$ 5,427,464	\$ 9,991,546	\$ 880,012
Receivables (net of allowance for uncollectibles:)				
Taxes	72,862	-	72,862	33,089
Accounts	263,940	393,573	657,513	-
Inventories	-	112,258	112,258	-
Prepays	54,260	28,602	82,862	-
Capital assets:				
Land	116,798	53,600	170,398	-
Buildings and land improvements	4,037,292	-	4,037,292	-
Utility plant and easements	-	18,180,205	18,180,205	-
Vehicles and equipment	1,648,228	739,785	2,388,013	-
Infrastructure	3,200,813	-	3,200,813	-
Construction in progress	6,610,176	-	6,610,176	-
Less: accumulated depreciation	(2,899,999)	(7,438,772)	(10,338,771)	-
Total capital assets	<u>12,713,308</u>	<u>11,534,818</u>	<u>24,248,126</u>	<u>-</u>
 Total assets	<u>17,668,452</u>	<u>17,496,715</u>	<u>35,165,167</u>	<u>913,101</u>
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	6,802	2,069	8,871	-
Deferred outflows related to pensions	<u>285,403</u>	<u>88,906</u>	<u>374,309</u>	<u>-</u>
Total deferred outflows of resources	<u>292,205</u>	<u>90,975</u>	<u>383,180</u>	<u>-</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
Accounts payable and other	\$ 388,021	\$ 103,623	\$ 491,644	\$ -
Accrued liabilities	147,669	27,747	175,416	-
Accrued interest payable	19,521	-	19,521	-
Other liabilities	138,723	104,270	242,993	-
Unearned revenue	1,437	155,688	157,125	-
Noncurrent liabilities:				
Due within one year	474,636	265,063	739,699	-
Due in more than one year	5,492,286	2,841,912	8,334,198	-
Net OPEB liability	62,884	19,132	82,016	-
Net pension liability	300,571	91,449	392,020	-
Total liabilities	<u>7,025,748</u>	<u>3,608,884</u>	<u>10,634,632</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>226,895</u>	<u>65,811</u>	<u>292,706</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	7,334,582	8,464,020	15,798,602	-
Restricted for:				
Court technology	15,700	-	15,700	-
Court security building	52,996	-	52,996	-
Court efficiency and felony forfeiture	5,847	-	5,847	-
PEG fees	4,319	-	4,319	-
Public safety	8,087	-	8,087	-
Debt service	8,604	-	8,604	-
Unrestricted	<u>3,277,879</u>	<u>5,448,975</u>	<u>8,726,854</u>	<u>913,101</u>
Total net position	<u>\$ 10,708,014</u>	<u>\$ 13,912,995</u>	<u>\$ 24,621,009</u>	<u>\$ 913,101</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
City administration	\$ 1,499,717	\$ 215,959	\$ 8,645	\$ -
Municipal court	131,153	126,152	-	-
Public safety	2,394,097	10,026	22,737	15,908
Public health/emergency	322,918	2,415	-	-
Building codes	198,266	228,715	-	-
Public works	992,400	-	-	-
Culture/recreation/other	89,710	-	19,720	-
Interest and fiscal fees on long-term debt	114,211	-	-	-
Total governmental activities	<u>5,742,472</u>	<u>583,267</u>	<u>51,102</u>	<u>15,908</u>
Business-Type Activities:				
Water/sewer utility	<u>4,215,641</u>	<u>4,908,925</u>	-	-
Total business-type activities	<u>4,215,641</u>	<u>4,908,925</u>	-	-
Total primary government	<u>\$ 9,958,113</u>	<u>\$ 5,492,192</u>	<u>\$ 51,102</u>	<u>\$ 15,908</u>
Component Unit				
Municipal Development District	<u>\$ 15,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes:

Property taxes

Non property taxes

Interest and investment earnings

Gain on Sale of Capital Assets

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Municipal</u>
<u>Activities</u>	<u>Activities</u>		<u>Development</u>
			<u>District</u>
\$ (1,275,113)	\$ -	\$ (1,275,113)	
(5,001)	-	(5,001)	
(2,345,426)	-	(2,345,426)	
(320,503)	-	(320,503)	
30,449	-	30,449	
(992,400)	-	(992,400)	
(69,990)	-	(69,990)	
<u>(114,211)</u>	<u>-</u>	<u>(114,211)</u>	
<u>(5,092,195)</u>	<u>-</u>	<u>(5,092,195)</u>	
-	693,284	693,284	
-	693,284	693,284	
<u>(5,092,195)</u>	<u>693,284</u>	<u>(4,398,911)</u>	
			\$ <u>(15,342)</u>
4,712,247	-	4,712,247	-
1,328,220	-	1,328,220	210,458
94,557	78,236	172,793	7,984
16,452	-	16,452	-
<u>11,402</u>	<u>-</u>	<u>11,402</u>	<u>-</u>
<u>6,162,878</u>	<u>78,236</u>	<u>6,241,114</u>	<u>218,442</u>
1,070,683	771,520	1,842,203	203,100
<u>9,689,218</u>	<u>13,157,262</u>	<u>22,846,480</u>	<u>710,001</u>
<u>(51,887)</u>	<u>(15,787)</u>	<u>(67,674)</u>	<u>-</u>
<u>\$ 10,708,014</u>	<u>\$ 13,912,995</u>	<u>\$ 24,621,009</u>	<u>\$ 913,101</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2018

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	2015 Go Bond Fund		
ASSETS				
Cash and investments	\$ 3,040,767	\$ 457,095	\$ 1,066,220	\$ 4,564,082
Receivables (net of allowance for uncollectibles):				
Property taxes	64,326	-	8,536	72,862
Accounts	262,537	-	1,403	263,940
Prepaid items	<u>54,260</u>	<u>-</u>	<u>-</u>	<u>54,260</u>
 Total assets	 <u>\$ 3,421,890</u>	 <u>\$ 457,095</u>	 <u>\$ 1,076,159</u>	 <u>\$ 4,955,144</u>
LIABILITIES				
Accounts payable	\$ 336,291	\$ 750	\$ 50,980	\$ 388,021
Accrued expenditures	123,737	-	23,932	147,669
Other liabilities	138,723	-	-	138,723
Deferred revenue	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>1,437</u>
Total liabilities	<u>600,188</u>	<u>750</u>	<u>74,912</u>	<u>675,850</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>64,326</u>	<u>-</u>	<u>8,536</u>	<u>72,862</u>
Total deferred inflows of resources	<u>64,326</u>	<u>-</u>	<u>8,536</u>	<u>72,862</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	54,260	-	-	54,260
Restricted for:				
Court technology	15,700	-	-	15,700
Court security building	52,996	-	-	52,996
Court efficiency and felony forfeiture	5,847	-	-	5,847
PEG fees	4,319	-	-	4,319
Public safety	8,087	-	-	8,087
Debt service	-	-	8,604	8,604
Capital projects	-	456,345	-	456,345
Assigned for:				
Capital projects	-	-	223,508	223,508
Capital equipment	-	-	760,599	760,599
Legal issues	50,000	-	-	50,000
Six month operating reserve	2,566,167	-	-	2,566,167
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,757,376</u>	<u>456,345</u>	<u>992,711</u>	<u>4,206,432</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,421,890</u>	 <u>\$ 457,095</u>	 <u>\$ 1,076,159</u>	 <u>\$ 4,955,144</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**RECONCILIATION OF BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2018

Total fund balances - total governmental funds	\$	4,206,432
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,713,308
Other long-term assets are not available to pay for current period expenditures and, not due and payable in the current period and therefore, are not reported in the funds.		72,862
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(131,851)
Long-term liabilities, including bonds and capital leases are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds payable		(5,755,000)
Unamortized bond premium		(80,071)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net pension liability		(300,571)
Pension related deferred inflows		(226,895)
Pension related deferred outflows		285,403
Net OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net OPEB liability		(62,884)
OPEB related deferred outflows		6,802
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the governmental funds.		(19,521)
Total net position of governmental activities	\$	<u>10,708,014</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended September 30, 2018

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General Fund	2015 GO Bond Fund		
REVENUES				
Taxes	\$ 4,921,041	\$ -	\$ 551,946	\$ 5,472,987
Franchise fees	576,181	-	-	576,181
Licenses and permits	236,020	-	-	236,020
Fines and forfeits	126,152	-	-	126,152
Utility management fee	205,959	-	-	205,959
Interest	73,833	19,033	1,691	94,557
Donations	32,920	-	-	32,920
Miscellaneous	44,721	-	-	44,721
Total revenues	<u>6,216,827</u>	<u>19,033</u>	<u>553,637</u>	<u>6,789,497</u>
EXPENDITURES				
Current:				
City administration	1,157,326	-	304,382	1,461,708
Municipal court	131,267	-	-	131,267
Public safety	2,234,431	-	-	2,234,431
Public health/emergency	311,250	-	-	311,250
Building codes	198,648	-	-	198,648
Public works	864,192	-	7,179	871,371
Culture and recreation	89,710	-	-	89,710
Capital projects/outlay	42,437	1,882,558	289,924	2,214,919
Debt service:				
Principal	-	-	430,000	430,000
Interest and fiscal charges	-	-	122,278	122,278
Total expenditures	<u>5,029,261</u>	<u>1,882,558</u>	<u>1,153,763</u>	<u>8,065,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,187,566</u>	<u>(1,863,525)</u>	<u>(600,126)</u>	<u>(1,276,085)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	28,197	-	-	28,197
Transfers in (out)	(1,231,671)	-	1,231,671	-
Total other financing sources (uses)	<u>(1,203,474)</u>	<u>-</u>	<u>1,231,671</u>	<u>28,197</u>
Capital contributions	15,908	-	-	15,908
Net change in fund balances	-	(1,863,525)	631,545	(1,231,980)
Fund balance - beginning	<u>2,757,376</u>	<u>2,319,870</u>	<u>361,166</u>	<u>5,438,412</u>
Fund balance - ending	<u>\$ 2,757,376</u>	<u>\$ 456,345</u>	<u>\$ 992,711</u>	<u>\$ 4,206,432</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2018

Net change in fund balances - total governmental funds \$ (1,231,980)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.

Current year additions	2,214,919
Current year depreciation	(340,125)
Loss on disposal	(11,745)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Ad Valorem revenue	(8,702)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Princial repayments	430,000
Amortization of bond premiums	6,673
Accrued interest	1,394

Governmental funds report required contributions to employee pension as expenditures. However, in the Statement of Activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.

25,449

Governmental funds report required contributions to employee OPEB as expenditures. However, in the Statement of Activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense.

(4,195)

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

Compensated absences	<u>(11,005)</u>
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Change in net position - governmental activities \$ 1,070,683

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF NET POSITION –
PROPRIETARY FUND**

September 30, 2018

	Business-Type Activities
	Water/Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 5,427,464
Receivables (net of allowances for uncollectibles):	
Accounts	393,573
Inventories	112,258
Prepays	<u>28,602</u>
Total current assets	<u>5,961,897</u>
Capital assets:	
Land	53,600
Utility plant and easements	18,180,205
Vehicles and equipment	739,785
Accumulated depreciation	<u>(7,438,772)</u>
Total capital assets, net of accumulated depreciation	<u>11,534,818</u>
 Total assets	 <u>17,496,715</u>
 Deferred Outflows of Resources	
Deferred OPEB related outflows	2,069
Deferred pension related outflows	<u>88,906</u>
Total deferred outflows of resources	<u>90,975</u>
 Liabilities	
Current liabilities:	
Accounts payable	103,623
Accrued liabilities	27,747
Other liabilities	104,270
Unearned revenue - water supply agreements	<u>155,688</u>
Total current liabilities	<u>391,328</u>
 Noncurrent liabilities:	
Due within one year	265,063
Due in more than one year	2,841,912
Net OPEB liability	19,132
Net pension liability	<u>91,449</u>
Total noncurrent liabilities	<u>3,217,556</u>
 Deferred Inflows of Resources	
Deferred pension related inflows	<u>65,811</u>
 Net position	
Net investment in capital assets	8,464,020
Unrestricted	<u>5,448,975</u>
Total net position	<u>\$ 13,912,995</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND**

For the year ended September 30, 2018

	Business-Type Activities <u>Water/Sewer Fund</u>
Operating Revenues	
Charges for utility service	\$ 4,908,925
Operating Expenses	
Personnel services	1,031,869
Contractual services	7,343
Maintenance	180,032
Equipment lease	10,957
Supplies	90,916
Office supplies	95,213
Postage	16,094
Utilities	211,009
Management fee	205,959
Professional fees	217,684
Permits and licenses	11,277
Water reservation fees	1,044,497
Insurance	23,467
Sludge disposal	282,734
Miscellaneous	33,194
Total operating expenses	<u>3,462,245</u>
Operating income (loss) before depreciation	<u>1,446,680</u>
Depreciation	<u>647,150</u>
Operating income (loss)	<u>799,530</u>
Nonoperating Revenues (Expenses)	
Interest income	78,236
Interest and fiscal charges	<u>(106,246)</u>
Total nonoperating revenues (expenses)	<u>(28,010)</u>
Change in net position	771,520
Total net position - beginning	<u>13,157,262</u>
Prior period adjustment	<u>(15,787)</u>
Total net position - ending	<u>\$ 13,912,995</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the year ended September 30, 2018

	Business-Type Activities <u>Water/Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 5,037,801
Cash paid for employee wages and benefits	(1,009,349)
Cash paid for suppliers for goods and services	(2,274,912)
Cash paid to general fund for management fee	(205,959)
Net cash provided (used) in operating activities	<u>1,547,581</u>
Cash Flows from Capital and related Financing Activities	
Purchase/construction of capital assets	(371,028)
Principal payments on long-term debt	(57,558)
Interest and fiscal charges paid	(230,821)
Net cash provided (used) by capital and related financing activities	<u>(659,407)</u>
Cash Flows from Investing Activities	
Investment interest received	78,236
Net cash provided (used) by investing activities	<u>78,236</u>
Net increase (decrease) in cash and investments	966,410
Cash and investments at beginning of year	<u>4,461,054</u>
Cash and investments at end of year	<u>\$ 5,427,464</u>
Reconciliation of Net Operating Income to Net Cash provided to Net Cash (used) by Operating Activities	
Operating income (loss)	\$ 799,530
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	647,150
Change in net pension liability, deferred pension outflows and inflows	(14,623)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	153,921
(Increase) decrease in inventories	4,294
(Increase) decrease in prepaids	(4,235)
Increase (decrease) in accounts payable	(50,554)
Increase (decrease) in accrued liabilities	37,143
Increase (decrease) in unearned revenue	(25,045)
Net cash provided (used) by operating activities	<u>\$ 1,547,581</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies

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

Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be 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 financial statements to emphasize they are legally separate from the government. As of September 30, 2018, the City had one component unit that is discretely presented in these financial statements:

City of Fair Oaks Ranch Municipal Development District

The City of Fair Oaks Municipal Development District ("MDD") was organized in accordance with Chapter 377 of the Texas Local Government Code for the purpose of developing and financing projects beneficial to the City. The MDD collects a ½ cent sales tax to finance projects that promote the economic growth in the City. The City Council appoints the governing Board of the MDD and approves annual budgets. The MDD meets the criteria of a discretely presented component unit, described as above, and is presented in the government-wide financial statements. Complete financial statements for the Fair Oaks Ranch Municipal Development District may be obtained at City Hall.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Measurement focus and basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants, interest, and miscellaneous income not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unearned revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, public health, capital acquisition and municipal court.

2015 GO Bond Fund is used to account for the funds received from the 2015 General Obligation Bonds to finance major improvements to certain City infrastructure.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Measurement focus and basis of accounting and financial statement presentation (continued)

Proprietary Fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Sewer Fund (used to account for the provision of water and sewer services to residents).

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

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

Cash and investments

Cash and investments include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) 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; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (ii) secured by obligations that are described by (a)-(d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts, certificates of deposit and public funds investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair value, except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Accounts receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2017 and past due after January 31, 2018. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

Short-term interfund receivables/payables

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 fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventories and prepaid items

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the moving average cost method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of General Obligation Bonds, Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of debt issuances that are restricted for use in construction. Funds are also segregated to provide for debt services as provided under bond indenture agreements.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include land, buildings and improvements, equipment, infrastructure, and construction in progress assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Construction in progress assets include infrastructure assets which are not yet complete and in use. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition 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. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	5 to 10 years
Building and improvements	20 to 40 years
Utility system in service	20 to 40 years
Infrastructure	5 to 40 years
Machinery and equipment	5 to 10 years

Deferred outflows/inflows of resources

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the net other post-employment benefits, OPEB expense, and information about assets liabilities and additions to/deductions from the TMRS OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. 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.

Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Compensated absences

The City allows employees who are eligible for vacation and sick leave (compensated absences) to accumulate and carry over the accumulation to subsequent years within certain limitations. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Sick leave days are not paid when an employee leaves City employment; therefore a liability is not reported for unpaid sick leave.

Unearned revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts, are amortized over the life of the discount. Bond issuance costs are reported as expenses in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

The net pension (asset) liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund equity

Fund balances in governmental funds are classified as follows:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Fund equity (continued)

Restricted – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – represents amounts that can only be used for a specific purpose determined by a formal action of the government’s highest level of decision making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council and the City Administrator are the only entities that may make assignments at this time.

Unassigned – represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City charges the Utility (Proprietary) fund a management fee for administrative costs associated with the Utility Fund. During the year ended September 30, 2018, management fees totaled \$205,959.

Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Use of estimates

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

Change in accounting policy

During fiscal year 2018, the City changed accounting policies related to reporting the net other post-employment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources in the statement of net position by adopting GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*". Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of activities for the current year.

(2) Cash and investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash and investments

At September 30, 2018, the carrying amount of the City's deposits in the bank (including certificates of deposits) was \$864,827 and the bank balance was \$1,222,471. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a face value of \$1,307,193 and market value of \$1,417,698 as collateral for the City's deposits. All of the City's cash was fully collateralized. The City maintains \$1,300 of cash-on-hand at September 30, 2018.

At September 30, 2018, the carrying amount of the Municipal Development District's deposits in the bank was \$25,799 and the bank balance was the same. The bank balance was fully covered by federal deposit insurance. All of the District's cash was fully collateralized.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowance investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(2) Cash and investments (continued)

Investments (continued)

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statement disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act. Investment practices of the City were in accordance with local policies. The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) money market mutual funds, and 4) eligible public funds investment pools.

The City’s investments at September 30, 2018 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	AAAm	\$ 9,125,419	28

The Municipal Development District’s investments at September 30, 2018 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	AAAm	\$ 854,213	28

Interest rate risk

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to less than 13 months. The City’s investment policy limits the final stated maturity of any security to no more than two years. As a matter of policy, the City holds all investments to maturity”.

Investment accounting policy

The City’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public funds investment pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(2) Cash and investments (continued)

Public funds investment pools (continued)

pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. TexPool is an investment pool that meets these criteria.

(3) Property tax

Taxes were levied on and payable as of January 1. The City contracted with the Kendall County Tax Assessor-Collector to collect taxes on its behalf until August 2018 when the City changed to the Bexar County Tax Assessor-Collector. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2018, the assessed tax rate for the City was \$.3295 per \$100 on an assessed valuation of \$1,549,811,266. The tax rate is split \$.2909 for general maintenance and operations and \$.0386 for interest and sinking. Total tax levy for fiscal year 2018 is \$4,813,737. As of September 30, 2018, the delinquent current taxes for 2017 were \$72,862.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2018, was \$.3295 per \$100 of assessed value, which means that the City has a tax margin of \$2.1705 for each \$100 value and could increase its annual tax levy by approximately \$33,638,654 based upon the present assessed valuation of \$1,549,811,266 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

(4) Interfund balances and transfers

Interfund balances represent reimbursements for expenditures paid or cash received on behalf of other funds and are expected to be liquidated in the next fiscal year.

Transfers between City funds during the year ended September 30, 2018 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Fund	\$ 527,890	Capital Improvement Plan
General Fund	Nonmajor Fund	<u>703,781</u>	Capital Equipment Replacement
Total		<u>\$ 1,231,671</u>	

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	4,727,618	1,882,558	-	6,610,176
Capital assets being depreciated				
Buildings and land improvements	4,037,292	-	-	4,037,292
Vehicles and equipment	1,341,967	332,361	(26,100)	1,648,228
Infrastructure	3,200,813	-	-	3,200,813
Total capital assets	<u>13,424,488</u>	<u>2,214,919</u>	<u>(26,100)</u>	<u>15,613,307</u>
Less accumulated depreciation:				
Buildings and land improvements	(878,468)	(112,683)	-	(991,151)
Vehicles and equipment	(878,131)	(120,279)	14,355	(984,055)
Infrastructure	(817,630)	(107,163)	-	(924,793)
Total accumulated depreciation	<u>(2,574,229)</u>	<u>(340,125)</u>	<u>14,355</u>	<u>(2,899,999)</u>
Governmental capital assets, net	<u>\$ 10,850,259</u>	<u>\$ 1,874,794</u>	<u>\$ (11,745)</u>	<u>\$ 12,713,308</u>

Capital asset activity in the proprietary fund for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	1,770,816	263,413	(2,034,229)	-
Capital assets being depreciated				
Utility plant and easements	16,115,717	2,064,488	-	18,180,205
Vehicles and equipment	662,429	77,356	-	739,785
Totals capital assets	<u>18,602,562</u>	<u>2,405,257</u>	<u>(2,034,229)</u>	<u>18,973,590</u>
Less accumulated depreciation:				
Utility plant and easements	(6,392,127)	(571,376)	-	(6,963,503)
Vehicles and equipment	(399,495)	(75,774)	-	(475,269)
Total accumulated depreciation	<u>(6,791,622)</u>	<u>(647,150)</u>	<u>-</u>	<u>(7,438,772)</u>
Business-Type capital assets, net	<u>\$ 11,810,940</u>	<u>\$ 1,758,107</u>	<u>\$ (2,034,229)</u>	<u>\$ 11,534,818</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(5) Capital assets (continued)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	38,201
Public safety		156,210
Public health		11,668
Public works		134,046
 Total depreciation expense - Governmental activities	 \$	 <u>340,125</u>

(6) Unearned revenue – water supply agreements

The City has entered into agreements with certain developers to provide water and sewer services to planned future developments. The City has agreed to provide treated water from the City’s water production, storage and distribution system and to provide sewer service from the City’s wastewater treatment plant, both of which may require expansion or modifications. The developers have agreed to extend utilities from their present locations to the boundaries of the developed properties and to provide for offsets and/or credits toward “Contributions in Aid of Construction”. The City will credit the contributions in aid provided by the developers against impact fees due upon development of the property. Impact fees are collected at the time a building permit is issued for a particular lot. Therefore, the contributions in aid are unearned until such time as the lots are permitted for construction. The City received \$1,670 contributions in aid during the year ended September 30, 2018. The City has received \$585,798 in contributions in aid to date and has earned a total of \$430,110 in fees. The remaining \$155,688 of contributions are reported as unearned revenue accordingly.

(7) Long-term debt

Primary Government

At September 30, 2018, the City’s long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
<u>Governmental Activities:</u>				
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 5,755,000	\$ 435,000	\$ 5,320,000
 <u>Business-Type Activities</u>				
Capital lease	3.31%	\$ 3,070,798	\$ 256,019	\$ 2,814,779

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(7) Long-term debt (continued)

Changes in the City's long-term debt during the fiscal year ended September 30, 2018:

	Original Amount	Balance Outstanding Oct. 1, 2017	Current Additions	Current Reductions	Balance Outstanding Sept. 30, 2018	Due Within One Year
Governmental Activities:						
GO Bonds, Series 2015	\$ 7,000,000	\$ 6,185,000	\$ -	\$ (430,000)	\$ 5,755,000	\$ 435,000
Premium on bonds		86,744	-	(6,673)	80,071	6,673
Compensated absences		120,846	41,217	(30,212)	131,851	32,963
Total governmental activities		<u>\$ 6,392,590</u>	<u>\$ 41,217</u>	<u>\$ (466,885)</u>	<u>\$ 5,966,922</u>	<u>\$ 474,636</u>
Business-Type Activities:						
Capital lease	\$ 3,128,356	\$ 3,128,356	\$ -	\$ (57,558)	\$ 3,070,798	\$ 256,019
Compensated absences		24,582	17,741	(6,146)	36,177	9,044
Total business-type activities		<u>3,152,938</u>	<u>17,741</u>	<u>(63,704)</u>	<u>3,106,975</u>	<u>265,063</u>
Total changes in long-term debt		<u>\$ 9,545,528</u>	<u>\$ 58,958</u>	<u>\$ (530,589)</u>	<u>\$ 9,073,897</u>	<u>\$ 739,699</u>

The compensated absences attributable to the governmental activities will be liquidated primarily by the general fund. The compensated absences attributable to the business-type activities will be liquidated primarily by the water/sewer fund.

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2018, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 435,000	\$ 117,009	\$ 552,009
2020	440,000	111,540	551,540
2021	445,000	105,675	550,675
2022	450,000	99,185	549,185
2023	460,000	92,130	552,130
2024 - 2028	2,455,000	301,050	2,756,050
2029 - 2030	<u>1,070,000</u>	<u>30,925</u>	<u>1,100,925</u>
	<u>\$ 5,755,000</u>	<u>\$ 857,514</u>	<u>\$ 6,612,514</u>

On April 14, 2014, the City entered into a lease purchase agreement with Siemens Public, Inc. for improvements to the City's utility system and infrastructure. The term of the lease is 14 years, with quarterly payments of \$22,500 through January 2018 and quarterly payments of \$88,626 beginning July 2018 through January 2029, which includes interest at 3.31% annually. The lease and the infrastructure are recorded in the Utility Fund.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(7) Long-term debt (continued)

Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2019	\$ 354,506
2020	354,506
2021	354,506
2022	354,506
2023	354,506
2024 - 2028	1,772,530
2029	88,627
	3,633,687
Less: interest amount	(562,889)
	\$ 3,070,798

The following is an analysis of the property under capital lease as of September 30, 2018:

Utility plant and easements	\$ 3,758,356
Less: accumulated depreciation	(429,390)
Net leased property	\$ 3,328,966

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Benefits provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>54</u>
Total	<u>101</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.05% and 11.46% in calendar years 2018 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018, were \$375,269, and were equal to the required contributions.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Net pension liability

The City's net pension liability (NPL) or asset was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return*	6.75%

* presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2018 are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

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 FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2017:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 6,182,448	\$ 5,349,629	\$ 832,819
Changes for the year:			
Service cost	483,263	-	483,263
Interest	428,795	-	428,795
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(101,894)	-	(101,894)
Changes of assumptions	-	-	-
Contributions - employer	-	318,292	(318,292)
Contributions - employee	-	194,528	(194,528)
Net investment income	-	742,178	(742,178)
Benefit payments,			-
including refunds of employee contributions	(143,110)	(143,110)	-
Administrative expenses	-	(3,842)	3,842
Other changes	-	(194)	194
Net changes	667,054	1,107,852	(440,798)
Balance at 12/31/2017	\$ 6,849,502	\$ 6,457,481	\$ 392,021

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

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset) \$	1,583,097	\$ 392,021	\$ (563,506)

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position

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

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended September 30, 2018, the City recognized pension expense of \$350,806. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 49,182	\$ 116,477
Changes in actuarial assumptions	23,727	-
Difference between projected and actual investment earnings	-	176,229
Contributions made subsequent to the measurement date	301,400	-
Total	\$ 374,309	\$ 292,706

Deferred outflows of resources in the amount of \$301,400 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2018	\$ (9,662)
2019	(23,316)
2020	(89,188)
2021	(91,682)
2022	(5,949)
	\$ (219,797)

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(9) Other post-employment benefits

Plan description

The City also participates in the defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City may elect, by ordinance, to provide group-term life insurance for active employees, including retirees.

Benefits provided

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. 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

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

The contribution rate for the City was 0.12% and 0.13% for calendar years 2017 and 2018 respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2018 were \$4,017, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>54</u>
Total	<u>101</u>

Other post-employment benefits (OPEB) liability

The City's total OPEB liability of \$82,016 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(9) Other post-employment benefits (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate *	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(9) Other post-employment benefits (continued)

Changes in the total OPEB liability:

Balance at 12/31/2016	\$ 67,673
Changes for the year:	
Service cost	5,280
Interest on total OPEB liability	2,653
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	6,688
Benefit payments**	(278)
Net changes	14,343
Balance at 12/31/2017	\$ 82,016

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Current Single Rate Assumption (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB liability (asset)	\$ 1,583,097	\$ 392,021	\$ (563,506)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$8,840.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(9) Other post-employment benefits (continued)

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	5,781
Difference between projected and actual investment earnings	-	-
Contributions made subsequent to the measurement date	3,090	-
Total	\$ 3,090	\$ 5,781

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	
2018	\$ 907
2019	907
2020	907
2021	907
2022	907
Thereafter	1,246
	\$ 5,781

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(10) Risk management

The City is exposed to various risks of loss related to torts; theft of and damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2018 were \$121,070 for property and casualty and workers compensation coverage.

(11) Restatement of net position

During fiscal year 2018, the City adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." With the adoption of this standard, the City must assume their Net Other Post Employment Benefit Liability related to the Supplemental Death Benefit Fund held with TMRS and requires a restatement of beginning net position in the amount of \$51,887 for the governmental activities and a restatement of beginning net position in the amount of \$15,787 for the business type activities.

Below is a table that reflects the changes in the beginning net position:

	<u>Statement of Activities</u>	
	<u>Governmental Activities</u>	<u>Business Type Activities</u>
October 1, 2017 as previously reported	\$ 9,689,218	\$ 13,157,262
Adjustments for GASB 75	<u>(51,887)</u>	<u>(15,787)</u>
October 1, 2017 as restated:	<u>\$ 9,637,331</u>	<u>\$ 13,141,475</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Notes to Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Changes – OPEB Liability and Related Ratios
- Notes to Schedule of Changes – OPEB Liability and Related Ratios

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CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,820,201	\$ 4,851,301	\$ 4,921,041	\$ 69,740
Franchise fees	546,700	546,700	576,181	29,481
Licenses and permits	279,450	279,450	236,020	(43,430)
Fines and forfeits	181,625	181,625	126,152	(55,473)
Utility management fee	196,600	196,600	205,959	9,359
Interest	9,000	89,000	73,833	(15,167)
Donations	30,000	30,000	32,920	2,920
Miscellaneous	16,100	16,100	44,721	28,621
Total revenues	6,079,676	6,190,776	6,216,827	26,051
Expenditures				
City Administration:				
Personnel	679,060	667,560	674,821	(7,261)
General	112,557	112,557	70,053	42,504
Maintenance	10,075	10,075	7,258	2,817
Contractual	384,630	384,630	398,649	(14,019)
Leases	3,500	3,500	6,545	(3,045)
Total City administration	1,189,822	1,178,322	1,157,326	20,996
Municipal Court:				
Personnel	99,476	99,476	75,918	23,558
General	9,309	9,309	8,321	988
Maintenance	300	300	242	58
Contractual	55,843	55,843	43,296	12,547
Leases	-	-	3,490	(3,490)
Total municipal court	164,928	164,928	131,267	33,661
Public Safety:				
Personnel	1,920,679	1,889,679	1,876,387	13,292
General	146,825	146,825	155,049	(8,224)
Maintenance	21,850	21,850	13,629	8,221
Contractual	181,513	181,513	177,074	4,439
Leases	13,540	13,540	12,292	1,248
Total public safety	2,284,407	2,253,407	2,234,431	18,976
Public Health/Emergency:				
General	7,800	7,800	4,575	3,225
Maintenance	1,500	1,500	1,682	(182)
Contractual	304,993	304,993	304,993	-
Total public health/emergency	314,293	314,293	311,250	3,043

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures (continued)				
Building Codes:				
Personnel	\$ 181,921	\$ 181,921	\$ 182,203	\$ (282)
General	16,089	16,089	7,204	8,885
Maintenance	6,150	6,150	5,542	608
Contractual	2,899	2,899	3,699	(800)
Total building codes	<u>207,059</u>	<u>207,059</u>	<u>198,648</u>	<u>8,411</u>
Public Works:				
Personnel	561,676	561,676	536,385	25,291
General	42,730	42,730	35,936	6,794
Maintenance	45,988	44,988	57,247	(12,259)
Contractual	350,565	326,565	234,624	91,941
Total public works	<u>1,000,959</u>	<u>975,959</u>	<u>864,192</u>	<u>111,767</u>
Culture/Recreation/Other:				
General	93,501	108,501	89,710	18,791
Total culture/recreation/other	<u>93,501</u>	<u>108,501</u>	<u>89,710</u>	<u>18,791</u>
Capital Outlay:				
Personal property	-	-	42,437	(42,437)
Total capital outlay	<u>-</u>	<u>-</u>	<u>42,437</u>	<u>(42,437)</u>
Total expenditures	<u>5,254,969</u>	<u>5,202,469</u>	<u>5,029,261</u>	<u>173,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>824,707</u>	<u>988,307</u>	<u>1,187,566</u>	<u>199,259</u>
Other financing sources (uses)				
Sale of assets	7,000	7,000	28,197	21,197
Transfers in (out)	(831,707)	(995,307)	(1,231,671)	(236,364)
Total other financing sources (uses)	<u>(824,707)</u>	<u>(988,307)</u>	<u>(1,203,474)</u>	<u>(215,167)</u>
Capital contributions	-	-	15,908	15,908
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>2,493,982</u>	<u>2,493,982</u>	<u>2,757,376</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,493,982</u>	<u>\$ 2,493,982</u>	<u>\$ 2,757,376</u>	<u>\$ 263,394</u>

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM RELATED RATIOS**

For the measurement year ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 483,263	\$ 415,604	\$ 372,932	\$ 314,855
Interest (on the total pension liability)	428,795	377,577	347,674	303,986
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(101,894)	47,016	(72,739)	66,156
Changes of assumptions	-	-	51,102	-
Benefit payments, including refunds of employee contributions	<u>(143,110)</u>	<u>(87,360)</u>	<u>(99,327)</u>	<u>(80,511)</u>
Net change in total pension liability	667,054	752,837	599,642	604,486
Total pension liability - beginning	<u>6,182,448</u>	<u>5,429,611</u>	<u>4,829,969</u>	<u>4,225,483</u>
Total pension liability - ending	<u>\$ 6,849,502</u>	<u>\$ 6,182,448</u>	<u>\$ 5,429,611</u>	<u>\$ 4,829,969</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 318,292	\$ 276,800	\$ 265,412	\$ 234,399
Contributions - employee	194,528	172,450	158,118	143,051
Net investment income	742,178	316,200	6,418	219,419
Benefit payments, including refunds of employee contributions	(143,110)	(87,360)	(99,327)	(80,511)
Administrative expense	(3,841)	(3,568)	(3,909)	(2,290)
Other	<u>(195)</u>	<u>(192)</u>	<u>(193)</u>	<u>(188)</u>
Net change in plan fiduciary net position	1,107,852	674,330	326,519	513,880
Plan fiduciary net position - beginning	<u>5,349,629</u>	<u>4,675,299</u>	<u>4,348,780</u>	<u>3,834,900</u>
Plan fiduciary net position - ending	<u>\$ 6,457,481</u>	<u>\$ 5,349,629</u>	<u>\$ 4,675,299</u>	<u>\$ 4,348,780</u>
Net pension liability	<u>\$ 392,021</u>	<u>\$ 832,819</u>	<u>\$ 754,312</u>	<u>\$ 481,189</u>
Plan fiduciary net position as a percentage of total pension liability	94.28%	86.53%	86.11%	90.04%
Covered payroll	\$ 2,778,969	\$ 2,463,571	\$ 2,258,825	\$ 2,043,586
Net pension liability as a percentage of covered payroll	14.11%	33.81%	33.39%	23.55%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION**

For the year ended September 30,

Schedule of Contributions:	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 375,269	\$ 306,515	\$ 272,041	\$ 250,635
Contributions in relation to the actuarially determined contribution	<u>375,269</u>	<u>306,515</u>	<u>272,041</u>	<u>250,635</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,150,696</u>	<u>\$ 2,689,459</u>	<u>\$ 2,387,202</u>	<u>\$ 2,147,330</u>
Contributions as a percentage of covered payroll	11.91%	11.40%	11.40%	11.67%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM RELATED RATIOS**

For the measurement year ended December 31,

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 5,280
Interest on the total OPEB liability	2,653
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	6,688
Benefit payments, including refunds of employee contributions	<u>(278)</u>
Net change in total OPEB liability	14,343
Total OPEB liability - beginning	<u>67,673</u>
Total OPEB liability - ending	<u>\$ 82,016</u>
Covered payroll	<u>\$ 2,778,969</u>
OPEB liability as a percentage of covered payroll	2.95%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB

For the year ended September 30,

Schedule of Contributions:	<u>2018</u>
Actuarially determined contributions	\$ 4,017
Contributions in relation to the actuarially determined contribution	<u>4,017</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	<u>\$ 3,150,696</u>
Contributions as a percentage of covered payroll	0.13%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

(1) Budgetary information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The General Fund and Debt Service Fund maintain legally adopted budgets.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

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 lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

(2) Schedule of contributions

Valuation Date:

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

Methods and Assumption Used to Determine Contribution Rates:

Method	Entry Age Normal
Method	Level Percentage of Payroll, Closed
Amortization	28 Years
Method	10 Year smoothed market, 15% soft corridor
Assumption:	
Inflation	2.50%
Salary increases	3.5% to 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied

Other Information:

There were no benefit changes during the year.

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OTHER SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and schedules that are not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such information includes:

- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedule – Debt Service Fund

CITY OF FAIR OAKS RANCH, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	Non-Major Fund			Total Non-Major Funds
	Debt Service Fund	Capital Projects Fund	Equipment Replacement Fund	
ASSETS				
Cash and investments	\$ 7,201	\$ 298,420	760,599	\$ 1,066,220
Receivables (net of allowance for uncollectibles):				
Property taxes	8,536	-	-	8,536
Accounts	<u>1,403</u>	<u>-</u>	<u>-</u>	<u>1,403</u>
Total assets	<u>\$ 17,140</u>	<u>\$ 298,420</u>	<u>\$ 760,599</u>	<u>\$ 1,076,159</u>
LIABILITIES				
Accounts payable	\$ -	\$ 50,980	\$ -	\$ 50,980
Accrued expenditures	<u>-</u>	<u>23,932</u>	<u>-</u>	<u>23,932</u>
Total liabilities	<u>-</u>	<u>74,912</u>	<u>-</u>	<u>74,912</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>8,536</u>	<u>-</u>	<u>-</u>	<u>8,536</u>
FUND BALANCES				
Restricted for:				
Debt service	8,604	-	-	8,604
Assigned for:				
Capital projects	-	223,508	-	223,508
Capital equipment	<u>-</u>	<u>-</u>	<u>760,599</u>	<u>760,599</u>
Total fund balances	<u>8,604</u>	<u>223,508</u>	<u>760,599</u>	<u>992,711</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,140</u>	<u>\$ 298,420</u>	<u>\$ 760,599</u>	<u>\$ 1,076,159</u>

CITY OF FAIR OAKS RANCH, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2018

	Non-Major Fund			Total Non-Major Funds
	Debt Service Fund	Capital Projects Fund	Equipment Replacement Fund	
REVENUES				
Taxes	\$ 551,946	\$ -	\$ -	\$ 551,946
Interest	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>1,691</u>
Total revenues	<u>553,637</u>	<u>-</u>	<u>-</u>	<u>553,637</u>
EXPENDITURES				
Current:				
City administration	-	304,382	-	304,382
Public works	-	-	7,179	7,179
Capital projects/outlay	-	-	289,924	289,924
Debt service:				
Principal	430,000	-	-	430,000
Interest and fiscal charges	<u>122,278</u>	<u>-</u>	<u>-</u>	<u>122,278</u>
Total expenditures	<u>552,278</u>	<u>304,382</u>	<u>297,103</u>	<u>1,153,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,359</u>	<u>(304,382)</u>	<u>(297,103)</u>	<u>(600,126)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>527,890</u>	<u>703,781</u>	<u>1,231,671</u>
Total other financing sources (uses)	<u>-</u>	<u>527,890</u>	<u>703,781</u>	<u>1,231,671</u>
Net change in fund balances	1,359	223,508	406,678	631,545
Fund balance - beginning	<u>7,245</u>	<u>-</u>	<u>353,921</u>	<u>361,166</u>
Fund balance - ending	<u>\$ 8,604</u>	<u>\$ 223,508</u>	<u>\$ 760,599</u>	<u>\$ 992,711</u>

CITY OF FAIR OAKS RANCH, TEXAS

**SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 557,278	\$ 557,278	\$ 551,946	\$ (5,332)
Interest	901	901	1,691	790
Total revenues	<u>558,179</u>	<u>558,179</u>	<u>553,637</u>	<u>(4,542)</u>
Expenditures				
Debt Service:				
Principal	430,000	430,000	430,000	-
Interest and fiscal charges	<u>122,278</u>	<u>122,278</u>	<u>122,278</u>	<u>-</u>
Total debt service	<u>552,278</u>	<u>552,278</u>	<u>552,278</u>	<u>-</u>
Total expenditures	<u>552,278</u>	<u>552,278</u>	<u>552,278</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,901</u>	<u>5,901</u>	<u>1,359</u>	<u>(4,542)</u>
Net change in fund balance	5,901	5,901	1,359	(4,542)
Fund balance, beginning	<u>8,462</u>	<u>8,462</u>	<u>7,245</u>	<u>-</u>
Fund balance, ending	<u>\$ 14,363</u>	<u>\$ 14,363</u>	<u>\$ 8,604</u>	<u>\$ (5,759)</u>

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Fair Oaks Ranch, Texas annual financial report represents 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.

Contents

Tables

Financial Trends

1 through 4

- Net Position by Component
- Change in Net Position
- Fund Balances of Governmental Funds
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These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

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- Tax Revenues by Source – Governmental Funds
- Top 10 Sales Tax Providers
- Property Tax Levies and Collections
- Direct and Overlapping Property Tax Rates
- Assessed Value and Actual Taxable Property
- Principal Property Taxpayers

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

Debt Capacity

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- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
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- Direct and Overlapping Governmental Activities Debt

These tables 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

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- Principal Employers
- Demographic and Economic Statistics

These tables offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

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- Operating Indicators by Function
- Capital Asset Statistics by Function
- Full-Time Equivalent City Government Employees by Function

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

CITY OF FAIR OAKS RANCH, TEXAS

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 3,216,848	\$ 4,940,584	\$ 4,802,338	\$ 4,675,461
Restricted	-	39,266	46,229	48,355
Unrestricted	<u>3,149,374</u>	<u>2,483,604</u>	<u>3,002,828</u>	<u>3,452,484</u>
 Total government activities net position	 <u>\$ 6,366,222</u>	 <u>\$ 7,463,454</u>	 <u>\$ 7,851,395</u>	 <u>\$ 8,176,300</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 5,003,477	\$ 5,767,825	\$ 5,733,694	\$ 5,842,767
Unrestricted	<u>2,424,188</u>	<u>2,004,430</u>	<u>2,603,460</u>	<u>2,972,799</u>
 Total business-type activities net position	 <u>\$ 7,427,665</u>	 <u>\$ 7,772,255</u>	 <u>\$ 8,337,154</u>	 <u>\$ 8,815,566</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 8,220,325	\$ 10,708,409	\$ 10,536,032	\$ 10,518,228
Restricted	-	39,266	46,229	48,355
Unrestricted	<u>5,573,562</u>	<u>4,488,034</u>	<u>5,606,288</u>	<u>6,425,283</u>
 Total primary government net position	 <u>\$ 13,793,887</u>	 <u>\$ 15,235,709</u>	 <u>\$ 16,188,549</u>	 <u>\$ 16,991,866</u>

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

Comparative information has not been restated.

TABLE 1

2013	2014	2015*	2016	2017	2018**
\$ 4,658,498	\$ 3,886,740	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385	\$ 7,334,582
64,787	68,071	66,909	77,162	76,346	95,553
3,887,116	4,580,595	3,798,804	2,089,120	2,714,487	3,277,879
\$ 8,610,401	\$ 8,535,406	\$ 7,969,424	\$ 8,772,354	\$ 9,689,218	\$ 10,708,014
\$ 6,255,433	\$ 7,847,915	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584	\$ 8,464,020
3,331,135	2,551,317	4,753,811	5,372,865	4,474,678	5,448,975
9,586,568	10,399,232	11,505,614	12,040,793	13,157,262	13,912,995
\$ 9,586,568	\$ 10,399,232	\$ 11,505,614	\$ 12,040,793	\$ 13,157,262	\$ 13,912,995
\$ 10,913,931	\$ 11,734,655	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969	\$ 15,798,602
64,787	68,071	66,909	77,162	76,346	95,553
7,218,251	7,131,912	8,552,615	7,461,985	7,189,165	8,726,854
\$ 18,196,969	\$ 18,934,638	\$ 19,475,038	\$ 20,813,147	\$ 22,846,480	\$ 24,621,009

CITY OF FAIR OAKS RANCH, TEXAS

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
EXPENSES				
Governmental Activities				
City administration	\$ 535,765	\$ 692,233	\$ 578,516	\$ 588,562
Municipal court	74,356	70,340	79,208	77,131
Public safety	1,113,684	1,232,747	1,295,748	1,342,773
Public health/emergency	220,713	319,465	231,337	255,789
Building codes	89,412	84,319	86,316	88,521
Public works	765,066	727,527	776,437	815,467
Culture/recreation/other	58,273	32,352	47,335	125,537
Interest on long term debt	<u>2,548</u>	<u>4,225</u>	<u>1,200</u>	<u>-</u>
Total governmental activities expenses	<u>2,859,817</u>	<u>3,163,208</u>	<u>3,096,097</u>	<u>3,293,780</u>
Business-Type Activities				
Water/sewer utility	<u>2,720,050</u>	<u>2,879,504</u>	<u>2,785,881</u>	<u>2,954,021</u>
Total business-type activities expenses	<u>2,720,050</u>	<u>2,879,504</u>	<u>2,785,881</u>	<u>2,954,021</u>
Total primary government expenses	<u>5,579,867</u>	<u>6,042,712</u>	<u>5,881,978</u>	<u>6,247,801</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	147,729	126,612	237,810	241,201
Municipal court	72,771	114,981	131,279	126,633
Public safety	5,733	5,960	7,736	6,824
Public health/emergency	6,795	7,521	6,720	6,580
Building codes	77,293	85,493	73,595	127,522
Operating grants and contributions	-	3,855	-	-
Capital grants and contributions	<u>-</u>	<u>998,250</u>	<u>869,215</u>	<u>-</u>
Total governmental activities program revenues	<u>310,321</u>	<u>1,342,672</u>	<u>1,326,355</u>	<u>508,760</u>
Business-Type Activities				
Charges for services:				
Water/sewer utility	3,167,197	2,434,913	3,352,080	3,427,533
Capital grants and contributions	<u>-</u>	<u>796,054</u>	<u>3,933,872</u>	<u>4,463,303</u>
Total primary government program revenues	<u>\$ 3,477,518</u>	<u>\$ 4,573,639</u>	<u>\$ 8,612,307</u>	<u>\$ 8,399,596</u>

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

Comparative information has not been restated.

TABLE 2

2013	2014	2015*	2016	2017	2018**
\$ 638,151	\$ 921,009	\$ 1,796,709	\$ 950,918	\$ 1,431,472	\$ 1,499,717
79,538	81,522	81,316	86,288	92,032	131,153
1,521,426	1,588,137	1,735,259	2,017,858	2,124,882	2,394,097
282,238	286,999	293,092	307,665	299,734	322,918
98,196	119,338	161,821	179,577	177,495	198,266
933,879	1,074,375	869,328	869,215	982,474	992,400
139,671	63,517	33,233	57,833	44,896	89,710
-	-	136,008	153,011	119,880	114,211
<u>3,693,099</u>	<u>4,134,897</u>	<u>5,106,766</u>	<u>4,622,365</u>	<u>5,272,865</u>	<u>5,742,472</u>
<u>3,013,859</u>	<u>3,242,807</u>	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>	<u>4,215,641</u>
<u>3,013,859</u>	<u>3,242,807</u>	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>	<u>4,215,641</u>
<u>6,706,958</u>	<u>7,377,704</u>	<u>8,459,205</u>	<u>8,556,237</u>	<u>9,119,643</u>	<u>9,958,113</u>
249,506	198,992	171,929	177,050	201,334	215,959
156,452	158,407	158,352	161,818	129,260	126,152
7,079	8,664	9,034	9,448	3,715	10,026
7,245	5,325	5,245	5,711	2,500	2,415
196,062	281,831	298,806	314,738	274,079	228,715
605	1,715	2,149	-	13,295	51,102
-	-	-	-	-	15,908
<u>616,949</u>	<u>654,934</u>	<u>645,515</u>	<u>668,765</u>	<u>624,183</u>	<u>650,277</u>
3,744,856	4,107,471	4,454,644	4,463,303	4,930,347	4,908,925
-	-	-	-	-	-
<u>\$ 4,361,805</u>	<u>\$ 4,762,405</u>	<u>\$ 5,100,159</u>	<u>\$ 5,132,068</u>	<u>\$ 5,554,530</u>	<u>\$ 5,559,202</u>

(CONTINUED)

CITY OF FAIR OAKS RANCH, TEXAS

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net (Expense) Revenues				
Governmental activities	\$ (2,549,496)	\$ (1,820,536)	\$ (1,769,742)	\$ (2,785,020)
Business-type activities	<u>447,147</u>	<u>351,463</u>	<u>4,500,071</u>	<u>4,936,815</u>
Total primary government net expenses	<u>(2,102,349)</u>	<u>(1,469,073)</u>	<u>2,730,329</u>	<u>2,151,795</u>
Governmental Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	2,230,070	2,322,501	2,327,361	2,345,006
Non-property taxes	555,500	598,699	634,021	662,271
Interest and investment earnings	29,017	10,691	7,324	7,213
Gain on sale of capital assets				
Miscellaneous	27,102	14,537	13,623	95,435
Transfers	<u>10,606</u>	<u>10,606</u>	<u>5,303</u>	<u>-</u>
Total governmental activities	<u>2,852,295</u>	<u>2,957,034</u>	<u>2,987,632</u>	<u>3,109,925</u>
Business-Type Activities				
Interest and investment earnings	18,006	3,733	4,003	4,900
Transfers	<u>(10,606)</u>	<u>(10,606)</u>	<u>(5,303)</u>	<u>-</u>
Total business-type activities	<u>7,400</u>	<u>(6,873)</u>	<u>(1,300)</u>	<u>4,900</u>
Total primary government	<u>2,859,695</u>	<u>2,950,161</u>	<u>2,986,332</u>	<u>3,114,825</u>
Changes in Net Position				
Governmental activities	302,799	1,136,498	1,217,890	324,905
Business-type activities	<u>454,547</u>	<u>344,590</u>	<u>4,498,771</u>	<u>4,941,715</u>
Total primary government	<u>\$ 757,346</u>	<u>\$ 1,481,088</u>	<u>\$ 5,716,661</u>	<u>\$ 5,266,620</u>

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

Comparative information has not been restated.

TABLE 2 (Continued)

2013	2014	2015*	2016	2017	2018**
\$ (3,076,150)	\$ (3,479,963)	\$ (4,461,251)	\$ (3,953,600)	\$ (3,953,600)	\$ (5,092,195)
<u>730,997</u>	<u>864,664</u>	<u>1,102,205</u>	<u>529,431</u>	<u>529,431</u>	<u>693,284</u>
<u>(2,345,153)</u>	<u>(2,615,299)</u>	<u>(3,359,046)</u>	<u>(3,424,169)</u>	<u>(3,424,169)</u>	<u>(4,398,911)</u>
2,561,039	2,634,353	2,823,221	3,587,677	3,587,677	4,712,247
750,966	903,592	1,028,559	1,109,048	1,109,048	1,328,220
7,094	1,633	25,359	38,950	38,950	94,557
225,123	24,100	18,130	20,855	20,855	16,452
<u>(33,971)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,510,251</u>	<u>3,563,678</u>	<u>3,895,269</u>	<u>4,756,530</u>	<u>4,756,530</u>	<u>6,162,878</u>
6,034	4,447	4,177	5,748	5,748	78,236
<u>33,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>40,005</u>	<u>4,447</u>	<u>4,177</u>	<u>5,748</u>	<u>5,748</u>	<u>78,236</u>
<u>3,550,256</u>	<u>3,568,125</u>	<u>3,899,446</u>	<u>4,762,278</u>	<u>4,762,278</u>	<u>6,241,114</u>
434,101	83,715	(565,982)	802,930	802,930	1,070,683
<u>771,002</u>	<u>869,111</u>	<u>1,106,382</u>	<u>535,179</u>	<u>535,179</u>	<u>771,520</u>
<u>\$ 1,205,103</u>	<u>\$ 952,826</u>	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 1,338,109</u>	<u>\$ 1,842,203</u>

CITY OF FAIR OAKS RANCH, TEXAS

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2009	2010	2011	2012*
Nonspendable Fund Balance:				
Prepaid items	\$ 25,339	\$ 23,524	\$ 24,628	\$ 24,104
Restricted Fund Balance:				
Court technology	2,171	7,298	10,177	9,477
Court security	27,728	31,574	35,640	38,436
Court efficiency	5	16	34	64
Felony forfeiture	-	378	378	378
PEG fees	-	-	-	-
Public Safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total restricted fund balance	29,904	39,266	46,229	48,355
Committed Fund Balance:				
Public safety committee	-	-	-	250,000
Wildlife research study	-	-	-	45,779
TxDOT projects	-	-	-	-
Partnership water study	-	-	-	-
Total committed fund balance	-	-	-	295,779
Assigned Fund Balance:				
Capital projects	-	-	-	-
Capital equipment	-	-	-	-
Legal issues	-	-	-	-
Six month operating reserve	-	-	-	-
Total assigned fund balance	-	-	-	-
Unassigned	3,077,462	2,514,179	3,008,608	3,158,573
Total government funds	<u>\$ 3,132,705</u>	<u>\$ 2,576,969</u>	<u>\$ 3,079,465</u>	<u>\$ 3,526,811</u>

*The City implemented the fund balance categories of GASB 54 beginning with the 2012 fiscal year.

TABLE 3

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 25,631	\$ 24,220	\$ 43,625	\$ 14,563	\$ 19,281	\$ 54,260	
15,845	15,285	14,802	14,047	11,535	15,700	
44,497	44,420	47,270	49,816	51,473	52,996	
16	110	140	140	292	333	
3,937	3,937	378	378	378	5,514	
3,492	4,319	4,319	4,319	4,319	4,319	
-	-	-	-	1,104	8,087	
-	-	-	8,462	7,245	8,604	
-	-	6,919,193	6,252,941	2,319,870	456,345	
67,787	68,071	6,986,102	6,330,103	2,396,216	551,898	
30,451	30,451	-	-	-	-	
16,928	-	-	-	-	-	
-	810,000	-	-	-	-	
-	100,000	-	-	-	-	
47,379	940,451	-	-	-	-	
1,000,000	720,000	2,448,838	553,000	906,921	223,508	
-	-	-	-	-	760,599	
50,000	50,000	50,000	50,000	50,000	50,000	
-	-	-	-	-	2,566,167	
1,050,000	770,000	2,498,838	603,000	956,921	3,600,274	
2,794,225	3,052,965	1,581,382	1,807,719	2,065,994	-	
<u>\$ 3,985,022</u>	<u>\$ 4,855,707</u>	<u>\$ 11,109,947</u>	<u>\$ 8,755,385</u>	<u>\$ 5,438,412</u>	<u>\$ 4,206,432</u>	

CITY OF FAIR OAKS RANCH, TEXAS

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES				
Taxes	\$ 2,487,524	\$ 2,656,136	\$ 2,656,130	\$ 2,665,673
Franchise Fees	279,394	295,603	312,645	323,308
Licenses and permits	86,388	94,654	82,070	135,992
Fines and forfeits	78,503	120,941	131,279	126,633
Utility management fee	145,430	113,889	159,071	159,435
Interest	29,017	10,691	7,324	7,213
Donations	-	-	-	-
Capital contributions	-	-	-	-
Miscellaneous	27,102	36,847	100,284	182,135
Total revenues	<u>3,133,358</u>	<u>3,328,761</u>	<u>3,448,803</u>	<u>3,600,389</u>
EXPENDITURES				
Current:				
City administration	463,894	632,220	533,332	548,635
Municipal court	74,356	70,340	77,203	75,754
Public safety	1,058,030	1,184,137	1,250,707	1,282,550
Public health/emergency	205,765	304,614	216,613	242,174
Building codes	89,412	84,319	86,864	88,663
Public works	667,404	605,504	658,761	700,305
Culture and recreation	58,273	32,352	47,335	125,537
Capital projects/outlays	92,434	900,732	48,399	89,425
Debt Service				
Principal payments	90,312	76,660	48,181	-
Interest	2,548	4,225	1,200	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>2,802,428</u>	<u>3,895,103</u>	<u>2,968,595</u>	<u>3,153,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>330,930</u>	<u>(566,342)</u>	<u>480,208</u>	<u>447,346</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease financing	43,514	-	-	-
Proceeds of bond issuance	-	-	-	-
Premiums on bond issuance	-	-	-	-
Transfer from other funds	10,606	10,606	5,303	-
Proceeds from disposal of equipment	-	-	16,985	-
Total other financing sources (uses)	<u>54,120</u>	<u>10,606</u>	<u>22,288</u>	<u>-</u>
Net change in fund balances	<u>\$ 385,050</u>	<u>\$ (555,736)</u>	<u>\$ 502,496</u>	<u>\$ 447,346</u>
Debt service as a percentage of noncapital expenditures	3.4%	2.7%	1.7%	0.0%

TABLE 4

2013	2014	2015	2016	2017	2018
\$ 2,960,445	\$ 3,084,356	\$ 3,358,145	\$ 4,148,224	\$ 4,907,367	\$ 5,472,987
346,006	453,279	496,714	527,109	540,605	576,181
203,307	287,156	304,051	320,449	280,294	236,020
156,452	158,407	158,352	161,818	129,260	126,152
169,357	166,093	171,929	177,050	195,334	205,959
7,094	1,633	25,359	38,950	56,545	94,557
-	-	-	-	-	32,920
-	-	-	-	-	15,908
316,504	622,574	30,789	53,714	46,961	44,721
4,159,165	4,773,498	4,545,339	5,427,314	6,156,366	6,805,405
609,674	717,511	1,749,973	931,255	1,380,476	1,461,708
83,854	80,509	81,918	84,869	90,428	131,267
1,402,730	1,463,524	1,653,785	1,811,200	1,920,485	2,234,431
271,023	275,784	281,876	296,450	288,066	311,250
95,948	119,507	162,100	176,077	172,849	198,648
747,165	962,447	759,233	748,454	852,315	871,371
139,671	63,517	33,233	57,833	44,896	89,710
319,918	217,014	568,981	3,111,050	4,196,145	2,214,919
-	-	-	390,000	425,000	430,000
-	-	-	174,688	126,553	122,278
-	-	100,090	-	-	-
3,669,983	3,899,813	5,391,189	7,781,876	9,497,213	8,065,582
489,182	873,685	(845,850)	(2,354,562)	(3,340,847)	(1,260,177)
-	-	-	-	-	-
-	-	7,000,000	-	-	-
-	-	100,090	-	-	-
(33,971)	-	-	-	-	-
-	-	-	-	23,874	28,197
(33,971)	-	7,100,090	-	23,874	28,197
\$ 455,211	\$ 873,685	\$ 6,254,240	\$ (2,354,562)	\$ (3,316,973)	\$ (1,231,980)
0.0%	0.0%	2.1%	11.9%	10.4%	9.4%

CITY OF FAIR OAKS RANCH, TEXAS

**TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

TABLE 5

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Mixed Beverage Tax</u>	<u>Total</u>
2009	\$ 2,211,418	\$ 247,950	\$ 279,395	\$ 28,155	\$ 2,766,918
2010	2,353,040	282,708	295,603	20,386	2,951,737
2011	2,334,754	305,028	312,645	16,348	2,968,775
2012	2,326,710	325,128	323,308	13,835	2,988,981
2013	2,555,485	389,722	346,066	15,178	3,306,451
2014	2,634,043	431,575	453,279	18,738	3,537,635
2015	2,826,300	513,040	496,714	18,805	3,854,859
2016	3,566,285	562,501	527,109	19,437	4,675,332
2017	4,255,198	632,030	540,605	20,139	5,447,972
2018	4,720,949	728,224	576,181	23,814	6,049,168

CITY OF FAIR OAKS RANCH, TEXAS

**TOP TEN SALES TAX PROVIDERS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

TABLE 6

<u>Business Class</u>	2017-2018		2016-2017	
	Rank	% of Total	Rank	% of Total
Full-service restaurant	1	19.0%	1	19.0%
Electronic shopping	2	5.1%	2	5.1%
Security guard and patrol	3	4.3%	3	4.3%
Pharmacies and drugstores	4	3.2%	4	3.2%
Wireless telecommunication	5	3.2%	5	3.2%
Wired telecommunication	6	3.9%	6	3.9%
Limited-service restaurant	7	2.5%	7	2.5%
Cable and other subscription programming	8	2.3%	8	2.3%
Gasoline stations with convenience store	9	2.0%	9	2.0%
New single-family housing construction	10	1.8%	10	1.8%

Source: Texas Comptroller

Ten years of data will be accumulated. Data prior to 2017 is not currently available.

Texas Tax Code 321.3022 © declares specific information on vendor and amounts to be confidential and is not subject to public inspection.

CITY OF FAIR OAKS RANCH, TEXAS

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

TABLE 7

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount *	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 2,259,896	\$ 2,226,351	98.52%	\$ 31,874	\$ 2,258,225	99.93%
2010	2,340,064	2,318,698	99.09%	19,707	2,338,405	99.93%
2011	2,357,767	2,340,869	99.28%	15,350	2,356,219	99.93%
2012	2,381,119	2,357,934	99.03%	19,658	2,377,592	99.85%
2013	2,604,255	2,577,855	98.99%	22,569	2,600,424	99.85%
2014	2,672,104	2,653,136	99.29%	14,472	2,667,608	99.83%
2015	2,877,185	2,859,530	99.39%	12,040	2,871,570	99.80%
2016	3,861,722	3,827,841	99.12%	24,955	3,852,796	99.77%
2017	4,332,469	4,297,290	99.19%	20,921	4,318,211	99.67%
2018	4,813,737	4,788,010	99.47%	-	4,788,010	99.47%

Source: Kendall County Appraisal District

* Includes discounts allowed for early payments. Discounts taken for the fiscal year ended September 30, 2018 were \$111,438.32.

CITY OF FAIR OAKS RANCH, TEXAS

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

TABLE 8

Fiscal Period	City	Boerne School District	Bexar County	Kendall County	Comal County	Total
2009	0.24150	1.330	0.326866	0.37000	0.308023	2.576389
2010	0.24610	1.330	0.326866	0.37000	0.312955	2.585921
2011	0.24150	1.314	0.326866	0.37000	0.334000	2.586366
2012	0.24610	1.314	0.326866	0.37000	0.350421	2.607387
2013	0.26630	1.294	0.326866	0.39500	0.305221	2.587387
2014	0.26630	1.294	0.326866	0.39400	0.278221	2.559387
2015	0.26630	1.294	0.314500	0.39400	0.292821	2.561621
2016	0.30730	1.294	0.314500	0.38670	0.292921	2.595421
2017	0.32336	1.316	0.293250	0.41270	0.292821	2.638131
2018	0.32950	1.354	0.291229	0.41270	0.307821	2.695250

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fair Oaks Ranch, Texas. This process recognizes that, when considering the City of Fair Oaks Ranch's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF FAIR OAKS RANCH, TEXAS

**ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

TABLE 9

<u>Fiscal Year Ended September 30,</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value *</u>	<u>Total Direct Tax Rate</u>
2008	\$ 838,453,794	\$ 65,125,001	\$ 69,342,898	\$ 834,235,897	0.24610%
2009	938,067,890	95,346,777	97,894,497	935,520,170	0.24150%
2010	1,006,529,595	44,577,989	82,136,984	968,970,600	0.24610%
2011	992,927,327	40,159,647	54,767,903	978,319,071	0.24150%
2012	937,057,120	86,472,850	54,659,715	968,870,255	0.24610%
2013	943,904,242	92,123,352	57,650,996	978,376,598	0.26630%
2014	958,417,836	105,566,114	60,565,527	1,003,418,423	0.26630%
2015	1,026,612,835	107,240,362	53,423,214	1,080,429,983	0.26630%
2016	1,193,076,434	128,637,815	65,052,850	1,256,661,399	0.30730%
2017	1,265,114,959	150,509,495	73,244,068	1,342,380,386	0.32336%
2018	1,487,818,815	185,977,352	123,984,901	1,549,811,266	0.32950%

Source: Kendall County Appraisal Districts.

* Total taxable assessed value and total estimated actual value of taxable property is the same.

CITY OF FAIR OAKS RANCH, TEXAS

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

TABLE 10

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fair Oaks Club Corp	\$ 7,350,760	1	0.51%	\$ 6,966,999	1	0.74%
T&J Fair Oaks LLC	4,995,000	2	0.35%	-		-
Elkhorn Ridge SA LLC	4,280,700	3	0.30%	-		-
Hicks, Jerry S & Esther W	4,258,510	4	0.30%	-		-
Highland Homes-San Antonio LLC	3,867,070	5	0.27%	-		-
Frost Bank	3,737,820	6	0.26%	1,274,120	8	0.14%
SA Fair Oaks Development LLC	2,630,980	7	0.18%	-		-
B&M Fair Oaks, LTD	2,595,780	8	0.18%	2,018,848	4	0.22%
SA Front Gate LLC	2,557,832	9	0.18%	-		-
Fair Oaks Parkway Associates LLC	2,517,379	10	0.18%	-		-
Armstrong Family Trust	-		-	3,559,093	2	0.38%
Green Land Ventures	-		-	2,893,860	3	0.31%
Pam Bilbrey	-		-	1,400,092	5	0.15%
Paul Steldt	-		-	1,396,980	6	0.15%
Kim Moore	-		-	1,367,960	7	0.15%
Time Warner Cable	-		-	1,099,020	9	0.12%
Fountains Dev Group	-		-	1,059,200	10	0.11%
TOTAL	<u>\$ 38,791,831</u>		<u>2.71%</u>	<u>\$ 23,036,172</u>		<u>2.47%</u>

CITY OF FAIR OAKS RANCH, TEXAS

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

TABLE 11

Fiscal Year	Governmental Activities		Business-Type Activities		Total Government	Percentage of Household Income	Per Capita*
	GO Bonds	Capital Leases	Capital Leases	Certificates of Obligation			
2009	\$ -	\$ 124,841	\$ -	\$ 2,780,000	\$ 2,904,841	1.1%	456
2010	-	48,181	-	2,485,000	2,533,181	0.7%	456
2011	-	-	-	2,175,000	2,175,000	0.6%	358
2012	-	-	-	1,855,000	1,855,000	0.5%	305
2013	-	-	-	1,515,000	1,515,000	0.4%	239
2014	-	-	3,128,356	1,160,000	4,288,356	1.1%	653
2015	7,000,000	-	3,128,356	790,000	10,918,356	3.0%	1,662
2016	6,610,000	-	3,128,356	405,000	10,143,356	2.7%	1,467
2017	6,271,744	-	3,128,356	-	9,400,100	2.1%	1,087
2018	5,835,071	-	3,070,798	-	8,905,869	1.9%	980

Notes:

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

* See population figures on Table 16.

CITY OF FAIR OAKS RANCH, TEXAS

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

TABLE 12

Fiscal Year Ended September 30,	Governmental Activities	Business-Type Activities	Total Primary Government	Less: Amounts Available in Debt Service Fund	Net Debt Outstanding	Percentage of Estimated Actual Taxable	
	General Obligation Bonds	Certificate of Obligation Bonds		Value of Property		Per Capita	
2009	\$ -	\$ 2,780,000	\$ 2,780,000	\$ -	\$ 2,780,000	0.30%	466
2010	-	2,485,000	2,485,000	-	2,485,000	0.26%	415
2011	-	2,175,000	2,175,000	-	2,175,000	0.22%	358
2012	-	1,855,000	1,855,000	-	1,855,000	0.19%	305
2013	-	1,515,000	1,515,000	-	1,515,000	0.15%	239
2014	-	1,160,000	1,160,000	-	1,160,000	0.12%	177
2015	7,000,000	790,000	7,790,000	-	7,790,000	0.72%	1,186
2016	6,610,000	405,000	7,015,000	-	7,015,000	0.56%	1,015
2017	6,271,744	-	6,271,744	(7,245)	6,264,499	0.47%	725
2018	5,835,071	-	5,835,071	(7,201)	5,827,870	0.38%	641

CITY OF FAIR OAKS RANCH, TEXAS

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Total assessed value	\$ 1,549,811,266
Debt limit (\$1.50 of total assessed value)	\$ 23,247,169
Debt applicable to limit:	
General bonded debt outstanding	\$ 5,835,071
general bonded debt	-
Total net debt applicable to limit	5,835,071
Legal debt margin	\$ 17,412,098

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 14,032,803	\$ 14,534,559	\$ 14,674,786	\$ 14,533,054
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 14,032,803	\$ 14,534,559	\$ 14,674,786	\$ 14,533,054

TABLE 13

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>\$ 14,675,649</u>	<u>\$ 15,051,276</u>	<u>\$ 16,206,450</u>	<u>\$ 18,849,921</u>	<u>\$ 20,165,764</u>	<u>\$ 23,247,169</u>
<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>6,610,000</u>	<u>6,185,000</u>	<u>5,835,071</u>
<u><u>\$ 14,675,649</u></u>	<u><u>\$ 15,051,276</u></u>	<u><u>\$ 9,206,450</u></u>	<u><u>\$ 12,239,921</u></u>	<u><u>\$ 13,980,764</u></u>	<u><u>\$ 17,412,098</u></u>

CITY OF FAIR OAKS RANCH, TEXAS

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2018**

TABLE 14

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Alamo CCD	\$ 479,445,000	0.01%	\$ 47,945
Bexar Co	1,700,305,000	0.55%	9,351,678
Bexar Co Hosp Dist	891,565,000	0.55%	4,903,608
Boerne ISD	328,204,650	16.44%	53,956,844
Comal Co	146,210,000	0.84%	1,228,164
Comal ISD	767,165,107	0.73%	5,600,305
Kendall Co	27,870,000	5.01%	<u>1,396,287</u>
Subtotal - overlapping debt			76,484,831
City of Fair Oaks Ranch - direct debt			<u>5,835,071</u>
Total direct and overlapping debt			<u>\$ 82,319,902</u>

Source: Municipal Advisory Council of Texas.

*Note: Overlapping governments are those that coincide, as least in part, within the geographical boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fair Oaks Ranch, Texas. This process recognizes that, when considering the City of Fair Oaks Ranch's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

CITY OF FAIR OAKS RANCH, TEXAS

**PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

TABLE 15

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment**
Joint Base San Antonio (JBSA)-						
Lackland, Fort Sam & Randolph***	75,972	1	7.46%	59,826	1,3,6	7.19%
H.E.B Food Stores	22,000	2	2.160%	19,249	2	2.31%
United Service Automobile Assoc	17,163	3	1.69%	14,443	4	1.73%
Northside Independent School District	13,969	4	1.37%	12,810	5	1.54%
City of San Antonio	12,231	5	1.20%	9,830	7	1.18%
North East Independent School District	9,292	6	0.91%	8,360	8	1.00%
Methodist Healthcare System	8,960	7	0.88%	7,496	10	0.90%
San Antonio Independent School District	7,374	8	0.72%	9,000	9	<u>0.96%</u>
Baptist Health System	6,432	9	0.63%	-		
Wells Fargo	<u>5,010</u>	10	<u>0.49%</u>	-		
TOTAL	<u>178,403</u>		<u>17.51%</u>	<u>141,014</u>		<u>16.81%</u>

The City of Fair Oaks Ranch is located near the City of San Antonio and data is not available for the employers in Fair Oaks Ranch, Texas. The above data is for the City of San Antonio.

Source: City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2017. The current year information is not available, therefore, 2017 data is presented

*Percent based on an employment estimate of 1,018,200 of non-farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2017. Figure provided by the Texas Workforce Commission.

**Percent based on an Employment Estimate of 832,800 of Non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2008. Figure provided by the Texas Workforce Commission.

***In fiscal year 2012, Lackland, Fort Sam and Randolph military operations were consolidated into Joint Base San Antonio. In fiscal year 2008, the employee counts were 33,893, 15,200 and 10,733 respectively.

CITY OF FAIR OAKS RANCH, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	Population	Per Capita Personal Income	Median Age	School Enrollment	San Antonio Unemployment Rate
2009	5966	\$ 45,293	45.9	660	7.3%
2010	5986	58,576	50.9	678	7.2%
2011	6068	58,576	50.9	683	7.3%
2012	6084	60,195	50.9	776	5.9%
2013	6326	57,945	50.9	697	5.7%
2014	6569	57,306	50.9	650	4.5%
2015	6569	55,586	51.2	650	3.8%
2016	6914	54,829	47.9	650	3.9%
2017	8645	52,917	46.7	916	3.2%
2018	9091	51,482	45.9	1321	3.3%

Sources: Population, per capita income and median age provided by the United States Census Bureau. Fair Oaks Ranch Elementary School enrollment information was provided by the Boerne Independent School District. Unemployment rate information was provided by the United States Bureau of Labor.

CITY OF FAIR OAKS RANCH, TEXAS

**OPERATING INDICATORS BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TABLE 17

Function	2018	2017
Police		
Incidents/offenses	501	444
Arrests	224	191
Calls for service	3,716	3,664
Public Works		
Street resurfacing (square yards)	64,496	183,323
Chip seal (square yards)	65,244	101,646
Building Codes		
Permits issued	190	142
Utilities		
Account service orders	222	288
Meter install/change	330	322
Customer service inquiry	247	291
Billing (water, sewer, fees, all charges)	4,683,010	4,892,525
Water		
Service connections	2,948	2,929
Purchased (gallons)	276,418,000	296,164,000
Pumped (gallons)	168,328,487	241,088,931
Billed consumption (gallons)	457,611,000	502,639,000
Non-billed & bulk water sold (gallons)	3,476,900	5,182,505
Wastewater/Sewer		
Service connections	1,775	1,733
Average daily treatment in gallons	235,917	224,046

Source: Various City departments.

Note: Schedule to be built over the next 10 fiscal years.

CITY OF FAIR OAKS RANCH, TEXAS

**CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TABLE 18

Function	2018	2017
Police		
Stations	1	1
Patrol units	13	15
Animal Control		
Control vehicle	1	1
Building Inspections		
Vehicles	2	2
Public Works		
Vehicles	10	9
Other equipment	12	10
Utilities		
Vehicles	11	11
Other equipment	5	5
Streets		
Paved streets (in miles)	81.6	81.6
Paved streets maintained by the City	68.1	68.1
Water		
Water mains (in miles)	76	76
Wells	40	40
Treatment plants	4	4
Sewer		
Lift stations	6	6
Sewer lines (in miles)	33	33
Treatment plants	1	1

Note: Schedule to be built over the next 10 fiscal years.

CITY OF FAIR OAKS RANCH, TEXAS

**FULL-TIME EQUIVALENTS CITY GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TABLE 19

<u>Function</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government	9	8	7
Public Safety			
Police	22	21	19
Animal control	1	1	1
Municipal court	2	1	1
Code enforcement	2	1.5	1.5
Administration	2	2	2
Public Works	12	9	9.5
Water and Sewer	<u>10</u>	<u>10</u>	<u>10</u>
	<u><u>60</u></u>	<u><u>53.5</u></u>	<u><u>51</u></u>

Note: Schedule to be built over the next 10 fiscal years.

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