

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



Prepared by:

Administration and Finance Department
Tobin Maples, City Manager
Sarah Buckelew, Finance Director



(This page intentionally left blank)

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2019

PAGE

INTRODUCTORY SECTION

Letter of Transmittal	i-v
GFOA Certificate of Achievement	vi
Principal Officials	vii
Organizational Chart	viii

FINANCIAL SECTION

Independent Auditors' Report	1-2
Management's Discussion and Analysis (unaudited)	3-17

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	20-21
Statement of Activities	22-23

Fund Financial Statements:

Governmental Funds:

Balance Sheet	24
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27

Proprietary Fund:

Statement of Net Position	28
Statement of Revenues, Expenses, and Changes in Fund Net Position	29
Statement of Cash Flows	30

Notes to Financial Statements	33-55
-------------------------------	-------

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2019

PAGE

FINANCIAL SECTION (CONTINUED)

Required Supplementary Information (unaudited):

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	59-61
--	-------

Schedule of Changes in the Net Pension Liability and Texas Municipal Retirement System (TMRS) Related Ratios	62
---	----

Schedule of Contributions - Pension	63
-------------------------------------	----

Schedule of Changes in the OPEB Liability and Texas Municipal Retirement System (TMRS) Related Ratios	64
--	----

Schedule of Contributions - OPEB	65
----------------------------------	----

Notes to Required Supplementary Information	66
---	----

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	68
---	----

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance- Nonmajor Governmental Funds	69
--	----

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	70
---	----

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – 2015 Go Bond Fund	71
---	----

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Strategic Projects Fund	72
---	----

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Equipment Replacement Fund	73
--	----

STATISTICAL SECTION (UNAUDITED):

TABLE

Financial Trends:

Net Position by Component	1	78-79
Change in Net Position	2	80-83
Fund Balances of Governmental Funds	3	84-85
Changes in Fund Balance of Governmental Funds	4	86-87

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2019

	<u>TABLE</u>	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED) (CONTINUED):		
Revenue Capacity:		
Tax Revenues by Source, Governmental Funds	5	88
Top 10 Sales Tax Providers	6	89
Property Tax Levies and Collections	7	90
Direct and Overlapping Property Tax Rates	8	91
Assessed Value and Actual Taxable Property	9	92
Principal Property Taxpayers	10	93
Debt Capacity:		
Ratios of Outstanding Debt by Type	11	94
Ratios of Net General Bonded Debt Outstanding	12	95
Legal Debt Margin Information	13	96-97
Direct and Overlapping Governmental Activities Debt	14	98
Demographic and Economic Information:		
Principal Employers	15	99
Demographic and Economic Statistics	16	100
Operating Information:		
Operating Indicators by Function	17	101
Capital Asset Statistics by Function	18	102
Full-Time Equivalent City Government Employees by Function	19	103

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)



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

March 19, 2020

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, 2019.

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, 2019 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, 2019 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 9,700. 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 2020 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. Priorities for the 2018-19 budget year focused on addressing critical risk factors as well as the continued development and implementation of the City's Strategic Plan.

The City's elected officials considered many factors when settling the fiscal year 2018-19 budget, tax rates, and fees that will be charged for the business-type activities. The 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>	
<u>Unified Development Code</u> • Zoning & form-based design guidelines • Master water & wastewater plan • Master stormwater plan • Subdivision Regulations • Infrastructure design guidelines • Sign design guidelines • Sustainability	<u>FM 3351 Expansion</u> Owners Representative Consultant Develop context sensitive design solutions <u>Storm Water Feasibility Study</u> Funding Source Capital Improvement Implementation <u>Code Enforcement</u> Growth Management Administration <u>Street and Facility Maintenance</u> Protection of Public Investment
Projects require the following resources:	
• Code Enforcement FTE • 3rd Party Contract Planning • 3rd Party Owners Rep. Consultant • 3rd Party Fire Inspections • 3rd Party Stormwater Consultant	• Office Space • Computer, desk, & telephone • Campus Renovations

<u>PUBLIC SAFETY</u> <i>Risk #2 – Citizen Safety and Protection of Property</i>	
<u>24/7 Full-Service Department and Command Structure</u> • Patrol availability/Priority-one calls • Criminal investigation services • Community outreach	
Requires the following resources:	
• Two patrol officers • One Criminal Investigation Sergeant • One Administrative Clerk	• Patrol vehicle, camera systems & radios • Officer body armor • Officer Weapons • K-9 services • Community outreach aids

<u>GOVERNMENT SERVICE EXPECTATIONS & MANDATES</u> <i>Risk #3 - Open and Transparent Government and Preservation of Public Infrastructure and Facilities</i> <u>Full Service Administration and Public Works Services</u>	
• City Council, Planning & Zoning, Zoning Board of Adjustment • Records Management and Retention • Public Information Act • Public Relations	• 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:	
• Street Maintenance/Custodian • Deputy City Secretary • Administrative Clerk • Public Relations/HR Assistant	• Office space • Computer, desk, & telephones • Public Works Vehicles & Material • Campus Renovations

<u>FINANCIAL INTEGRITY AND SUSTAINABILITY</u> <i>Risk #4: Responsible Stewardship of Public Assets</i>	
<u>Financial Management Tool Box (Develop and Administer)</u> • Budgeting & Financial Reporting • Asset Management & Replacement • Internal Controls & Procurement • Strategic Planning & Forecasting • IT Infrastructure & Cyber Security • Accounts Payable & Payroll Administration • Infrastructure Financial Strategy Support	
• 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. User based fees for utility services remained unchanged.

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 years ended September 30, 2017 and 2018. These represent the first years 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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

September 30, 2019

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

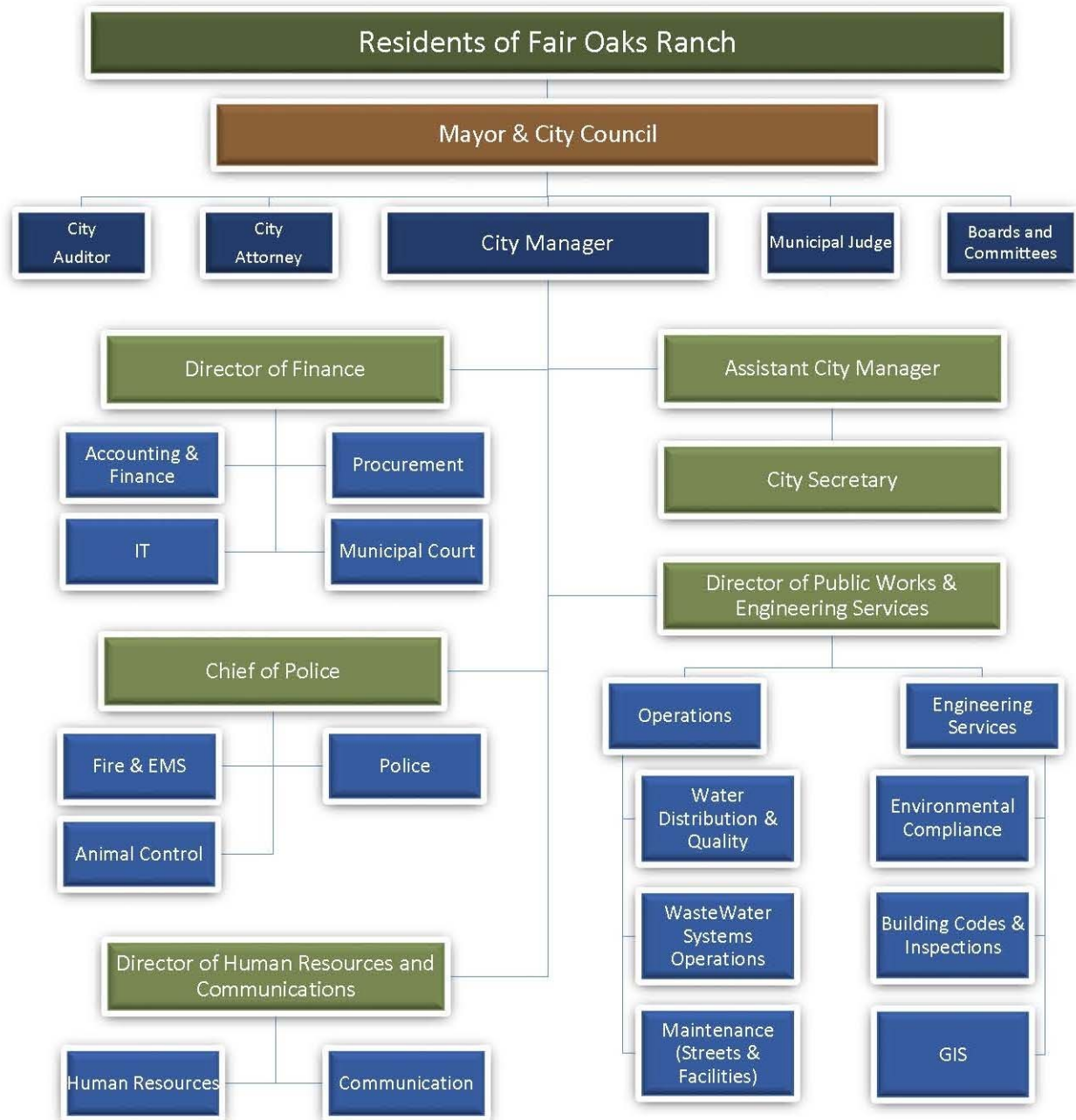
AUDITOR

ABIP, PC

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2019



FINANCIAL SECTION

(This page intentionally left blank)

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, 2019, 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, 2019, 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.

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
March 19, 2020

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, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

OVERALL ACCOMPLISHMENTS FOR 2018-19

The 2018-19 year included significant advancements toward achieving the City's strategic objectives and advancing projects covering citizen driven initiatives. Highlights from 2018-19 include:

- 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. After two years of work, the UDC was adopted by City Council in May 2019.

- Planning and Zoning Commission (P&Z)

The City established its first Planning and Zoning Commission, which is a critical growth management milestone. The Planning and Zoning Commission is an advisory Board to the City Council and performs both required and discretionary functions relative to the physical development of the City.

- Zoning Board of Adjustment (ZBOA)

Establishment of the City's first Zoning Board of Adjustment was another critical growth management milestone. The Zoning Board of Adjustment is a quasi-judicial body appointed by the City Council to hear and decide appeals relative to the administration and enforcement of certain zoning and development regulations.

- TxDot Expansion of FM 3351 (Ralph Fair Road)

Last year, the Texas Department of Transportation (TxDot) informed the City of their intent to expand FM 3351 through the City from IH-10 to SH 46, including a new bridge across Cibolo Creek. The City has hired a planning consultant to serve as the City's owners' representative. In this capacity, the consultant facilitates the City's position to involve the public and incorporate a multidisciplinary design approach early and throughout the process.

- \$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 was completed in December 2019.

- Financial Management and Strategic Planning Linkage

The City's 2017 and 2018 Comprehensive Annual Financial Reports were awarded the GFOA's Certificate of Achievement for Excellence in Financial Reporting. This is an extraordinary accomplishment, and represents the first years the City has achieved this honor as well as the City's ongoing commitment to financial transparency. The Strategic Action Planning Process began in 2016 and included many workshops and input from over 1100 residents. The City continues its ongoing annual review of the Strategic Action Plan, defining each year's plan in terms of dollars needed to accomplish goals as the foundation of the annual budget process.

- Master Water/Wastewater and Drainage Plans

The Master Water/Wastewater Plan and Master Drainage Plan studies have concluded and findings and recommendations were adopted by the City Council as appendices to the Unified Development Code. This marks the beginning of a multi-year process to address the City's aging infrastructure.

- City Hall Renovation Project

With growth comes the demand for expanded city services. Currently, the City provides services through 74 full time employees with every department doubling up in office/workspace. Further, the adoption of the home rule charter expanded City Council from six to seven positions so even the City Council is working within confined space, as the current Council Dias is built to accommodate only six. In an effort to minimize cost, improve customer service, and interdepartmental functionality, the City is advancing plans to repurpose the former police building and modify areas within City Hall.

FINANCIAL HIGHLIGHTS

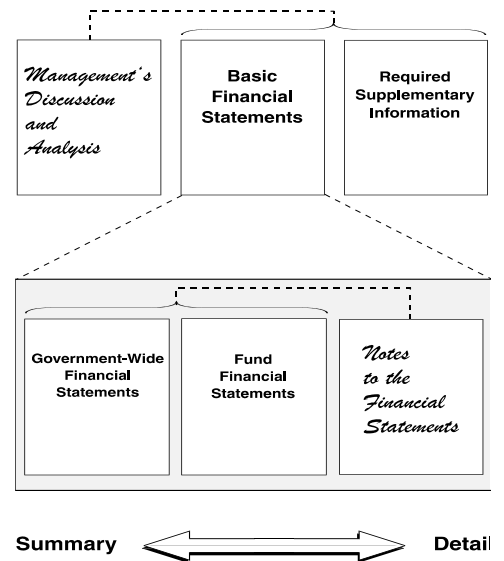
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2019 by total combined net position of \$26,965,904. Of this amount \$10,815,242 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the City's governmental activities net position increased by \$2,105,035. 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 an assigned unrestricted reserve, and almost 10 months of total unrestricted reserves as of September 30, 2019.
- Expenses for the City's business-type activities were \$239,860 less than the \$4,996,559 generated from charges for services and investment earnings.
- The total cost of the City's expenses increased by \$763,010 from last year, primarily due to investments in public safety and utility personnel as well as investments in programmed strategic projects.
- The general fund reported a balance this year of \$3,710,568. Other governmental funds reported a fund balance of \$2,073,426, an overall increase of \$1,577,562. The overall increase was due to the continued work on the roadway reconstruction bond projects offset by programmed savings for the 6-month operating reserve target, equipment replacement funds, and strategic projects.
- The City's outstanding principal on debt for governmental activities decreased by \$435,000. 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>	● Statement of Net Position	● Balance Sheet	● Statement of Net Position
	● Statement of Activities	● Statement of Revenues, Expenditures and Changes in Fund Balances	● 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, liabilities and deferred inflow of resources. 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 and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$26,965,904 (net position) at September 30, 2019 (see Table A-1). Of this amount, 59% represents net investment in capital assets, and 40% represents unrestricted resources available to fund the program of the City next year.

Changes in net position - The combined activities total revenues were \$13,066,018. The revenue from property taxes was \$5,742,831 or 43.95% (see Table A-2), 38% comes from utility, while only 4.73% relates to charges for services for governmental activities (Court, Public Works, Building Codes, etc.).

The total cost of all programs and services was \$10,721,123, 44% of these costs are Business-Type activities (see Table A-2).

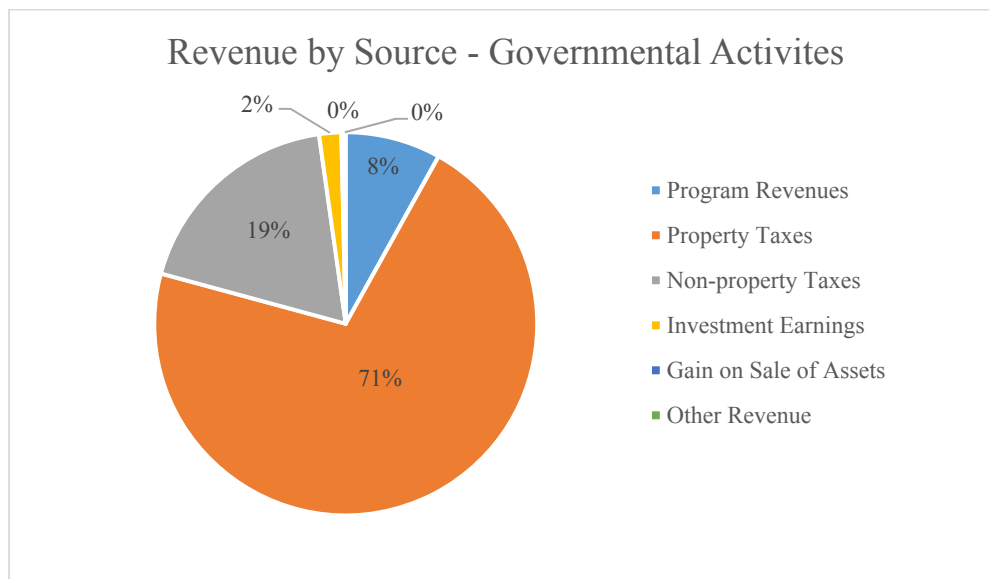
Governmental Activities

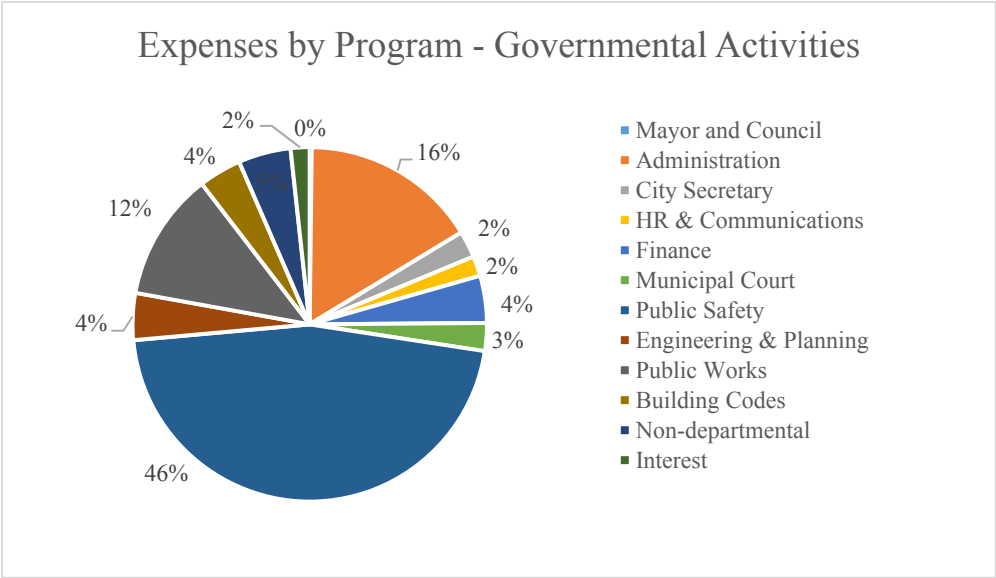
Effective with Fiscal Year 2018-19 the City changed the departmental structure of the General Fund by splitting the administration department into the following departments: Mayor and City Council, City Administration, City Secretary, HR & Communications, and Finance. The City also added the Engineering Services Department which was previously reported in Maintenance, and Non-Departmental & Shared Services which was previously allocated across multiple departments. The Public Safety department now includes both Public Safety and Emergency Services, which were previously two separate departments. Comparability of budgets between prior years and the current year might be challenging for the newly created departments, or those affected by the accounting change.

Overall Governmental activities increased the City's net position by \$2,095,185

Key elements are as follows:

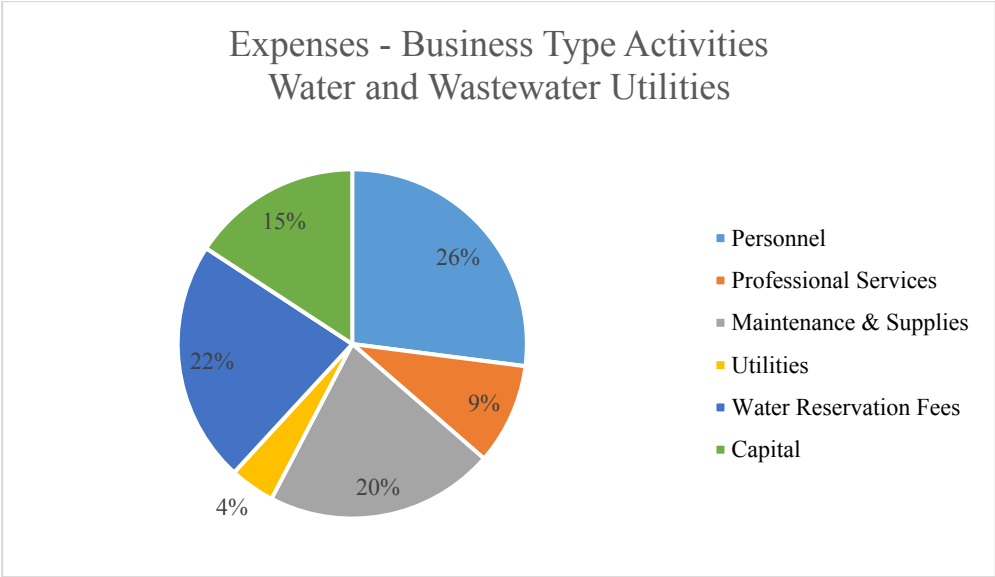
- Governmental revenues increased by \$1,256,304 primarily due to the \$1,030,584 increase in property tax revenue and \$167,583 increase in sales tax revenue.
- Investment earnings increased by \$55,473 primarily due to increases in interest rates over the period.
- Expenses for City Administration (City Secretary, HR & Communications, Finance, Administration, Mayor & Council) increased by \$35,814 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 (Public Safety and Emergency Services) increased by \$198,574 due to a budgeted increase in personnel and addition of a public safety vehicle.
- Expenses for Public Works (Engineering & Planning, Public Works, and Building Codes) increased by \$61,217.
- Expenses for interest and fiscal fees decreased by \$4,362.

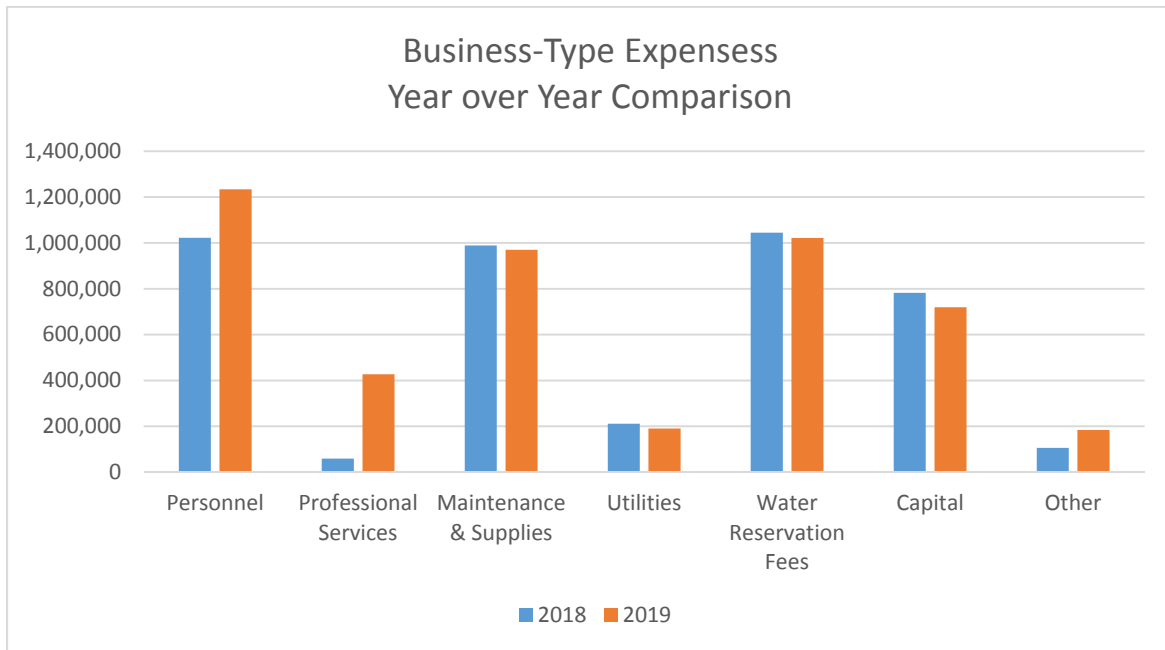




Business-type activities

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 \$4,996,559 and operating expenses were \$4,746,849, (see Table A-2). Business-type activities increased the City’s net position by \$239,860. 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 \$9,398 from 2018. The total expenditures for the business-type activities increased by \$531,208. 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 and professional services.

(The remainder of this page intentionally left blank)

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2019-2018
	2019	2018	2019	2018	2019	2018	
Current Assets:							
Cash and cash equivalents	\$ 6,184,792	\$ 4,564,082	\$ 5,483,983	5,427,464	\$ 11,668,775	\$ 9,991,546	16.8%
Receivables	442,621	336,802	593,231	393,573	1,035,852	730,375	41.8%
Inventories and prepaids	53,275	54,260	155,581	140,860	208,856	195,120	7.0%
Total current assets	<u>6,680,688</u>	<u>4,955,144</u>	<u>6,232,795</u>	<u>5,961,897</u>	<u>12,913,483</u>	<u>10,917,041</u>	<u>18.3%</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	-	-	18,292,857	18,180,205	18,292,857	18,180,205	0.6%
Vehicles and equipment	1,831,795	1,648,228	979,348	739,785	2,811,143	2,388,013	17.7%
Infrastructure	10,148,595	3,200,813	-	-	10,148,595	3,200,813	217.1%
Construction in progress	-	6,610,176	113,595	-	113,595	6,610,176	-98.3%
Less: accumulated depreciation	<u>(3,293,101)</u>	<u>(2,899,999)</u>	<u>(8,158,563)</u>	<u>(7,438,772)</u>	<u>(11,451,664)</u>	<u>(10,338,771)</u>	<u>10.8%</u>
Total non-current assets	<u>12,841,379</u>	<u>12,713,308</u>	<u>11,280,837</u>	<u>11,534,818</u>	<u>24,122,216</u>	<u>24,248,126</u>	<u>-0.5%</u>
Total assets	<u>19,522,067</u>	<u>17,668,452</u>	<u>17,513,632</u>	<u>17,496,715</u>	<u>37,035,699</u>	<u>35,165,167</u>	<u>5.3%</u>
Deferred Outflows of Resources:							
Deferred OPEB related outflows	8,308	6,802	2,567	2,069	10,875	8,871	100.0%
Deferred pension related outflows	<u>575,562</u>	<u>285,403</u>	<u>182,098</u>	<u>88,906</u>	<u>757,660</u>	<u>374,309</u>	<u>102.4%</u>
Total deferred outflows	<u>583,870</u>	<u>292,205</u>	<u>184,665</u>	<u>90,975</u>	<u>768,535</u>	<u>383,180</u>	<u>100.6%</u>
Liabilities:							
Current liabilities	793,182	695,371	390,767	391,328	1,183,949	1,086,699	8.9%
Non-current liabilities:							
Due within one year	480,141	474,636	273,618	265,063	753,759	739,699	1.9%
Due in more than one year	5,047,129	5,492,286	2,577,235	2,841,912	7,624,364	8,334,198	-8.5%
Net OPEB liability	67,246	62,884	20,459	19,132	87,705	82,016	6.9%
Net pension liability	<u>836,637</u>	<u>300,571</u>	<u>261,772</u>	<u>91,449</u>	<u>1,098,409</u>	<u>392,020</u>	<u>180.2%</u>
Total liabilities	<u>7,224,335</u>	<u>7,025,748</u>	<u>3,523,851</u>	<u>3,608,884</u>	<u>10,748,186</u>	<u>10,634,632</u>	<u>1.1%</u>
Deferred Inflows of Resources:							
Deferred OPEB related inflows	4,452	-	1,393	-	5,845	-	-
Deferred pension related inflows	<u>64,101</u>	<u>226,895</u>	<u>20,198</u>	<u>65,811</u>	<u>84,299</u>	<u>292,706</u>	<u>-71.2%</u>
Total deferred inflows	<u>68,553</u>	<u>226,895</u>	<u>21,591</u>	<u>65,811</u>	<u>90,144</u>	<u>292,706</u>	<u>-69.2%</u>
Net Position:							
Net investment in capital assets	7,576,143	7,334,582	8,466,058	8,464,020	16,042,201	15,798,602	1.5%
Restricted	108,461	95,553	-	-	108,461	95,553	13.5%
Unrestricted	<u>5,128,445</u>	<u>3,277,879</u>	<u>5,686,797</u>	<u>5,448,975</u>	<u>10,815,242</u>	<u>8,726,854</u>	<u>23.9%</u>
Total net position	<u>\$ 12,813,049</u>	<u>\$ 10,708,014</u>	<u>\$ 14,152,855</u>	<u>\$ 13,912,995</u>	<u>\$ 26,965,904</u>	<u>\$ 24,621,009</u>	<u>9.5%</u>

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2019	2018	2019	2018	2019	2018	2019-2018
Revenues:							
Program Revenues:							
Charges for services	\$ 635,029	\$ 583,267	\$ 4,875,781	\$ 4,908,925	\$ 5,510,810	\$ 5,492,192	0.3%
Operating grants and contributions	15,579	51,102	-	-	15,579	51,102	-69.5%
Capital grants and contributions	-	15,908	-	-	-	15,908	100.0%
General Revenues:							
Property taxes	5,742,831	4,712,247	-	-	5,742,831	4,712,247	21.9%
Non property taxes	1,496,073	1,328,220	-	-	1,496,073	1,328,220	12.6%
Investment earnings	150,030	94,557	120,778	78,236	270,808	172,793	56.7%
Gain on sale of capital assets	20,206	16,452	-	-	20,206	16,452	22.8%
Miscellaneous	9,711	11,402	-	-	9,711	11,402	-14.8%
Total revenues	<u>8,069,459</u>	<u>6,813,155</u>	<u>4,996,559</u>	<u>4,987,161</u>	<u>13,066,018</u>	<u>11,800,316</u>	<u>10.7%</u>
Expenses:							
Mayor and council	11,381	-	-	-	11,381	-	
City administration	682,316	1,499,717	-	-	682,316	1,499,717	-54.5%
City secretary	153,944	-	-	-	153,944	-	
HR and communications	114,659	-	-	-	114,659	-	
Finance	271,247	-	-	-	271,247	-	
Municipal court	161,422	131,153	-	-	161,422	131,153	23.1%
Public safety	2,915,589	2,394,097	-	-	2,915,589	2,394,097	21.8%
Public health/emergency	-	322,918	-	-	-	322,918	-100.0%
Engineering and planning	270,309	-	-	-	270,309	-	
Public works	740,477	992,400	-	-	740,477	992,400	-25.4%
Building codes and permits	241,097	198,266	-	-	241,097	198,266	21.6%
Non-departmental	301,984	-	-	-	301,984	-	
Culture/recreation/other	-	89,710	-	-	-	89,710	
Interest and fiscal fees	109,849	114,211	-	-	109,849	114,211	-3.8%
Utility	-	-	4,746,849	4,215,641	4,746,849	4,215,641	12.6%
Total expenses	<u>5,974,274</u>	<u>5,742,472</u>	<u>4,746,849</u>	<u>4,215,641</u>	<u>10,721,123</u>	<u>9,958,113</u>	<u>7.7%</u>
Increases (decreases) in net position before transfers	2,095,185	1,070,683	249,710	771,520	2,344,895	1,842,203	27.3%
Transfers in (out)	<u>9,850</u>	<u>-</u>	<u>(9,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Change in net position	2,105,035	1,070,683	239,860	771,520	2,344,895	1,842,203	27.3%
Net position - beginning	<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>
Prior Period Adjustment	<u>-</u>	<u>(51,887)</u>	<u>-</u>	<u>(15,787)</u>	<u>-</u>	<u>(67,674)</u>	<u>-100.0%</u>
Net position - ending	<u>\$ 12,813,049</u>	<u>\$ 10,708,014</u>	<u>\$ 14,152,855</u>	<u>\$ 13,912,995</u>	<u>\$ 26,965,904</u>	<u>\$ 24,621,009</u>	<u>9.5%</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 \$5,974,274.
- Total amount that our taxpayers paid for these activities through property taxes was \$5,742,831.
- Some of the cost, \$635,029 or 10.63% 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		
	2019	2018	% Change	2019	2018	% Change
Mayor and council	\$ 11,381	\$ -		\$ 11,381	\$ -	
City administration	682,316	1,499,717	-54.50%	442,893	1,275,113	-65.27%
City secretary	153,944	-		153,944	-	
HR and communications	114,659	-		114,659	-	
Finance	271,247	-		271,247	-	
Municipal court	161,422	131,153	23.08%	24,246	5,001	384.82%
Public safety	2,915,589	2,394,097	21.78%	2,895,395	2,345,426	23.45%
Public health/emergency	-	322,918	-100.00%	-	320,503	-100.00%
Engineering and planning	270,309	-		270,309	-	
Public works	740,477	992,400	-25.39%	740,477	992,400	-25.39%
Building codes and permits	241,097	198,266	21.60%	(12,718)	(30,449)	-58.23%
Non-departmental	301,984	-		301,984	-	
Culture/recreation/other	-	89,710	-100.00%	-	69,990	-100.00%
Water and sewer	4,746,849	3,846,778	23.40%	(128,932)	(693,284)	-81.40%

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 \$5,783,994, a net increase of \$1,577,562. Revenues from governmental fund types totaled \$8,009,820 with an additional \$20,206 for sales of assets in fiscal year 2019 while expenditures from governmental fund types totaled \$6,452,464 for an increase of total fund balance of \$1,577,562.

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

General Fund	\$ 953,192
2015 Bond Fund	(328,183)
Other Government Funds	<u>952,553</u>
Combined fund balance change	<u>\$ 1,577,562</u>

Revenues exceeded expenses in the General fund by \$953,192, which was primarily programmed, budgeted savings for the assigned General Fund 6-month operating reserve as well as savings for the equipment replacement fund. With this savings, the dedicated reserve account now represents 6 months of operating expense. Savings into the equipment replacement fund was for the purpose of budgeting and forecasting equipment replacement pro-actively, thereby resulting in a more stable tax rate in the future.

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 was completed during December 2019.

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 \$14,152,855 of which \$8,466,058 represented net investment in capital assets and \$5,686,797 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 \$411,463 while actual expenditures were \$595,583 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.

\$411,463 exceeded budget in total revenues:

- Property Taxes – exceeded budget by \$87,058 primarily due to the final tax levy coming in higher than the certified levy roll used at the time of budget adoption. This is typical when Appraisal Districts have outstanding property tax protests at the time of the certified tax roll.
- Sales Taxes – exceeded budget by \$182,315 due to an improved economic environment.
- Franchise Fees – exceeded budget by \$52,258 due to additional residences built that are CPS customers.
- Interest Earned – exceeded budget by \$76,317 due to target interest rate increases made by the Fed during the year.
- Total Permits – were less than budget by \$18,880 due to fewer residential and commercial building permits issued than forecasted.
- Fines and Fees – exceeded budget by \$9,606 due to a large amount of delinquent citations being recovered.

\$595,583 under budget in total expenditures primarily as a result of having an organization-wide delay on hiring budgeted positions due to a delay in City Hall renovations:

- Administration – under budget by \$31,309 due to a savings in Personnel and Training from delayed hiring of budgeted executive assistant position.
- City Secretary – under budget by \$73,589 primarily due to a savings in Personnel from delayed hiring of budgeted deputy City Secretary position, and elections expense savings due to no special elections having to be held.
- Human Resources and Communications – under budget by \$47,043 primarily due to a savings in Personnel and Training from delayed hiring of the Communications position.
- Finance – under budget by \$67,997 primarily due to a savings in Personnel from delayed hiring of the IT Manager and Accountant positions.
- Municipal Court – under budget by \$53,769 due to more efficient court sessions and fewer jury trials than forecasted.
- Public Safety – under budget by \$139,781 primarily due to personnel vacancies, and a savings in capital outlay from not purchasing a budgeted patrol vehicle.
- Public Works – under budget by \$107,564 due to personnel vacancies and a savings in capital outlay by delaying purchase of generator.
- Engineering and Planning – under budget by \$29,802 primarily due to personnel vacancies.
- Non-departmental and Shared Services – under budget by \$30,645 primarily due to a savings in technology and software maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had invested \$35,573,880 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 \$11,451,663 results in a total Net Capital Asset value of \$24,122,216.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2019-2018
	2019	2018	2019	2018	2019	2018	
Capital assets - not depreciated							
Land	\$ 116,798	\$ 116,798	\$ 53,600	\$ 53,600	\$ 170,398	\$ 170,398	0.0%
Construction in progress	-	6,610,176	113,595	-	113,595	6,610,176	-98.3%
Capital assets - not depreciated							
Buildings and land improvements	4,037,292	4,037,292	-	-	4,037,292	4,037,292	0.0%
Vehicles and equipment	1,831,795	1,648,228	979,348	739,785	2,811,143	2,388,013	17.7%
Infrastructure	10,148,595	3,200,813	-	-	10,148,595	3,200,813	217.1%
Utility plant	-	-	18,292,857	18,180,205	18,292,857	18,180,205	0.6%
Totals at historical cost	16,134,480	15,613,307	19,439,400	18,973,590	35,573,880	34,586,897	2.9%
Total accumulated depreciation	(3,293,101)	(2,899,999)	(8,158,563)	(7,438,772)	(11,451,664)	(10,338,771)	10.8%
Net capital assets	<u>\$ 12,841,379</u>	<u>\$ 12,713,308</u>	<u>\$ 11,280,837</u>	<u>\$ 11,534,818</u>	<u>\$ 24,122,216</u>	<u>\$ 24,248,126</u>	<u>-0.5%</u>

Capital Assets (Table A-4)

The City's investment in Capital assets for its governmental and business-type activities of September 30, 2019 amounted to \$24,122,216 (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 decrease in the City's investment in capital assets for the current fiscal year was 0.5%.

At the end of the fiscal year 2019, 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. The City also had significant construction in progress for the bond roadway reconstruction that was completed in December 2019 and placed into service.

Additional detail regarding capital assets can be found in Note 5 on page 42 of the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2019-2018
	2019	2018	2019	2018	2019	2018	
Bonds payable	\$ 5,320,000	\$ 5,755,000	\$ -	\$ -	\$ 5,320,000	\$ 5,755,000	-7.6%
Capital lease	-	-	2,814,779	3,070,798	2,814,779	3,070,798	-8.3%
Total bonds and leases	<u>\$ 5,320,000</u>	<u>\$ 5,755,000</u>	<u>\$ 2,814,779</u>	<u>\$ 3,070,798</u>	<u>\$ 8,134,779</u>	<u>\$ 8,825,798</u>	<u>-7.8%</u>

Long-Term Debt

At year end, the City had \$5,320,000 in Roadway Reconstruction bonds outstanding and \$2,814,779 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

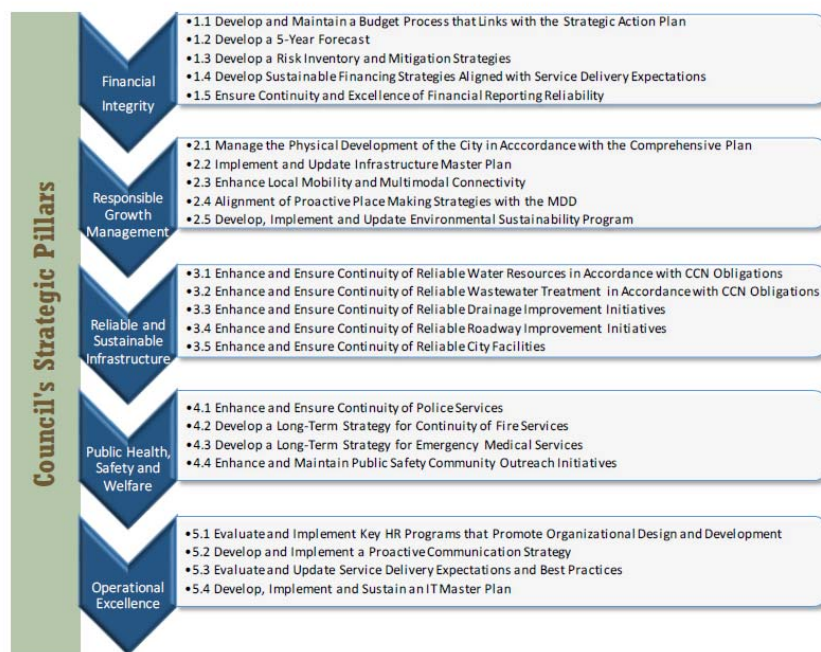
The City's elected officials considered many factors when setting the fiscal year 2019-20 budget, tax rates, and fees that will be charged for the business-type activities. The 2019-20 budget was developed through an extensive Strategic Planning process that defined citizen driven expectations and risk mitigation strategies. The strategies are then tied to the resources necessary to deliver them in the budget.

Fair Oaks Ranch continues to experience growth pressure due to its location, availability of undeveloped land, outstanding public education, and positive community image. As the City moves towards build-out, delivery of service challenges will continue to evolve. These challenges encompass everything from infrastructure (water, wastewater, drainage, mobility, open space, etc) to police and fire.

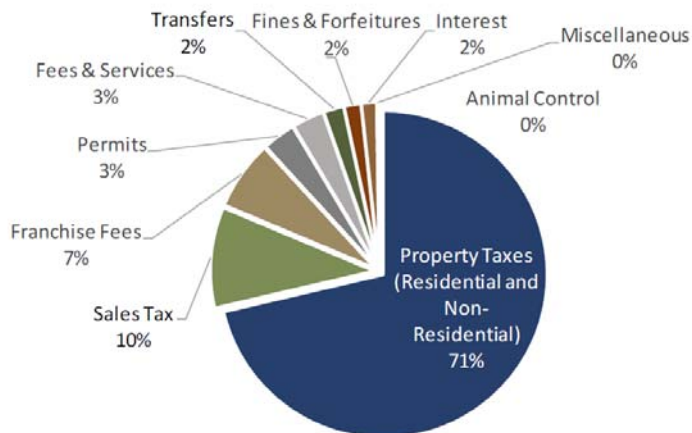
To successfully deliver desired services, the focus of the City's program of services must represent the interests of residents and business owners (current and future) relative to the City's ability to respond to changing conditions while maintaining the integrity of an implementation strategy that is coordinated, equitable, predictable, and delivers the most "bank for the buck".

Priorities for the 2019-20 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 31-year old organization. The Strategic Plan developed by the City Council focuses on five main pillars, or goals, within the approved budget making the investments in each of the following categories:

COUNCIL'S STRATEGIC PILLARS WITH MILESTONES



GENERAL FUND REVENUES



FY 2019-20 GENERAL FUND – REVENUE SOURCES

General Fund revenue sources for the City total \$7,718,770 including interfund transfers. Honoring the predominate citizen directive to maintain the characteristics of a bedroom community, Fair Oaks Ranch does not budget with a diversified revenue portfolio like most cities in Texas. Budget revenues are comprised of three primary revenue categories; property taxes, sales tax, and franchise fees. Accordingly,

71.34% of the City's General Fund budget is realized from property taxes. Only about 10% of General Fund revenue is realized from Sales Taxes. Further, Fair Oaks Ranch has limited commercial tax base so the majority of the City's property tax revenue is borne by single-family home owners.

The total ad valorem property tax rate is \$.3735 for the FY 2019-20, of the \$.3735 per \$100 valuation of property, \$.0340 cents are allocated towards debt service (\$7MM voter-approved general obligation bonds).

FY 2019-20 UTILITY FUND – REVENUE SOURCES

Utility Fund revenue sources for the City total \$5,046,147 and are comprised of user charges for water and wastewater services and interest. The Utility Fund is an Enterprise Fund of the City, so it operates in a manner similar to a private business. Accordingly, the costs of providing water and wastewater services is financed or recovered through user based charges. Property taxes are not utilized to operate the utility.

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).

(This page intentionally left blank)

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, 2019

	<u>Primary Government</u>			<u>Component Unit</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>
ASSETS				
Cash and cash equivalents	\$ 6,184,792	\$ 5,483,983	\$ 11,668,775	\$ 1,098,288
Receivables				
(net of allowance for uncollectibles):				
Taxes	122,146	-	122,146	38,965
Accounts	320,475	593,231	913,706	105
Inventories	-	115,609	115,609	-
Prepays	53,275	39,972	93,247	-
Capital assets, net:				
Land	116,798	53,600	170,398	-
Buildings and land improvements	2,944,450	-	2,944,450	-
Utility plant and easements	-	10,683,061	10,683,061	-
Vehicles and equipment	800,768	430,581	1,231,349	-
Infrastructure	8,979,363	-	8,979,363	-
Construction in progress	-	113,595	113,595	-
Total capital assets	<u>12,841,379</u>	<u>11,280,837</u>	<u>24,122,216</u>	<u>-</u>
Total assets	<u>19,522,067</u>	<u>17,513,632</u>	<u>37,035,699</u>	<u>1,137,358</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	8,308	2,567	10,875	-
Deferred outflows related to pensions	<u>575,562</u>	<u>182,098</u>	<u>757,660</u>	<u>-</u>
Total deferred outflows of resources	<u>583,870</u>	<u>184,665</u>	<u>768,535</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, 2019

	Primary Government			Component Unit
	Governmental	Business-Type		Municipal
	Activities	Activities	Total	Development
				District
LIABILITIES				
Accounts payable and other	\$ 512,662	\$ 139,765	\$ 652,427	\$ -
Accrued liabilities	143,308	32,937	176,245	-
Accrued interest payable	18,634	-	18,634	-
Other liabilities	118,578	69,013	187,591	-
Unearned revenue	-	149,052	149,052	-
Noncurrent liabilities:				
Due within one year	480,141	273,618	753,759	-
Due in more than one year	5,047,129	2,577,235	7,624,364	-
Net OPEB liability	67,246	20,459	87,705	-
Net pension liability	836,637	261,772	1,098,409	-
Total liabilities	<u>7,224,335</u>	<u>3,523,851</u>	<u>10,748,186</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	64,101	20,198	84,299	-
Deferred inflows related to OPEB	<u>4,452</u>	<u>1,393</u>	<u>5,845</u>	<u>-</u>
Total deferred inflows of resources	<u>68,553</u>	<u>21,591</u>	<u>90,144</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	7,576,143	8,466,058	16,042,201	-
Restricted for:				
Court technology	11,386	-	11,386	-
Court security building	54,849	-	54,849	-
Court efficiency and felony forfeiture	9,355	-	9,355	-
PEG fees	4,319	-	4,319	-
Public safety	9,912	-	9,912	-
Debt service	18,640	-	18,640	-
Unrestricted	<u>5,128,445</u>	<u>5,686,797</u>	<u>10,815,242</u>	<u>1,137,358</u>
Total net position	<u>\$ 12,813,049</u>	<u>\$ 14,152,855</u>	<u>\$ 26,965,904</u>	<u>\$ 1,137,358</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, 2019

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Mayor and council	\$ 11,381	\$ -	\$ -
Administration	682,316	237,193	2,230
City secretary	153,944	-	-
HR and communications	114,659	-	-
Finance	271,247	-	-
Municipal court	161,422	137,176	-
Public safety	2,915,589	6,845	13,349
Engineering and planning	270,309	-	-
Public works	740,477	-	-
Building codes and permits	241,097	253,815	-
General Government	301,984	-	-
Interest and fiscal fees on long-term debt	109,849	-	-
Total governmental activities	5,974,274	635,029	15,579
Business-Type Activities:			
Water/sewer utility	4,746,849	4,875,781	-
Total business-type activities	4,746,849	4,875,781	-
Total primary government	\$ 10,721,123	\$ 5,510,810	\$ 15,579
Component Unit			
Municipal Development District	\$ 32,813	\$ -	\$ -

General Revenues

Taxes:

Property taxes

Non property taxes

Interest and investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			Component Unit Municipal Development District
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (11,381)	\$ -	\$ (11,381)	
(442,893)	-	(442,893)	
(153,944)	-	(153,944)	
(114,659)	-	(114,659)	
(271,247)	-	(271,247)	
(24,246)	-	(24,246)	
(2,895,395)	-	(2,895,395)	
(270,309)	-	(270,309)	
(740,477)	-	(740,477)	
12,718	-	12,718	
(301,984)	-	(301,984)	
(109,849)	-	(109,849)	
<u>(5,323,666)</u>	<u>-</u>	<u>(5,323,666)</u>	
<u>-</u>	<u>128,932</u>	<u>128,932</u>	
<u>-</u>	<u>128,932</u>	<u>128,932</u>	
<u>(5,323,666)</u>	<u>128,932</u>	<u>(5,194,734)</u>	
			\$ <u>(32,813)</u>
5,742,831	-	5,742,831	-
1,496,073	-	1,496,073	236,151
150,030	120,778	270,808	20,919
20,206	-	20,206	-
9,711	-	9,711	-
<u>9,850</u>	<u>(9,850)</u>	<u>-</u>	<u>-</u>
<u>7,428,701</u>	<u>110,928</u>	<u>7,539,629</u>	<u>257,070</u>
2,105,035	239,860	2,344,895	224,257
<u>10,708,014</u>	<u>13,912,995</u>	<u>24,621,009</u>	<u>913,101</u>
\$ 12,813,049	\$ 14,152,855	\$ 26,965,904	\$ 1,137,358

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2019

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>2015 Go</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Bond Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,887,186	\$ 327,835	\$ 1,969,771	\$ 6,184,792
Receivables (net of allowance for uncollectibles):				
Property taxes	108,851	-	13,295	122,146
Accounts	320,475	-	-	320,475
Prepaid items	<u>53,275</u>	<u>-</u>	<u>-</u>	<u>53,275</u>
 Total assets	 <u>\$ 4,369,787</u>	 <u>\$ 327,835</u>	 <u>\$ 1,983,066</u>	 <u>\$ 6,680,688</u>
LIABILITIES				
Accounts payable	\$ 312,989	\$ 199,673	\$ -	\$ 512,662
Accrued expenditures	118,801	-	24,507	143,308
Other liabilities	<u>118,578</u>	<u>-</u>	<u>-</u>	<u>118,578</u>
Total liabilities	<u>550,368</u>	<u>199,673</u>	<u>24,507</u>	<u>774,548</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>108,851</u>	<u>-</u>	<u>13,295</u>	<u>122,146</u>
Total deferred inflows of resources	<u>108,851</u>	<u>-</u>	<u>13,295</u>	<u>122,146</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	53,275	-	-	53,275
Restricted for:				
Court technology	11,386	-	-	11,386
Court security building	54,849	-	-	54,849
Court efficiency and felony forfeiture	9,355	-	-	9,355
PEG fees	4,319	-	-	4,319
Public safety	9,912	-	-	9,912
Debt service	-	-	18,640	18,640
Capital projects	-	128,162	-	128,162
Assigned for:				
Capital projects	-	-	1,110,229	1,110,229
Capital equipment	-	-	816,395	816,395
Legal issues	50,000	-	-	50,000
Six month operating reserve	3,517,472	-	-	3,517,472
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,710,568</u>	<u>128,162</u>	<u>1,945,264</u>	<u>5,783,994</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 4,369,787</u>	 <u>\$ 327,835</u>	 <u>\$ 1,983,066</u>	 <u>\$ 6,680,688</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, 2019

Total fund balances - total governmental funds	\$	5,783,994
--	----	-----------

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.		12,841,379
--	--	------------

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.		122,146
---	--	---------

Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(133,872)
--	--	-----------

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		(5,320,000)
Unamortized bond premium		(73,398)

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		(836,637)
Pension related deferred inflows		(64,101)
Pension related deferred outflows		575,562

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		(67,246)
OPEB related deferred inflows		(4,452)
OPEB related deferred outflows		8,308

Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the governmental funds.		<u>(18,634)</u>
--	--	-----------------

Total net position of governmental activities	\$	<u><u>12,813,049</u></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, 2019

	Major Fund			Total
	General Fund	2015 GO Bond Fund	Other Governmental Funds	Governmental Funds
REVENUES				
Taxes	\$ 6,009,208	\$ -	\$ 561,655	\$ 6,570,863
Franchise fees	618,758	-	-	618,758
Licenses and permits	257,220	-	-	257,220
Fines and forfeits	137,176	-	-	137,176
Utility management fee	192,808	-	-	192,808
Interest	139,817	9,423	790	150,030
Donations	5,915	-	-	5,915
Miscellaneous	67,200	-	-	67,200
Total revenues	<u>7,428,102</u>	<u>9,423</u>	<u>562,445</u>	<u>7,999,970</u>
EXPENDITURES				
Current:				
Mayor and council	11,381	-	-	11,381
Administration	494,031	-	150,450	644,481
City secretary	150,845	-	-	150,845
HR and communications	112,797	-	-	112,797
Finance	266,445	-	-	266,445
Municipal court	158,322	-	-	158,322
Public safety	2,696,334	-	-	2,696,334
Engineering and planning	264,128	-	-	264,128
Public works	413,041	-	-	413,041
Building codes and permits	235,603	-	-	235,603
Non-departmental	301,985	-	-	301,985
Capital projects/outlay	307,087	337,606	-	644,693
Debt service:				
Principal	-	-	435,000	435,000
Interest and fiscal charges	-	-	117,409	117,409
Total expenditures	<u>5,411,999</u>	<u>337,606</u>	<u>702,859</u>	<u>6,452,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,016,103</u>	<u>(328,183)</u>	<u>(140,414)</u>	<u>1,547,506</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	20,206	-	-	20,206
Transfers in	152,707	-	1,252,674	1,405,381
Transfers out	(1,235,824)	-	(159,707)	(1,395,531)
Total other financing sources (uses)	<u>(1,062,911)</u>	<u>-</u>	<u>1,092,967</u>	<u>30,056</u>
Net change in fund balances	953,192	(328,183)	952,553	1,577,562
Fund balance - beginning	<u>2,757,376</u>	<u>456,345</u>	<u>992,711</u>	<u>4,206,432</u>
Fund balance - ending	<u>\$ 3,710,568</u>	<u>\$ 128,162</u>	<u>\$ 1,945,264</u>	<u>\$ 5,783,994</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, 2019

Net change in fund balances - total governmental funds \$ 1,577,562

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	644,693
Current year depreciation	(516,622)

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

Ad valorem revenue	49,284
--------------------	--------

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	435,000
Amortization of bond premiums	6,673
Accrued interest	887

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.

(83,113)

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.

(7,308)

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>(2,021)</u>
----------------------	----------------

Change in net position - governmental activities \$ 2,105,035

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, 2019

	Business-Type Activities
	<u>Water/Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,483,983
Receivables (net of allowances for uncollectibles):	
Accounts	593,231
Inventories	115,609
Prepays	<u>39,972</u>
Total current assets	<u>6,232,795</u>
Capital assets:	
Land	53,600
Construction in progress	113,595
Utility plant and easements	18,292,857
Vehicles and equipment	979,348
Accumulated depreciation	<u>(8,158,563)</u>
Total capital assets, net of accumulated depreciation	<u>11,280,837</u>
 Total assets	 <u>17,513,632</u>
 Deferred Outflows of Resources	
Deferred OPEB related outflows	2,567
Deferred pension related outflows	<u>182,098</u>
Total deferred outflows of resources	<u>184,665</u>
 Liabilities	
Current liabilities:	
Accounts payable	139,765
Accrued liabilities	32,937
Other liabilities	69,013
Unearned revenue - water supply agreements	149,052
Due within one year	<u>273,618</u>
Total current liabilities	<u>664,385</u>
 Noncurrent liabilities:	
Due in more than one year	2,577,235
Net OPEB liability	20,459
Net pension liability	<u>261,772</u>
Total noncurrent liabilities	<u>2,859,466</u>
 Total liabilities	 <u>3,523,851</u>
 Deferred inflows of resources	
Deferred pension related inflows	20,198
Deferred OPEB related inflows	<u>1,393</u>
Total deferred inflows of resources	<u>21,591</u>
 Net position	
Net investment in capital assets	8,466,058
Unrestricted	<u>5,686,797</u>
Total net position	<u>\$ 14,152,855</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, 2019

	Business-Type Activities <u>Water/Sewer Fund</u>
Operating Revenues	
Charges for utility service	\$ 4,875,781
Operating Expenses	
Personnel services	1,233,527
Contractual services	6,745
Maintenance	413,492
Equipment lease	6,240
Supplies	111,008
Office supplies	98,191
Postage	16,515
Utilities	190,541
Management fee	192,808
Professional fees	221,054
Permits and licenses	9,370
Water reservation fees	1,021,530
Insurance	23,835
Sludge disposal	331,140
Miscellaneous	<u>52,575</u>
Total operating expenses	<u>3,928,571</u>
Operating income (loss) before depreciation	<u>947,210</u>
Depreciation	<u>719,791</u>
Operating income (loss)	<u>227,419</u>
Nonoperating Revenues (Expenses)	
Interest income	120,778
Interest and fiscal charges	<u>(98,487)</u>
Total nonoperating revenues (expenses)	<u>22,291</u>
Income before transfers	<u>249,710</u>
Transfers in (out)	<u>(9,850)</u>
Change in net position	239,860
Total net position - beginning	<u>13,912,995</u>
Total net position - ending	<u>\$ 14,152,855</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, 2019

	Business-Type Activities <u>Water/Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 4,669,487
Cash paid for employee wages and benefits	(1,194,699)
Cash paid for suppliers for goods and services	(2,516,073)
Cash paid to general fund for management fee	(192,808)
Net cash provided (used) in operating activities	<u>765,907</u>
Cash flows from noncapital financing activities	
Cash paid to other funds	<u>(9,850)</u>
Cash flows from capital and related financing activities	
Purchase/construction of capital assets	(465,810)
Principal payments on long-term debt	(256,019)
Interest and fiscal charges paid	(98,487)
Net cash provided (used) by capital and related financing activities	<u>(820,316)</u>
Cash flows from investing activities	
Investment interest received	<u>120,778</u>
Net cash provided (used) by investing activities	<u>120,778</u>
Net increase (decrease) in cash and investments	56,519
Cash and investments at beginning of year	<u>5,427,464</u>
Cash and investments at end of year	<u><u>\$ 5,483,983</u></u>
Reconciliation of net operating income to net cash provided to net cash (used) by operating activities	
Operating income (loss)	\$ 227,419
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	719,791
Change in net pension liability, deferred pension outflows and inflows	33,740
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(199,658)
(Increase) decrease in inventories	(3,351)
(Increase) decrease in prepaids	(11,370)
Increase (decrease) in accounts payable	36,142
Increase (decrease) in accrued liabilities	5,190
Increase (decrease) in other liabilities	(35,257)
Increase (decrease) in compensated absences	(103)
Increase (decrease) in unearned revenue	(6,636)
Net cash provided (used) by operating activities	<u><u>\$ 765,907</u></u>
<u>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</u>	
Actuarially determined change in net pension liability	\$ 138,805
Other postemployment benefit liability	895

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

NOTES TO BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(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, 2019, 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, 2019

(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.

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).

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(1) Summary of significant accounting policies (continued)

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

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 cash equivalents

Cash and cash equivalents 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 and public funds investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments in investment pools are carried at amortized cost.

Accounts receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2018 and past due after January 31, 2019. 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(1) Summary of significant accounting policies (continued)

Accounts receivable (continued)

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 net assets

Certain proceeds of General Obligation Bonds, as well as certain resources set aside for their repayment, and revenues received with constraints to specific purposes by their providers, through constitutional provisions, or by enabling legislation are classified as restricted assets on the balance sheet because their use is limited

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(1) Summary of significant accounting policies (continued)

Capital assets (continued)

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

ASSETS	YEARS
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 inflows/outflows of resources

Pensions

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

Other Postemployment benefits

The other postemployment benefit liability 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 other postemployment benefit (OPEB) liability and deferred outflows of resources related to the other postemployment benefits, (OPEB) expense. 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.

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(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.

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.

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(1) Summary of significant accounting policies (continued)

Fund equity (continued)

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, 2019, management fees totaled \$192,808.

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.

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(2) Cash and cash equivalents

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 cash equivalents

Custodial credit Risk – deposits. At September 30, 2019, the carrying amount of the City's deposits in the bank was \$688,349 and the bank balance was \$872,397. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a market value of \$1,230,617 as collateral for the City's deposits. All of the City's cash was fully collateralized. The City maintains \$1,175 of cash-on-hand at September 30, 2019.

At September 30, 2019, the carrying amount of the Municipal Development District's deposits in the bank was \$86,510 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.

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, 2019 were as shown below:

	Rating	Value	Weighted Average Maturity (Days)
TexPool	AAAm	\$ 10,979,251	34
Total Investments		<u><u>-</u></u>	
(valued at amortized cost)			

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(2) Cash and investments (continued)

Investments (continued)

The Municipal Development District's investments at September 30, 2019 were as shown below:

	Rating	Value	Weighted Average Maturity (Days)
TexPool (valued at amortized cost)	AAAm	\$ 1,011,778	34

Custodial credit risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All of the City's investments are held by its agents in the City's name.

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.

Credit risk

The City's investment policy states that investments in local government pools will be no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(2) Cash and investments (continued)

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 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 contracts with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. 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 2019, the assessed tax rate for the City was \$.36678 per \$100 on an assessed valuation of \$1,559,025,469. The tax rate is split \$.3306 for general maintenance and operations and \$.03618 for interest and sinking. Total tax levy for fiscal year 2019 is \$5,718,331. As of September 30, 2019, the delinquent taxes were \$122,146.

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, 2019, was \$.36678 per \$100 of assessed value, which means that the City has a tax margin of \$2.13322 for each \$100 value and could increase its annual tax levy by approximately \$33,257,443 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(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. At September 30, 2019, the City did not have any due to/due from balances outstanding.

Transfers between City funds during the year ended September 30, 2019 consist of the following:

Transfer Out	Transfer In	Amount	Purpose
General Fund	Nonmajor Fund	\$ 1,020,321	Capital Improvement Plan
General Fund	Nonmajor Fund	215,503	Capital Equipment Replacement
Utility Fund	Nonmajor Fund	9,850	Capital Improvement Plan
Nonmajor Fund	General Fund	<u>159,707</u>	Capital Replacement
	Total	<u>\$ 1,405,381</u>	

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2019, was as follows:

	Balance October 1, 2018	Additions	Disposals	Balance September 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	6,610,176	-	(6,610,176)	-
Capital assets being depreciated				
Buildings and land improvements	4,037,292	-	-	4,037,292
Vehicles and equipment	1,648,228	307,087	(123,520)	1,831,795
Infrastructure	<u>3,200,813</u>	<u>6,947,782</u>	<u>-</u>	<u>10,148,595</u>
Total capital assets	<u>15,613,307</u>	<u>7,254,869</u>	<u>(6,733,696)</u>	<u>16,134,480</u>
Less accumulated depreciation:				
Buildings and land improvements	(991,151)	(101,691)	-	(1,092,842)
Vehicles and equipment	(984,055)	(170,492)	123,520	(1,031,027)
Infrastructure	<u>(924,793)</u>	<u>(244,439)</u>	<u>-</u>	<u>(1,169,232)</u>
Total accumulated depreciation	<u>(2,899,999)</u>	<u>(516,622)</u>	<u>123,520</u>	<u>(3,293,101)</u>
Governmental capital assets, net	<u>\$ 12,713,308</u>	<u>\$ 6,738,247</u>	<u>\$ (6,610,176)</u>	<u>\$ 12,841,379</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(5) Capital assets (continued)

Capital asset activity in the proprietary fund for the year ended September 30, 2019, was as follows:

	Balance October 1, 2018	Additions	Disposals	Balance September 30, 2019
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	-	113,595	-	113,595
Capital assets being depreciated				
Utility plant and easements	18,180,205	112,652	-	18,292,857
Vehicles and equipment	739,785	239,563	-	979,348
Totals capital assets	<u>18,973,590</u>	<u>465,810</u>	<u>-</u>	<u>19,439,400</u>
Less accumulated depreciation:				
Utility plant and easements	(6,963,503)	(646,293)	-	(7,609,796)
Vehicles and equipment	<u>(475,269)</u>	<u>(73,498)</u>	<u>-</u>	<u>(548,767)</u>
Total accumulated depreciation	<u>(7,438,772)</u>	<u>(719,791)</u>	<u>-</u>	<u>(8,158,563)</u>
Business-type capital assets, net	<u>\$ 11,534,818</u>	<u>\$ (253,981)</u>	<u>\$ -</u>	<u>\$ 11,280,837</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 28,454
Public safety	168,259
Public works	<u>319,909</u>
Total depreciation expense - governmental activities	<u>\$ 516,622</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 \$0 contributions in aid during the year ended September 30, 2019. The City has received \$622,528 in contributions in aid to date and has earned a total of \$473,476 in fees. The remaining \$149,052 of contributions are reported as unearned revenue accordingly.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(7) Long-term liabilities

Primary Government

At September 30, 2019, the City's long-term debt consisted of the following:

<u>Governmental Activities:</u>	<u>Range of Interest Rates</u>	<u>Unpaid Principal</u>	<u>Current Maturities</u>	<u>Long-Term Maturities</u>
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 5,320,000	\$ 440,000	\$ 4,880,000
<u>Business-Type Activities</u>	<u>Range of Interest Rates</u>	<u>Unpaid Principal</u>	<u>Current Maturities</u>	<u>Long-Term Maturities</u>
Capital lease (direct borrowing)	3.31%	\$ 2,814,779	\$ 264,599	\$ 2,550,180

Changes in the City's long-term liabilities during the fiscal year ended September 30, 2019:

<u>Governmental Activities:</u>	<u>Original Amount</u>	<u>Balance Outstanding Oct. 1, 2018</u>	<u>Current Additions</u>	<u>Current Reductions</u>	<u>Balance Outstanding Sept. 30, 2019</u>	<u>Due Within One Year</u>
Long-term debt:						
GO Bonds, Series 2015	\$ 7,000,000	\$ 5,755,000	\$ -	\$ (435,000)	\$ 5,320,000	\$ 440,000
Premium on bonds		80,071	-	(6,673)	73,398	6,673
Total long-term debt		5,835,071	-	(441,673)	5,393,398	446,673
Other long-term liabilities:						
Compensated absences		131,851	34,984	(32,963)	133,872	33,468
Total governmental activities		<u>\$ 5,966,922</u>	<u>\$ 34,984</u>	<u>\$ (474,636)</u>	<u>\$ 5,527,270</u>	<u>\$ 480,141</u>
<u>Business-Type Activities:</u>						
Long-term debt:						
Capital lease (direct borrowing)	\$ 3,128,356	\$ 3,070,798	\$ -	\$ (256,019)	\$ 2,814,779	\$ 264,599
Other long-term liabilities:						
Compensated absences		36,177	8,941	(9,044)	36,074	9,019
Total business-type activities		<u>3,106,975</u>	<u>8,941</u>	<u>(265,063)</u>	<u>2,850,853</u>	<u>273,618</u>
Total changes in long-term liabilities		<u>\$ 9,073,897</u>	<u>\$ 43,925</u>	<u>\$ (739,699)</u>	<u>\$ 8,378,123</u>	<u>\$ 753,759</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 by the water/sewer fund.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(7) Long-term liabilities (continued)

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2019, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	470,000	83,163	553,163
2025 - 2029	2,515,000	240,713	2,755,713
2030	540,000	8,100	548,100
	<u>\$5,320,000</u>	<u>\$ 740,506</u>	<u>\$6,060,506</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.

Future minimum lease payments are as follows for direct borrowings:

Year Ending September 30,	Lease Payments
2020	\$ 354,506
2021	354,506
2022	354,506
2023	354,506
2024	354,506
2025 - 2029	<u>1,506,651</u>
	3,279,181
Less: interest amount	<u>(464,402)</u>
	<u>\$ 2,814,779</u>

The following is an analysis of the property under capital lease as of September 30, 2019:

Utility plant and easements	\$ 3,758,356
Less: accumulated depreciation	<u>(555,408)</u>
Net leased property	<u>\$ 3,202,948</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 887 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.

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, 2018 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>62</u>
Total	<u>111</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

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 11.72% and 12.05% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019, were \$427,169, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2018, 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, 2018 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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

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).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
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, 2019

(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 12/31/2017	\$ 6,849,502	\$ 6,457,481	\$ 392,021
Changes for the year:			
Service cost	577,241	-	577,241
Interest	478,426	-	478,426
Changes of benefit terms	-	-	-
Difference between expected and actual experience	86,113	-	86,113
Changes of assumptions	-	-	-
Contributions - employer	-	400,446	(400,446)
Contributions - employee	-	232,624	(232,624)
Net investment income	-	(193,745)	193,745
Benefit payments,			-
including refunds of employee contributions	(100,655)	(100,655)	-
Administrative expenses	-	(3,738)	3,738
Other changes	-	(195)	195
Net changes	<u>1,041,125</u>	<u>334,737</u>	<u>706,388</u>
Balance at 12/31/2018	<u>\$ 7,890,627</u>	<u>\$ 6,792,218</u>	<u>\$ 1,098,409</u>

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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Current Single Rate Assumption (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Net pension liability (asset)	<u>\$ 2,478,445</u>	<u>\$ 1,098,409</u>	<u>\$ (5,165)</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(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.tmr.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$524,720.

At September 30, 2019, 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	\$ 97,607	\$ 84,299
Changes in actuarial assumptions	14,602	-
Difference between projected and actual investment earnings	334,406	-
Contributions made subsequent to the measurement date	311,045	-
Total	<u>\$ 757,660</u>	<u>\$ 84,299</u>

The City reported \$311,045 as deferred outflows of resources 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,	
2020	\$ 119,970
2021	54,098
2022	51,604
2023	136,644
2024	-
Thereafter	-
	<u>\$ 362,316</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(9) Other postemployment benefits

Plan description

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

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; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

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 0.13% and 0.14% for calendar years 2018 and 2019 respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2018 were \$4,871, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>62</u>
Total	<u>78</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$87,705 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(9) Other postemployment benefits (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2018 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 *	3.71%
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, 2018.

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, 2019

(9) Other postemployment benefits (continued)

Changes in the total OPEB liability:

Balance at 12/31/2017	\$ 82,016
Changes for the year:	
Service cost	7,311
Interest on total OPEB liability	2,830
Changes of benefit terms	-
Difference between expected and actual experience	2,643
Changes of assumptions	(6,763)
Benefit payments**	<u>(332)</u>
Net changes	<u>5,689</u>
Balance at 12/31/2018	<u><u>\$ 87,705</u></u>

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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	<u>1% Decrease in Discount Rate (2.71%)</u>	<u>Current Single Rate Assumption (3.71%)</u>	<u>1% Increase in Discount Rate (4.71%)</u>
Total OPEB liability (asset)	<u>\$ 106,065</u>	<u>\$ 87,705</u>	<u>\$ 73,439</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$10,489.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 2,284	\$ -
Changes in actuarial assumptions	4,874	5,845
Difference between projected and actual investment earnings	-	-
Contributions made subsequent to the measurement date	<u>3,717</u>	<u>-</u>
Total	<u><u>\$ 10,875</u></u>	<u><u>\$ 5,845</u></u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(9) Other postemployment benefits (continued)

The City reported \$3,717 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	
2020	\$ 348
2021	348
2022	348
2023	348
2024	348
Thereafter	<u>(427)</u>
	<u>\$ 1,313</u>

(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, 2019 were \$149,135 for property and casualty and workers compensation coverage.

(This page intentionally left blank)

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
- Schedule of Contributions – Net Pension Liability
- Schedule of Changes – OPEB Liability and Related Ratios
- Schedule of Contributions – OPEB
- Notes to Required Supplementary Information

(This page intentionally left blank)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 5,739,835	\$ 5,739,835	\$ 6,009,208	\$ 269,373
Franchise fees	566,500	566,500	618,758	52,258
Licenses and permits	276,100	276,100	257,220	(18,880)
Fines and forfeits	127,570	127,570	137,176	9,606
Utility management fee	194,884	194,884	192,808	(2,076)
Interest	63,500	63,500	139,817	76,317
Donations	-	-	5,915	5,915
Miscellaneous	48,250	48,250	67,200	18,950
Total revenues	7,016,639	7,016,639	7,428,102	411,463
Expenditures				
May or and council:				
Supplies and maintenance	4,700	4,700	2,329	2,371
Services	12,300	12,300	9,052	3,248
Total mayor and council	17,000	17,000	11,381	5,619
Administration:				
Personnel	400,253	370,253	347,752	22,501
Maintenance and supplies	5,890	4,375	3,627	748
Services	151,697	150,712	142,652	8,060
Total administration	557,840	525,340	494,031	31,309
City Secretary:				
Personnel	183,513	183,513	129,970	53,543
Supplies, maintenance and operations	5,750	4,380	4,053	327
Services	37,671	36,541	16,822	19,719
Total city secretary	226,934	224,434	150,845	73,589
Human Resources and Communications:				
Personnel	121,472	111,572	72,618	38,954
Supplies, maintenance and operations	5,718	4,618	4,060	558
Services	35,150	43,650	36,119	7,531
Total human resources and communications	162,340	159,840	112,797	47,043
Finance:				
Personnel	263,447	213,447	183,901	29,546
Supplies, maintenance and operations	8,547	5,497	5,601	(104)
Professional services	116,448	115,498	76,943	38,555
Total finance	388,442	334,442	266,445	67,997

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures (continued)				
Municipal Court:				
Personnel	\$ 134,991	\$ 134,991	\$ 124,431	\$ 10,560
Supplies, maintenance and operations	2,200	13,700	12,106	1,594
Services	64,900	63,400	21,785	41,615
Total municipal court	202,091	212,091	158,322	53,769
Public Safety:				
Personnel	2,209,776	2,138,916	2,071,361	67,555
Supplies, maintenance and operations	137,725	97,725	79,479	18,246
Services	550,516	560,516	545,494	15,022
Capital outlay	74,100	114,100	75,142	38,958
Total public safety	2,972,117	2,911,257	2,771,476	139,781
Engineering and Planning:				
Personnel	284,828	274,615	249,578	25,037
Supplies, maintenance and operations	359,275	11,574	8,916	2,658
Services	129,001	7,741	5,634	2,107
Total engineering and planning	773,104	293,930	264,128	29,802
Public Works:				
Personnel	384,734	384,734	339,495	45,239
Supplies, maintenance and operations	177,749	59,772	70,094	(10,322)
Services	9,891	5,859	3,452	2,407
Capital outlay	53,750	218,473	148,233	70,240
Total public works	626,124	668,838	561,274	107,564
Building Codes and Permits:				
Personnel	227,313	227,313	221,151	6,162
Supplies, maintenance and operations	3,510	3,510	3,460	50
Services	13,245	13,245	10,992	2,253
Total building codes and permits	244,068	244,068	235,603	8,465
Non-departmental and Shared Services:				
Supplies, maintenance and operations	6,000	6,000	6,184	(184)
Shared services	337,592	397,592	295,801	101,791
Capital outlay	-	12,750	83,712	(70,962)
Total non-departmental and shared services	343,592	416,342	385,697	30,645
Total expenditures	6,513,652	6,007,582	5,411,999	595,583

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, 2019

Excess (deficiency) of revenues				
over (under) expenditures	<u>\$ 502,987</u>	<u>\$ 1,009,057</u>	<u>\$ 2,016,103</u>	<u>\$ 1,007,046</u>
Other financing sources (uses)				
Sale of assets	7,000	7,000	20,206	13,206
Transfers in (out)	(470,503)	(1,133,074)	(1,235,824)	(102,750)
Transfers in (out)	<u>111,750</u>	<u>256,750</u>	<u>152,707</u>	<u>(104,043)</u>
Total other financing sources (uses)	<u>(463,503)</u>	<u>(1,126,074)</u>	<u>(1,062,911)</u>	<u>(193,587)</u>
Net change in fund balance	39,484	(117,017)	953,192	813,459
Fund balance, beginning	<u>2,757,376</u>	<u>2,757,376</u>	<u>2,757,376</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,796,860</u>	<u>\$ 2,640,359</u>	<u>\$ 3,710,568</u>	<u>\$ 1,070,209</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,

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 577,241	\$ 483,263	\$ 415,604	\$ 372,932	\$ 314,855
Interest (on the total pension liability)	478,426	428,795	377,577	347,674	303,986
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	86,113	(101,894)	47,016	(72,739)	66,156
Changes of assumptions	-	-	-	51,102	-
Benefit payments, including refunds of employee contributions	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
Net change in total pension liability	1,041,125	667,054	752,837	599,642	604,486
Total pension liability - beginning	6,849,502	6,182,448	5,429,611	4,829,969	4,225,483
Total pension liability - ending	<u>\$ 7,890,627</u>	<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	\$ 400,446	\$ 318,292	\$ 276,800	\$ 265,412	\$ 234,399
Contributions - employee	232,624	194,528	172,450	158,118	143,051
Net investment income	(197,744)	742,178	316,200	6,418	219,419
Benefit payments, including refunds of employee contributions	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
Administrative expense	(3,738)	(3,841)	(3,568)	(3,909)	(2,290)
Other	(195)	(195)	(192)	(193)	(188)
Net change in plan fiduciary net position	330,738	1,107,852	674,330	326,519	513,880
Plan fiduciary net position - beginning	6,457,481	5,349,629	4,675,299	4,348,780	3,834,900
Plan fiduciary net position - ending	<u>\$ 6,788,219</u>	<u>\$ 6,457,481</u>	<u>\$ 5,349,629</u>	<u>\$ 4,675,299</u>	<u>\$ 4,348,780</u>
Net pension liability	<u>\$ 1,102,408</u>	<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	86.08%	94.28%	86.53%	86.11%	90.04%
Covered payroll	<u>\$ 3,323,206</u>	<u>\$ 2,778,969</u>	<u>\$ 2,463,571</u>	<u>\$ 2,258,825</u>	<u>\$ 2,043,586</u>
Net pension liability as a percentage of covered payroll	33.17%	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 fifth 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 427,169	\$ 375,269	\$ 306,515	\$ 272,041	\$ 250,635
Contributions in relation to the actuarially determined contribution	<u>427,169</u>	<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>	<u>\$ -</u>
Covered payroll	<u>\$ 3,616,851</u>	<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	11.81%	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 fifth 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>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 7,311	\$ 5,280
Interest on the total OPEB liability	2,830	2,653
Changes of benefit terms	-	-
Difference between expected and actual experience	2,643	-
Changes of assumptions	(6,763)	6,688
Benefit payments, including refunds of employee contributions	<u>(332)</u>	<u>(278)</u>
Net change in total OPEB liability	5,689	14,343
Total OPEB liability - beginning	<u>82,016</u>	<u>67,673</u>
Total OPEB liability - ending	<u><u>\$ 87,705</u></u>	<u><u>\$ 82,016</u></u>
Covered payroll	<u><u>\$ 3,323,206</u></u>	<u><u>\$ 2,778,969</u></u>
OPEB liability as a percentage of covered payroll	2.64%	2.95%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second 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>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 4,871	\$ 4,017
Contributions in relation to the actuarially determined contribution	<u>4,871</u>	<u>4,017</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,616,851</u>	<u>\$ 3,150,696</u>
Contributions as a percentage of covered payroll	0.13%	0.13%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second 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	27 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 by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

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 Schedules:
 - Debt Service Fund
 - 2015 GO Bond Fund
 - Strategic Project Fund
 - Equipment Replacement Fund

CITY OF FAIR OAKS RANCH, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

		Non-Major Fund		Total
	Debt Service	Strategic Projects	Equipment	Non-Major
	Fund	Fund	Replacement Fund	Funds
ASSETS				
Cash and investments	\$ 18,640	\$ 1,134,736	816,395	\$ 1,969,771
Receivables (net of allowance for uncollectibles):				
Property taxes	13,295	-	-	13,295
Accounts	-	-	-	-
Total assets	<u>\$ 31,935</u>	<u>\$ 1,134,736</u>	<u>\$ 816,395</u>	<u>\$ 1,983,066</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	24,507	-	24,507
Total liabilities	<u>-</u>	<u>24,507</u>	<u>-</u>	<u>24,507</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>13,295</u>	<u>-</u>	<u>-</u>	<u>13,295</u>
FUND BALANCES				
Restricted for:				
Debt service	18,640	-	-	18,640
Assigned for:				
Capital projects	-	1,110,229	-	1,110,229
Capital equipment	-	-	816,395	816,395
Total fund balances	<u>18,640</u>	<u>1,110,229</u>	<u>816,395</u>	<u>1,945,264</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,935</u>	<u>\$ 1,134,736</u>	<u>\$ 816,395</u>	<u>\$ 1,983,066</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, 2019

	Debt Service Fund	Non-Major Fund Strategic Projects Fund	Equipment Replacement Fund	Total NonMajor Funds
REVENUES				
Taxes	\$ 561,655	\$ -	\$ -	\$ 561,655
Interest	<u>790</u>	<u>-</u>	<u>-</u>	<u>790</u>
Total revenues	<u>562,445</u>	<u>-</u>	<u>-</u>	<u>562,445</u>
EXPENDITURES				
Current:				
City administration	-	150,450	-	150,450
Public works	-	-	-	-
Capital projects/outlay	-	-	-	-
Debt service:				
Principal	435,000	-	-	435,000
Interest and fiscal charges	<u>117,409</u>	<u>-</u>	<u>-</u>	<u>117,409</u>
Total expenditures	<u>552,409</u>	<u>150,450</u>	<u>-</u>	<u>702,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,036</u>	<u>(150,450)</u>	<u>-</u>	<u>(140,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,037,171	215,503	1,252,674
Transfers out	<u>-</u>	<u>-</u>	<u>(159,707)</u>	<u>(159,707)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,037,171</u>	<u>55,796</u>	<u>1,092,967</u>
Net change in fund balances	10,036	886,721	55,796	952,553
Fund balance - beginning	<u>8,604</u>	<u>223,508</u>	<u>760,599</u>	<u>992,711</u>
Fund balance - ending	<u>\$ 18,640</u>	<u>\$ 1,110,229</u>	<u>\$ 816,395</u>	<u>\$ 1,945,264</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 556,909	\$ 556,909	\$ 561,655	\$ 4,746
Interest	<u>1,000</u>	<u>1,000</u>	<u>790</u>	<u>(210)</u>
Total revenues	<u>557,909</u>	<u>557,909</u>	<u>562,445</u>	<u>4,536</u>
Expenditures				
Debt Service:				
Principal	435,000	435,000	435,000	-
Interest and fiscal charges	<u>117,409</u>	<u>117,409</u>	<u>117,409</u>	<u>-</u>
Total debt service	<u>552,409</u>	<u>552,409</u>	<u>552,409</u>	<u>-</u>
Total expenditures	<u>552,409</u>	<u>552,409</u>	<u>552,409</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,500</u>	<u>5,500</u>	<u>10,036</u>	<u>4,536</u>
Net change in fund balance	5,500	5,500	10,036	4,536
Fund balance, beginning	<u>8,462</u>	<u>8,462</u>	<u>8,604</u>	<u>-</u>
Fund balance, ending	<u>\$ 13,962</u>	<u>\$ 13,962</u>	<u>\$ 18,640</u>	<u>\$ 4,678</u>

CITY OF FAIR OAKS RANCH, TEXAS

**SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
2015 GO BOND FUND**

For the year ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues				
Interest	\$ -	\$ -	\$ 9,423	\$ 9,423
Total revenues	<u>-</u>	<u>-</u>	<u>9,423</u>	<u>9,423</u>
Expenditures				
Capital Outlay	<u>456,344</u>	<u>456,344</u>	<u>337,606</u>	<u>118,738</u>
Total expenditures	<u>456,344</u>	<u>456,344</u>	<u>337,606</u>	<u>118,738</u>
Excess (deficiency) of revenues over (under) expenditures	(456,344)	(456,344)	(328,183)	(109,315)
Net change in fund balance	(456,344)	(456,344)	(328,183)	(109,315)
Fund balance, beginning	<u>456,345</u>	<u>456,345</u>	<u>456,345</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 128,162</u></u>	<u><u>\$ 128,163</u></u>

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Expenditures				
City administration	\$ 790,009	\$ 790,009	\$ 150,450	\$ 639,559
Excess (deficiency) of revenues over (under) expenditures	<u>(790,009)</u>	<u>(790,009)</u>	<u>(150,450)</u>	<u>(639,559)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	979,571	979,571	1,037,171	57,600
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>979,571</u>	<u>979,571</u>	<u>1,037,171</u>	<u>57,600</u>
Net change in fund balances	189,562	189,562	886,721	(581,959)
Fund balance - beginning	<u>223,508</u>	<u>223,508</u>	<u>223,508</u>	<u>-</u>
Fund balance - ending	<u>\$ 413,070</u>	<u>\$ 413,070</u>	<u>\$ 1,110,229</u>	<u>\$ 697,159</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 160,503	\$ 160,503	\$ 215,503	\$ 55,000
Transfers out	<u>(263,750)</u>	<u>(263,750)</u>	<u>(159,707)</u>	<u>104,043</u>
Total other financing sources (uses)	(103,247)	(103,247)	55,796	159,043
Net change in fund balances	(103,247)	(103,247)	55,796	159,043
Fund balance - beginning	<u>760,599</u>	<u>760,599</u>	<u>760,599</u>	<u>-</u>
Fund balance - ending	<u>\$ 657,352</u>	<u>\$ 657,352</u>	<u>\$ 816,395</u>	<u>\$ 159,043</u>

(This page intentionally left blank)

STATISTICAL SECTION

(This page intentionally left blank)

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
- Changes in Fund Balances of Governmental Funds

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

5 through 10

- 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

11 through 14

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Legal Debt Margin Information
- 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

15 through 16

- 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

17 through 19

- 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

	2010	2011	2012	2013
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 4,940,584	\$ 4,802,338	\$ 4,675,461	\$ 4,658,498
Restricted	39,266	46,229	48,355	64,787
Unrestricted	<u>2,483,604</u>	<u>3,002,828</u>	<u>3,452,484</u>	<u>3,887,116</u>
Total government activities net position	<u>\$ 7,463,454</u>	<u>\$ 7,851,395</u>	<u>\$ 8,176,300</u>	<u>\$ 8,610,401</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 5,767,825	\$ 5,733,694	\$ 5,842,767	\$ 6,255,433
Unrestricted	<u>2,004,430</u>	<u>2,603,460</u>	<u>2,972,799</u>	<u>3,331,135</u>
Total business-type activities net position	<u>\$ 7,772,255</u>	<u>\$ 8,337,154</u>	<u>\$ 8,815,566</u>	<u>\$ 9,586,568</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 10,708,409	\$ 10,536,032	\$ 10,518,228	\$ 10,913,931
Restricted	39,266	46,229	48,355	64,787
Unrestricted	<u>4,488,034</u>	<u>5,606,288</u>	<u>6,425,283</u>	<u>7,218,251</u>
Total primary government net position	<u>\$ 15,235,709</u>	<u>\$ 16,188,549</u>	<u>\$ 16,991,866</u>	<u>\$ 18,196,969</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.

TABLE 1

2014	2015*	2016	2017	2018**	2019
\$ 3,886,740	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385	\$ 7,006,399	\$ 7,576,143
68,071	66,909	77,162	76,346	105,589	108,461
<u>4,580,595</u>	<u>3,798,804</u>	<u>2,089,120</u>	<u>2,714,487</u>	<u>8,797,107</u>	<u>5,128,445</u>
<u>\$ 8,535,406</u>	<u>\$ 7,969,424</u>	<u>\$ 8,772,354</u>	<u>\$ 9,689,218</u>	<u>\$ 15,909,095</u>	<u>\$ 12,813,049</u>
\$ 7,847,915	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584	\$ 8,210,039	\$ 8,466,058
<u>2,551,317</u>	<u>4,753,811</u>	<u>5,372,865</u>	<u>4,474,678</u>	<u>6,234,524</u>	<u>5,686,797</u>
<u>\$ 10,399,232</u>	<u>\$ 11,505,614</u>	<u>\$ 12,040,793</u>	<u>\$ 13,157,262</u>	<u>\$ 14,444,563</u>	<u>\$ 14,152,855</u>
\$ 11,734,655	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969	\$ 15,216,438	\$ 16,042,201
68,071	66,909	77,162	76,346	105,589	108,461
<u>7,131,912</u>	<u>8,552,615</u>	<u>7,461,985</u>	<u>7,189,165</u>	<u>15,031,631</u>	<u>10,815,242</u>
<u>\$ 18,934,638</u>	<u>\$ 19,475,038</u>	<u>\$ 20,813,147</u>	<u>\$ 22,846,480</u>	<u>\$ 30,353,658</u>	<u>\$ 26,965,904</u>

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS

	2010	2011	2012	2013
EXPENSES				
Governmental Activities				
City administration	\$ 692,233	\$ 578,516	\$ 588,562	\$ 638,151
Mayor and council				
City secretary				
HR and communications				
Finance				
Municipal court	70,340	79,208	77,131	79,538
Public safety	1,232,747	1,295,748	1,342,773	1,521,426
Public health/emergency	319,465	231,337	255,789	282,238
Engineering and planning				
Building codes	84,319	86,316	88,521	98,196
Public works	727,527	776,437	815,467	933,879
Non-departmental				
Culture/recreation/other	32,352	47,335	125,537	139,671
Interest on long term debt	4,225	1,200	-	-
Total governmental activities expenses	<u>3,163,208</u>	<u>3,096,097</u>	<u>3,293,780</u>	<u>3,693,099</u>
Business-Type Activities				
Water/sewer utility	2,879,504	2,785,881	2,954,021	3,013,859
Total business-type activities expenses	<u>2,879,504</u>	<u>2,785,881</u>	<u>2,954,021</u>	<u>3,013,859</u>
Total primary government expenses	<u>6,042,712</u>	<u>5,881,978</u>	<u>6,247,801</u>	<u>6,706,958</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	126,612	237,810	241,201	249,506
Municipal court	114,981	131,279	126,633	156,452
Public safety	5,960	7,736	6,824	7,079
Public health/emergency	7,521	6,720	6,580	7,245
Building codes	85,493	73,595	127,522	196,062
Operating grants and contributions	3,855	-	-	605
Capital grants and contributions	998,250	869,215	-	-
Total governmental activities program revenues	<u>1,342,672</u>	<u>1,326,355</u>	<u>508,760</u>	<u>616,949</u>
Business-Type Activities				
Charges for services:				
Water/sewer utility	2,434,913	3,352,080	3,427,533	3,744,856
Capital grants and contributions	796,054	3,933,872	4,463,303	-
Total primary government program revenues	<u>\$ 4,573,639</u>	<u>\$ 8,612,307</u>	<u>\$ 8,399,596</u>	<u>\$ 4,361,805</u>

TABLE 2

2014	2015*	2016	2017	2018**	2019
\$ 921,009	\$ 1,796,709	\$ 950,918	\$ 1,431,472	\$ 1,499,717	\$ 682,316
					11,381
					153,944
					114,659
					271,247
81,522	81,316	86,288	92,032	131,153	161,422
1,588,137	1,735,259	2,017,858	2,124,882	2,394,097	2,915,589
286,999	293,092	307,665	299,734	322,918	-
					270,309
119,338	161,821	179,577	177,495	198,266	241,097
1,074,375	869,328	869,215	982,474	992,400	740,477
					301,984
63,517	33,233	57,833	44,896	89,710	-
-	136,008	153,011	119,880	114,211	109,849
4,134,897	5,106,766	4,622,365	5,272,865	5,742,472	5,974,274
3,242,807	3,352,439	3,933,872	3,846,778	4,215,641	4,746,849
3,242,807	3,352,439	3,933,872	3,846,778	4,215,641	4,746,849
7,377,704	8,459,205	8,556,237	9,119,643	9,958,113	10,721,123
198,992	171,929	177,050	201,334	215,959	237,193
158,407	158,352	161,818	129,260	126,152	137,176
8,664	9,034	9,448	3,715	10,026	6,845
5,325	5,245	5,711	2,500	2,415	-
281,831	298,806	314,738	274,079	228,715	253,815
1,715	2,149	-	13,295	51,102	15,579
-	-	-	-	15,908	-
654,934	645,515	668,765	624,183	650,277	650,608
4,107,471	4,454,644	4,463,303	4,930,347	4,908,925	4,875,781
-	-	-	-	-	-
\$ 4,762,405	\$ 5,100,159	\$ 5,132,068	\$ 5,554,530	\$ 5,559,202	\$ 5,526,389

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS

	2010	2011	2012	2013
Net (Expense) Revenues				
Governmental activities	\$ (1,820,536)	\$ (1,769,742)	\$ (2,785,020)	\$ (3,076,150)
Business-type activities	<u>351,463</u>	<u>4,500,071</u>	<u>4,936,815</u>	<u>730,997</u>
Total primary government net expenses	<u>(1,469,073)</u>	<u>2,730,329</u>	<u>2,151,795</u>	<u>(2,345,153)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	2,322,501	2,327,361	2,345,006	2,561,039
Non-property taxes	598,699	634,021	662,271	750,966
Interest and investment earnings	10,691	7,324	7,213	7,094
Gain on sale of capital assets				
Miscellaneous	14,537	13,623	95,435	225,123
Transfers	<u>10,606</u>	<u>5,303</u>	<u>-</u>	<u>(33,971)</u>
Total governmental activities	<u>2,957,034</u>	<u>2,987,632</u>	<u>3,109,925</u>	<u>3,510,251</u>
Business-Type Activities				
Interest and investment earnings	3,733	4,003	4,900	6,034
Transfers	<u>(10,606)</u>	<u>(5,303)</u>	<u>-</u>	<u>33,971</u>
Total business-type activities	<u>(6,873)</u>	<u>(1,300)</u>	<u>4,900</u>	<u>40,005</u>
Total primary government	<u>2,950,161</u>	<u>2,986,332</u>	<u>3,114,825</u>	<u>3,550,256</u>
Changes in Net Position				
Governmental activities	1,136,498	1,217,890	324,905	434,101
Business-type activities	<u>344,590</u>	<u>4,498,771</u>	<u>4,941,715</u>	<u>771,002</u>
Total primary government	<u>\$ 1,481,088</u>	<u>\$ 5,716,661</u>	<u>\$ 5,266,620</u>	<u>\$ 1,205,103</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)

2014	2015*	2016	2017	2018**	2019
\$ (3,479,963)	\$ (4,461,251)	\$ (3,953,600)	\$ (3,953,600)	\$ 108,886	\$ (5,323,666)
<u>864,664</u>	<u>1,102,205</u>	<u>529,431</u>	<u>529,431</u>	<u>410,790</u>	<u>128,932</u>
<u>(2,615,299)</u>	<u>(3,359,046)</u>	<u>(3,424,169)</u>	<u>(3,424,169)</u>	<u>519,676</u>	<u>(5,194,734)</u>
2,634,353	2,823,221	3,587,677	3,587,677	4,712,247	5,742,831
903,592	1,028,559	1,109,048	1,109,048	1,328,220	1,496,073
1,633	25,359	38,950	38,950	94,557	150,030
				16,452	20,206
24,100	18,130	20,855	20,855	11,402	9,711
-	-	-	-	-	9,850
<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>	<u>7,428,701</u>
4,447	4,177	5,748	5,748	120,778	120,778
-	-	-	-	-	(9,850)
<u>4,447</u>	<u>4,177</u>	<u>5,748</u>	<u>5,748</u>	<u>120,778</u>	<u>110,928</u>
<u>3,568,125</u>	<u>3,899,446</u>	<u>4,762,278</u>	<u>4,762,278</u>	<u>6,283,656</u>	<u>7,539,629</u>
83,715	(565,982)	802,930	802,930	6,271,764	2,105,035
<u>869,111</u>	<u>1,106,382</u>	<u>535,179</u>	<u>535,179</u>	<u>531,568</u>	<u>239,860</u>
<u>\$ 952,826</u>	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 1,338,109</u>	<u>\$ 6,803,332</u>	<u>\$ 2,344,895</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

	Fiscal Year			
	2010	2011	2012*	2013
Nonspendable Fund Balance:				
Prepaid items	\$ 23,524	\$ 24,628	\$ 24,104	\$ 25,631
Restricted Fund Balance:				
Court technology	7,298	10,177	9,477	15,845
Court security	31,574	35,640	38,436	44,497
Court efficiency	16	34	64	16
Felony forfeiture	378	378	378	3,937
PEG fees	-	-	-	3,492
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total restricted fund balance	39,266	46,229	48,355	67,787
Committed Fund Balance:				
Public safety committee	-	-	250,000	30,451
Wildlife research study	-	-	45,779	16,928
TxDOT projects	-	-	-	-
Partnership water study	-	-	-	-
Total committed fund balance	-	-	295,779	47,379
Assigned Fund Balance:				
Capital projects	-	-	-	1,000,000
Capital equipment	-	-	-	-
Legal issues	-	-	-	50,000
Six month operating reserve	-	-	-	-
Total assigned fund balance	-	-	-	1,050,000
Unassigned	2,514,179	3,008,608	3,158,573	2,794,225
Total government funds	<u>\$ 2,576,969</u>	<u>\$ 3,079,465</u>	<u>\$ 3,526,811</u>	<u>\$ 3,985,022</u>

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

TABLE 3

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 24,220	\$ 43,625	\$ 14,563	\$ 19,281	\$ 54,260	\$ 53,275
15,285	14,802	14,047	11,535	15,700	11,386
44,420	47,270	49,816	51,473	52,996	54,849
110	140	140	292	333	401
3,937	378	378	378	5,514	8,954
4,319	4,319	4,319	4,319	4,319	4,319
-	-	-	1,104	8,087	9,912
-	-	8,462	7,245	8,604	18,640
-	6,919,193	6,252,941	2,319,870	456,345	128,162
68,071	6,986,102	6,330,103	2,396,216	551,898	236,623
30,451	-	-	-	-	-
-	-	-	-	-	-
810,000	-	-	-	-	-
100,000	-	-	-	-	-
940,451	-	-	-	-	-
720,000	2,448,838	553,000	906,921	223,508	1,110,229
-	-	-	-	760,599	816,395
50,000	50,000	50,000	50,000	50,000	50,000
-	-	-	-	2,566,167	3,517,472
770,000	2,498,838	603,000	956,921	3,600,274	5,494,096
3,052,965	1,581,382	1,807,719	2,065,994	-	-
\$ 4,855,707	\$ 11,109,947	\$ 8,755,385	\$ 5,438,412	\$ 4,206,432	\$ 5,783,994

CITY OF FAIR OAKS RANCH, TEXAS

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	2010	2011	2012	2013
REVENUES				
Taxes	\$ 2,656,136	\$ 2,656,130	\$ 2,665,673	\$ 2,960,445
Franchise fees	295,603	312,645	323,308	346,006
Licenses and permits	94,654	82,070	135,992	203,307
Fines and forfeits	120,941	131,279	126,633	156,452
Utility management fee	113,889	159,071	159,435	169,357
Interest	10,691	7,324	7,213	7,094
Donations	-	-	-	-
Capital contributions	-	-	-	-
Miscellaneous	36,847	100,284	182,135	316,504
Total revenues	<u>3,328,761</u>	<u>3,448,803</u>	<u>3,600,389</u>	<u>4,159,165</u>
EXPENDITURES				
Current:				
City administration	632,220	533,332	548,635	609,674
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	70,340	77,203	75,754	83,854
Public safety	1,184,137	1,250,707	1,282,550	1,402,730
Public health/emergency	304,614	216,613	242,174	271,023
Engineering and planning	-	-	-	-
Building codes	84,319	86,864	88,663	95,948
Public works	605,504	658,761	700,305	747,165
Non-departmental	-	-	-	-
Culture and recreation	32,352	47,335	125,537	139,671
Capital projects/outlays	900,732	48,399	89,425	319,918
Debt Service				
Principal payments	76,660	48,181	-	-
Interest	4,225	1,200	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>3,895,103</u>	<u>2,968,595</u>	<u>3,153,043</u>	<u>3,669,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,342)</u>	<u>480,208</u>	<u>447,346</u>	<u>489,182</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease financing	-	-	-	-
Proceeds of bond issuance	-	-	-	-
Premiums on bond issuance	-	-	-	-
Transfer from other funds	10,606	5,303	-	(33,971)
Proceeds from disposal of equipment	-	16,985	-	-
Total other financing sources (uses)	<u>10,606</u>	<u>22,288</u>	<u>-</u>	<u>(33,971)</u>
Net change in fund balances	<u>\$ (555,736)</u>	<u>\$ 502,496</u>	<u>\$ 447,346</u>	<u>\$ 455,211</u>
Debt service as a percentage of noncapital expenditures	2.7%	1.7%	0.0%	0.0%

TABLE 4

2014	2015	2016	2017	2018	2019
\$ 3,084,356	\$ 3,358,145	\$ 4,148,224	\$ 4,907,367	\$ 5,472,987	\$ 6,570,863
453,279	496,714	527,109	540,605	576,181	618,758
287,156	304,051	320,449	280,294	236,020	257,220
158,407	158,352	161,818	129,260	126,152	137,176
166,093	171,929	177,050	195,334	205,959	192,808
1,633	25,359	38,950	56,545	94,557	150,030
-	-	-	-	32,920	5,915
-	-	-	-	15,908	-
622,574	30,789	53,714	46,961	44,721	67,200
4,773,498	4,545,339	5,427,314	6,156,366	6,805,405	7,999,970
717,511	1,749,973	931,255	1,380,476	1,461,708	644,481
-	-	-	-	-	11,381
-	-	-	-	-	150,845
-	-	-	-	-	112,797
-	-	-	-	-	266,445
80,509	81,918	84,869	90,428	131,267	158,322
1,463,524	1,653,785	1,811,200	1,920,485	2,234,431	2,696,334
275,784	281,876	296,450	288,066	311,250	-
-	-	-	-	-	264,128
119,507	162,100	176,077	172,849	198,648	235,603
962,447	759,233	748,454	852,315	871,371	413,041
-	-	-	-	-	301,985
63,517	33,233	57,833	44,896	89,710	-
217,014	568,981	3,111,050	4,196,145	2,214,919	644,693
-	-	390,000	425,000	430,000	435,000
-	-	174,688	126,553	122,278	117,409
-	100,090	-	-	-	-
3,899,813	5,391,189	7,781,876	9,497,213	8,065,582	6,452,464
873,685	(845,850)	(2,354,562)	(3,340,847)	(1,260,177)	1,547,506
-	-	-	-	-	-
-	7,000,000	-	-	-	-
-	100,090	-	-	-	-
-	-	-	-	-	9,850
-	-	-	23,874	28,197	20,206
-	7,100,090	-	23,874	28,197	30,056
\$ 873,685	\$ 6,254,240	\$ (2,354,562)	\$ (3,316,973)	\$ (1,231,980)	\$ 1,577,562
0.0%	2.1%	11.9%	10.4%	9.4%	9.5%

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>
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
2019	5,693,547	854,582	618,758	22,734	7,189,621

CITY OF FAIR OAKS RANCH, TEXAS

TOP TEN SALES TAX PROVIDERS

For the fiscal year ended September 30,

TABLE 6

	2018-2019		2017-2018		2016-2017	
	Rank	% of Total	Rank	% of Total	Rank	% of Total
<u>Business Class</u>						
Full-service restaurant	1	17.4%	1	19.0%	1	19.0%
Electronic shopping	2	5.2%	2	5.1%	2	5.1%
Wireless telecommunication	3	3.3%	5	3.2%	5	3.2%
Pharmacies and drugstores	4	2.7%	4	3.2%	4	3.2%
Cable and other subscription programming	5	2.3%	8	2.3%	8	2.3%
Wired telecommunication	6	2.2%	6	3.9%	6	3.9%
Gasoline stations with convenience store	7	2.0%	9	2.0%	9	2.0%
Limited-service restaurant	8	2.0%	7	2.5%	7	2.5%
New single-family housing construction	9	1.7%	10	1.8%	10	1.8%
Beer, Wine and Liquor Store	10	1.4%				
Security guard and patrol			3	4.3%	3	4.3%

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
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%	15,016	2,668,152	99.85%
2015	2,877,185	2,859,530	99.39%	13,703	2,873,233	99.86%
2016	3,861,722	3,827,841	99.12%	25,749	3,853,590	99.79%
2017	4,332,469	4,297,290	99.19%	23,525	4,320,815	99.73%
2018	4,813,737	4,788,010	99.47%	11,016	4,799,026	99.69%
2019	5,718,331	5,647,113	98.85%	-	5,647,113	98.75%

Source: Kendall County Appraisal District

* Includes discounts allowed for early payments. Discounts taken for the fiscal year ended September 30, 2019 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
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
2019	0.36678	1.354	0.277429	0.41270	0.337974	2.748883

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>
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%
2019	1,472,341,175	187,839,320	101,155,026	1,559,025,469	0.36678%

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	2019			2010		
	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	0.47%	\$ 6,945,219	1	0.72%
T&J Fair Oaks LLC	4,995,000	2	0.32%	-		-
Hicks, Jerry S & Esther W	4,258,510	3	0.27%	-		-
Elkhorn Ridge SA LLC	4,146,100	4	0.27%	-		-
Highland Homes-San Antonio LLC	3,792,660	5	0.24%	-		-
Frost Bank	3,737,820	6	0.24%	2,485,210	5	0.26%
SF Fair Oaks Development LLC	2,630,980	7	0.17%	-		-
Fair Oaks Parkway Associates LLC	2,517,379	8	0.16%	-		-
SA Front Gate LLC	2,482,232	9	0.16%	-		-
B&M Fair Oaks, LTD	2,432,430	10	0.16%	2,162,288	6	0.22%
Green Land Ventures	-		-	6,260,130	2	0.65%
Fair Oaks Village II LTD	-		-	4,250,000	3	0.44%
Armstrong Family Trust	-		-	2,921,990	4	0.30%
Guadalupe Valley Telephone Co	-		-	1,817,850	7	0.19%
Paul Steldt	-		-	1,611,560	8	0.17%
Kim Moore	-		-	1,396,910	9	0.14%
Pam Bilbrey	-		-	1,378,520	10	0.14%
TOTAL	<u>\$ 38,343,871</u>		<u>2.46%</u>	<u>\$ 31,229,677</u>		<u>3.23%</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			
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	7,100,090	-	3,128,356	790,000	11,018,446	3.0%	1,662
2016	6,703,417	-	3,128,356	405,000	10,236,773	2.7%	1,467
2017	6,721,744	-	3,128,356	-	9,850,100	2.1%	1,087
2018	5,835,071	-	3,070,798	-	8,905,869	1.9%	980
2019	5,393,398	-	2,814,779	-	8,208,177	1.6%	846

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	Amounts Available in Debt Service Fund	Net Debt Outstanding	Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds					
2010	\$ -	\$ 2,485,000	\$ 2,485,000	\$ -	\$ 2,485,000	0.27%	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	0.16%	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	0.78%	1,186
2016	6,610,000	405,000	7,015,000	-	7,015,000	0.65%	1,015
2017	6,271,744	-	6,271,744	(7,245)	6,264,499	0.50%	725
2018	5,835,071	-	5,835,071	(7,201)	5,827,870	0.43%	641
2019	5,393,398	-	5,393,398	(10,940)	5,382,458	0.35%	555

CITY OF FAIR OAKS RANCH, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Total assessed value	\$ 1,559,025,469
Debt limit (\$1.50 of total assessed value)	\$ 23,385,382
Debt applicable to limit:	
General bonded debt outstanding	\$ 5,393,398
general bonded debt	-
Total net debt applicable to limit	5,393,398
Legal debt margin	\$ 17,991,984

	2010	2011	2012	2013
Debt limit	\$ 14,534,559	\$ 14,674,786	\$ 14,533,054	\$ 14,675,649
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 14,032,803	\$ 14,534,559	\$ 14,674,786	\$ 14,533,054

TABLE 13

2014	2015	2016	2017	2018	2019
\$ 15,051,276	\$ 16,206,450	\$ 18,849,921	\$ 20,165,764	\$ 23,247,169	\$ 23,385,382
-	7,000,000	6,610,000	6,185,000	5,835,071	5,393,398
\$ 14,675,649	\$ 9,206,450	\$ 12,239,921	\$ 13,980,764	\$ 17,412,098	\$ 17,991,984

CITY OF FAIR OAKS RANCH, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2019

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	\$ 437,330,000	0.57%	\$ 2,492,781
Bexar Co	1,860,590,000	0.57%	10,605,363
Bexar Co Hosp Dist	840,300,000	0.57%	4,789,710
Boerne ISD	321,787,404	18.85%	60,656,926
Comal Co	149,365,000	0.97%	1,448,841
Comal ISD	747,720,504	0.44%	3,289,970
Kendall Co	25,685,000	6.42%	1,648,977
Subtotal - overlapping debt			<u>84,932,568</u>
City of Fair Oaks Ranch - direct debt			<u>5,393,398</u>
Total direct and overlapping debt			<u><u>\$ 90,325,966</u></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	2018			2009		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment**
Joint Base San Antonio (JBSA)- Lackland, Fort Sam & Randolph***	64,967	1	6.24%	71,561	1,2,7	8.55%
H.E.B Food Stores	22,000	2	2.11%	14,588	3	1.74%
United Service Automobile Assoc	18,305	3	1.76%	14,000	4	1.67%
Northside Independent School District	13,977	4	1.34%	12,597	6	1.50%
City of San Antonio	11,923	5	1.15%	13,862	5	1.66%
Methodist Healthcare System	9,620	6	0.92%	7,800	9	0.93%
North East Independent School District	8,789	7	0.84%	8,900	8	1.06%
San Antonio Independent School District	6,631	8	0.64%	7,616	10	<u>0.91%</u>
Baptist Health System	6,383	9	0.61%	-		
Wells Fargo	<u>5,152</u>	10	<u>0.49%</u>	<u>-</u>		
Total	<u>167,747</u>		<u>16.10%</u>	<u>150,924</u>		<u>18.02%</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, 2018. The current year information is not available, therefore, 2018 data is presented

*Percent based on an employment estimate of 1,041,300 of non-farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2018. Figure provided by the Texas Workforce Commission.

**Percent based on an Employment Estimate of 837,300 of non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2009. 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 34,380, 25,391 and 11,790 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
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%
2019	9700	52,094	47.1	1391	3.0%

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, 2019

TABLE 17

Function	2019	2018	2017
Police			
Incidents/offenses	504	501	444
Arrests	207	224	191
Calls for service	3,913	3,716	3,664
Public Works			
Street resurfacing (square yards)	155,468	64,496	183,323
Chip seal (square yards)	49,477	65,244	101,646
Building Codes			
Permits issued	118	190	142
Utilities			
Account service orders	252	222	288
Meter install/change	288	330	322
Customer service inquiry	297	247	291
Billing (water, sewer, fees, all charges)	4,550,072	4,683,010	4,892,525
Water			
Service connections	3,002	2,948	2,929
Purchased (gallons)	318,044,000	276,418,000	296,164,000
Pumped (gallons)	174,702,326	168,328,487	241,088,931
Billed consumption (gallons)	436,094,700	457,611,000	502,639,000
Non-billed & bulk water sold (gallons)	3,350,000	3,476,900	5,182,505
Wastewater/Sewer			
Service connections	1,820	1,775	1,733
Average daily treatment in gallons	225,255	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, 2019

TABLE 18

Function	2019	2018	2017
Police			
Stations	1	1	1
Patrol units	14	13	15
Animal Control			
Control vehicle	1	1	1
Building Inspections			
Vehicles	2	2	2
Public Works			
Vehicles	10	10	9
Other equipment	16	12	10
Utilities			
Vehicles	13	11	11
Other equipment	5	5	5
Streets			
Paved streets (in miles)	81.6	81.6	81.6
Paved streets maintained by the City	68.1	68.1	68.1
Water			
Water mains (in miles)	76	76	76
Wells	40	40	40
Treatment plants	4	4	4
Sewer			
Lift stations	6	6	6
Sewer lines (in miles)	33	33	33
Treatment plants	1	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, 2019

TABLE 19

<u>Function</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government	11	9	8	7
Public Safety				
Police	24	22	21	19
Animal control	1	1	1	1
Municipal court	2	2	1	1
Code enforcement	3	2	1.5	1.5
Administration	3	2	2	2
Public Works	14	12	9	9.5
Water and Sewer	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u>68</u>	<u>60</u>	<u>53.5</u>	<u>51</u>

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