

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**



Prepared by:

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





CITY OF FAIR OAKS RANCH, TEXAS

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INTRODUCTORY SECTION





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

March 4, 2021

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, 2020.

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 controls 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, 2020 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, 2020 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 significantly higher levels than the previous fiscal year. The primary reason for the increase in sales tax revenue was due to the change in consumer habits shifting from in-person shopping at brick and mortar establishments to shopping online with shipments to home. As a bedroom community, the change in consumer habits shifted sales tax revenue from surrounding communities to Fair Oaks Ranch due to the sales tax nexus situsing most online purchases to destination.

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.

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, 2018 and 2019. 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, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

September 30, 2020

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

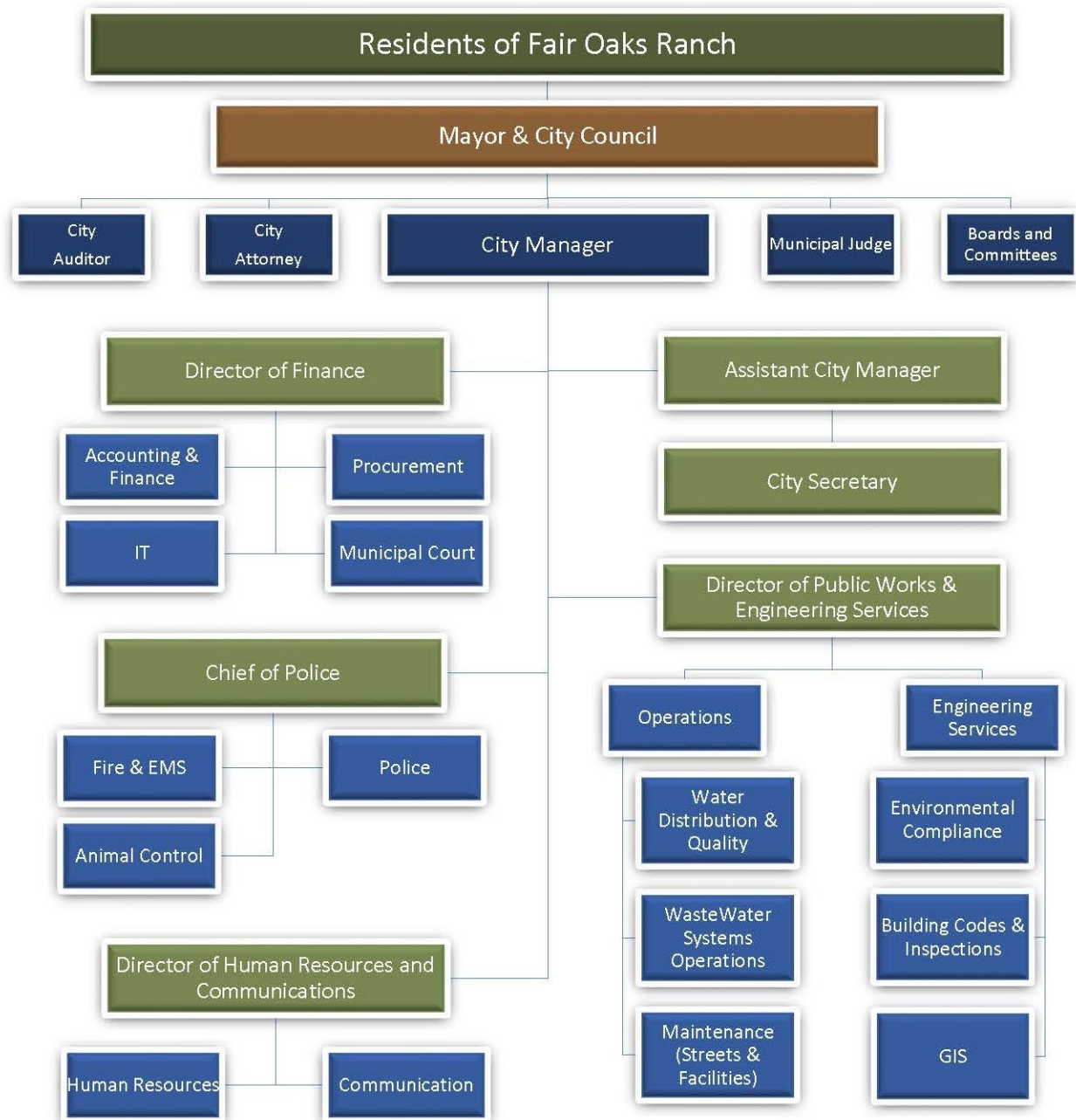
AUDITOR

ABIP, PC

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2020



FINANCIAL SECTION



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, 2020, 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, 2020, 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 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 4, 2021

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, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FY 2019-2020 Accomplishments

Fiscal year 2019-2020 was another busy and extremely productive year as the City remained actively engaged in projects which continue to advance long overdue citizen driven initiatives.

COVID-19

Without question, operationally and financially navigating the COVID-19 pandemic has been the City's most significant accomplishment this year. Proactive administrative actions started formally when the Emergency Operations Center (EOC) was activated on March 6, 2020. With close attention to the broader economy and with a conservative response, the City finished the year strong, and without the need to utilize operational reserves or lay-off employees as a consequence of the pandemic.

Financial Transparency

For the third year in a row, the City's Comprehensive Annual Financial Report (CAFR) was awarded the Government Finance Officers Association (GFOA's) Certificate of Achievement for Excellence in Financial Reporting. In addition, the City's 2019-20 budget document received the Distinguished Budget Presentation Award. This was the City's first year to participate in this category. The Finance department also worked diligently this year to comply with the new Truth in Taxation laws associated with Senate Bill 2, meeting all necessary deadlines and compliance mandates during the budget process. The City Council took action to form an Audit Committee to better ensure that the City Council maintains awareness of the effectiveness of risk management, internal control and financial reporting. All of these accomplishments demonstrate the City's commitment to financial transparency.

Elevated Water Storage Tank

The Master Water/Wastewater Plan concluded during the fiscal year, and the findings and recommendations were adopted by the City Council as appendices to the Unified Development Code. One of the key findings was the need for a new elevated storage tank (EST) to provide emergency and equalization storage on the north side of the City. This finding was the same as those of two other engineering studies performed for the City over the past twelve years. On April 18, 2019, the City Council executed an engineering design services contract for the EST. To date, the City has held community meetings concerning the design, style, and preferred location for the EST. In concert with citizens attending the community meetings, the City Council made applicable decisions on these choices and engineering design is 60% complete. During the fiscal year, \$146,210 of the \$356,905 contract was expended. The remaining work on the contract will be completed during FY 2020-21, as well as the potential land acquisition. Construction of the EST is programmed to begin during FY 2022.

General Engineering and City Planning Consultants

The City is extremely cognizant of the need to provide the most "bang for the taxpayer buck" when it comes to delivering City services. Accordingly, the City utilizes outside contractors and/or 3rd party vendors when possible if it is cost effective and truly a value-add to the citizenry. During FY 2019-20, the City entered into a General Engineering Consultant (GEC) Services agreement on an "on-call" basis, of which \$158,647 was spent during the year on services. The City augmented staff with a Professional Services Agreement for City Planning Consultant Services with an "on-call" services contract of which \$62,225 was spent during the year. The agreement for City planning services is another example of how the City addresses service demands without having to engage a full-time employee.

Master Drainage Plan and Stormwater Utility

The Master Drainage Plan identified existing and upcoming drainage needs, specifically 46 projects within the City as well as current and future operating and maintenance requirements. The City has been operating for more than 30 years without allocating and funding resources to maintain the drainage system properly. To address the situation, the City is looking for funding mechanisms to improve existing drainage deficiencies and to confirm the system is adequate moving forward. The Council took action to approve a contract for consulting services in the amount of \$171,000 to evaluate the establishment of a Storm Water Utility to improve, operate, and maintain the City's municipal drainage systems. The project remains ongoing, with \$107,270 of the contract spent.

Transportation Planning Committee

The City began participation in the Boerne-Fair Oaks Ranch-Kendall County Transportation Planning Committee. For this collaboration two engineers who are residents in our City were recruited to help with the project. The project was temporarily suspended due to the pandemic but the Committee is in the process of ramping back-up.

Street Maintenance

The City continued its enhanced maintenance practices for over 60 miles of public streets. Since 2000, the City has persistently implemented an annual street maintenance program such that all streets receive a programmed seal coat to protect the street base material and prolong its life. The total of the project for FY 2019-20 was \$432,403. Without such a program, the City would be faced with extraordinary costs to fully reconstruct all streets in the City every ten to fifteen years. As a maturing thirty-two (32) year old organization, this is a valuable investment in this signature component of our asset management program.

Civic Center and City Hall Renovation Project

The COVID-19 pandemic served to put a spotlight on the City's growing issues with adequate office space. Currently, the City provides services through 74 full-time employees with every department doubling-up on office/workspace. Further, the adoption of the home rule charter expanded the City Council from six (6) to seven (7) positions, so even the City Council is working within confined space as the current Council Dias was built to accommodate six (6). In an effort to minimize costs, improve customer service and interdepartmental functionality, the City solidified plans to construct a Civic Center and modify work space within City Hall.

Bringing together the City's public services and public spaces, the Civic Center will create a balance between meeting the community's service needs at one location and providing a space for civic pride and engagement. The overall objective being a design that builds a functional and attractive building that provides space for the City's administrative and public meetings while simultaneously providing a welcoming environment for the Fair Oaks Ranch residents to host their own meetings and events.

The construction is estimated to take six months with an anticipated project opening in the fourth quarter of fiscal year 2020-21 (July- September). \$600k of funding for the Civic Center was secured through a grant agreement between the Fair Oaks Ranch Municipal Development District (MDD) and the City, which will be paid when the certificate of occupancy is issued on the new building.

TxDOT Expansion of FM 3351 (Ralph Fair Road)

In 2018, 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, inclusive of a new bridge across Cibolo Creek. Recognizing the regional importance of this corridor, the City Council defined a collaborative approach to support development of a design and reconstruction plan that reduces traffic accidents and encourages quality, limited growth that is context sensitive. This will likely result in targeted village-like commercial areas rather than the "strip" box retail that typically results after capacity improvements on state farm-to-market and state highway facilities in high growth areas. The City's engagement in this collaborative effort is ongoing and our continued success is a direct result of the City Council's leadership and our new capacity to delineate place making solutions through strong comprehensive foundational planning. City Staff time on this project has been augmented by the General Engineering and City Planning Consultants contracts.

FINANCIAL HIGHLIGHTS AND IMPACTS FROM THE COVID-19 PANDEMIC

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2020, by total combined net position of \$28,992,065. Of this amount \$13,028,248 (unrestricted net position), may be used to meet the government’s ongoing obligations to citizens and creditors.
- During the year, the City’s governmental activities net position increased by \$1,555,256. A majority of the increase was attributable to operational savings and surplus revenues received in the unrestricted category.
- The \$160,597 transfer to operating reserve represents the programmed savings target set by Council to replenish the City’s operating reserves. The City’s governmental reserve policy is to maintain at least 6 months’ worth of operating expenses in unrestricted reserves. The City currently has 7 months of governmental operating expenses in an assigned unrestricted reserve as of September 30, 2020.

Transfer to Operating Reserve	\$ 160,597	Maintenance of +6-month operating reserve
Restricted Net Position	24,477	Court Restricted, Debt Service, LEOSE funds
Non-spendable Net Position	29,360	Increase for prepaid expenses
Change in unrestricted	1,340,822	Operational savings and surplus revenues
<hr/>		
Savings / (Use) of Fund Balance	\$ 1,555,256	

- Business-type activities increased the City’s net position by \$470,905.

Transfer to Operating Reserve	\$ 1,045,471	Maintenance of +6-month operating reserve
Net Investment in Capital Assets	(158,539)	Depreciation on Capital Assets
		Maintenance of equipment replacement
Transfer to Equip Replacement Reserve	36,822	reserve
Use of Capital Projects Reserve	(452,849)	Water and Wastewater capital projects
<hr/>		
Savings / (Use) of Fund Balance	\$ 470,905	

Early Action in Response to Emergency Declaration

On March 6, 2020, the City of Fair Oaks Ranch Emergency Operations Center (EOC) was activated in response to a significant pandemic threat to the United States. By March 16th the City was in a state of joint disaster declarations with surrounding cities and counties. Stay at home isolation orders were issued, and the City’s Police Department was substantially dedicated to mitigating or responding to the COVID-19 Public Health Emergency for a period of several weeks. Texas Governor, Greg Abbott, issued orders to begin reopening the state of Texas in a phased approach beginning on May 1. With partial re-open orders in place, the City’s operational staff was heavily engaged with local businesses, ensuring compliance with applicable laws and restrictions, as well as assisting with personal protective equipment.

The City Council and City staff devoted an enormous amount of time understanding the City’s financial position relative to the COVID-19 pandemic. Because of Council’s early action, conservative budgeting, and continuous monitoring, efforts to ensure that the City was poised to forecast, review, and manage the uncertainty was successful. Within this framework of City Council leadership and insight, the focus for fiscal year 2019-20 was financial resiliency, responsible decision making, and the flexibility necessary to meet minimum demands for all City operations while responding to the demands placed on City resources from the COVID-19 pandemic.

In the initial onset of the COVID-19 pandemic, there was much uncertainty over how macroeconomic conditions would impact local governmental revenues. The two main governmental revenue categories for the City are property tax revenue receipts (69%) and sales tax receipts (13%). The City had already received 90.5% of its budgeted property tax revenue by the end of February. Council and staff were uncertain as to the collectability of the

remaining 9.5%, which represented over half a million dollars in revenues. Likewise, by the end of February, the City was also on track trending at 40% of budget in sales tax revenues, however there was uncertainty regarding the remaining budgeted revenues for the year, which also totaled nearly half a million dollars. Council and staff took swift action at the beginning of March to pare down City operations to meet minimum demands that were not directed towards response to the COVID-19 pandemic.

Financial impacts of COVID-19

At the beginning of March, with City operations primarily focused on pandemic response, and fiscal conservatism, savings in the personnel and services categories stood as a buffer against potential lost revenues. Financially, the City has cautiously navigated the pandemic and has achieved unexpected net position increase of approximately \$2,026,161. The City deferred filling vacant positions in lieu of laying off employees. This conservative approach regarding expenditures remained through the end of the fiscal year, as the economic implications of the pandemic were continuing to evolve. At the same time the City reeled back expenses, the City was also experiencing higher than expected sales tax revenues due to increase in internet sales shipped to homes within the City. With a limited commercial footprint, the revenue from internet sales outweighed the loss of revenue from brick-and-mortar establishments. By the end of the fiscal year, the City increased its net position by \$430,000 in sales tax revenue. Likewise, at a collection rate of 99.09% on property tax revenues, the City increased its net position by \$107,000 in property tax revenues. The City also realized increases in water and wastewater consumption with large portions of the population working and staying at home. The increased utility consumption resulted in an increase to the net position of \$384,521.

Other revenue categories contributing to the total increase in net position as a result of the pandemic included \$156k of permit revenue. With residents spending more time at home, permits for home improvements increased, and with low prevailing interest rates, permits for new construction increased as well.

The City spent \$169,141 for unanticipated expenditures related to COVID-19 as of September 30, 2020. Of this, \$88,865 was for personal protective equipment, technology to enable remote working and remote meetings, and a portable building to facilitate social distancing in the office. \$43,376 in qualifying wages were paid to first responders who were substantially dedicated to mitigating or responding to the public emergency. The remaining \$36,900 was distributed as hazard pay to public safety employees. As of September 30, 2020, the City received \$50,345 in CARES act reimbursements and payroll tax relief.

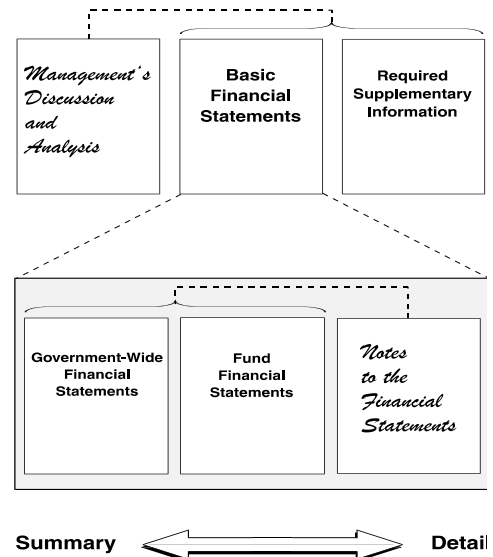
The City experienced significant expenditure savings due to the pandemic, primarily in the personnel categories and services categories. Savings in personnel costs were due primarily to hiring freezes put into place during the year as well as turnover and staff vacancies that resulted in backfill delays. Savings in the services categories resulted from trainings, travel, and meetings that could not occur due to the pandemic.

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 \$28,992,065 (net position) at September 30, 2020 (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 \$14,853,844. The revenue from property taxes was \$6,202,561 or 41.8% (see Table A-2), 39.7% comes from utility, while only 5.5% relates to charges for services for governmental activities (Court, Public Works, Building Codes, etc.).

The increases in revenue categories coupled with a conservative approach to reduce spending during the year resulted in an overall increase to net position of \$2,026,161. Of this, (\$211,322) represents a decrease in net capital assets, \$2,213,006 represents an increase in unrestricted net position, and \$24,477 represents an increase in restricted net position.

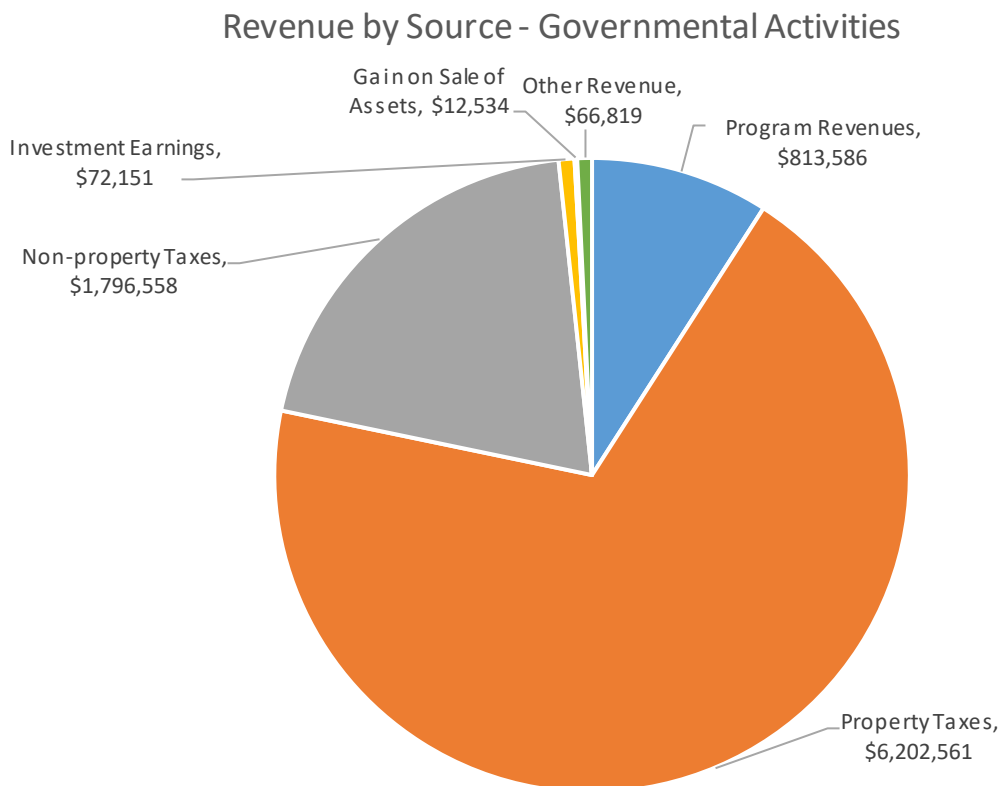
The total cost of all programs and services was \$12,827,683, 42.2% of these costs are Business-Type activities (see Table A-2).

Governmental Activities

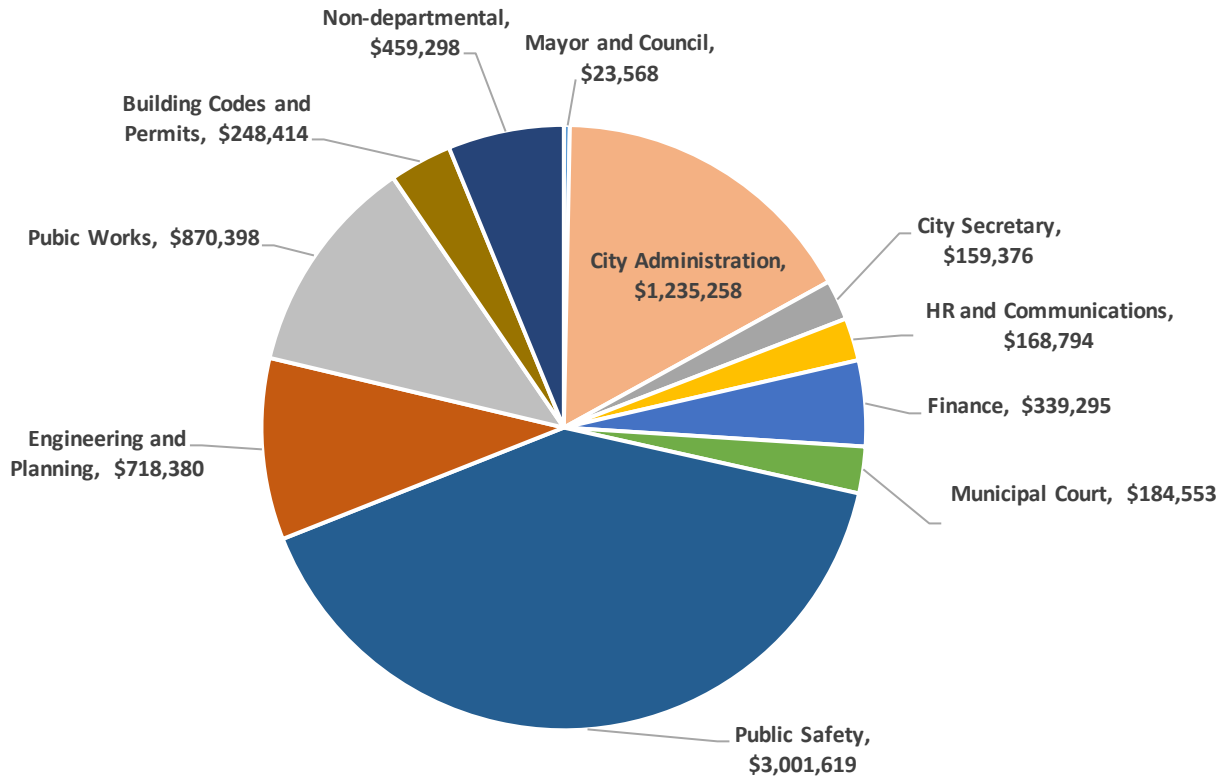
Overall Governmental activities increased the City's net position by \$1,555,256 (see Table A-2).

Key elements are as follows:

- Governmental revenues increased by \$894,750 primarily due to the \$459,730 increase in property tax revenue and \$314,140 increase in sales tax revenue.
- Investment earnings decreased by \$77,879 primarily due to decreases in interest rates over the period.
- Expenses for City Administration (Mayor & Council, Administration, City Secretary, HR & Communications, and Finance) increased by \$582,895 due to an increase in personnel of \$255,514 and an increase in strategic projects of \$307,659.
- Expenses for Public Safety increased by \$86,030 primarily due to an increase in personnel and dispatch services.
- Expenses for Public Works (Engineering & Planning, Public Works, and Building Codes) increased by \$585,309 primarily due to an increase in capital purchases, strategic projects and street maintenance.



Expenses by Program - Governmental Activities

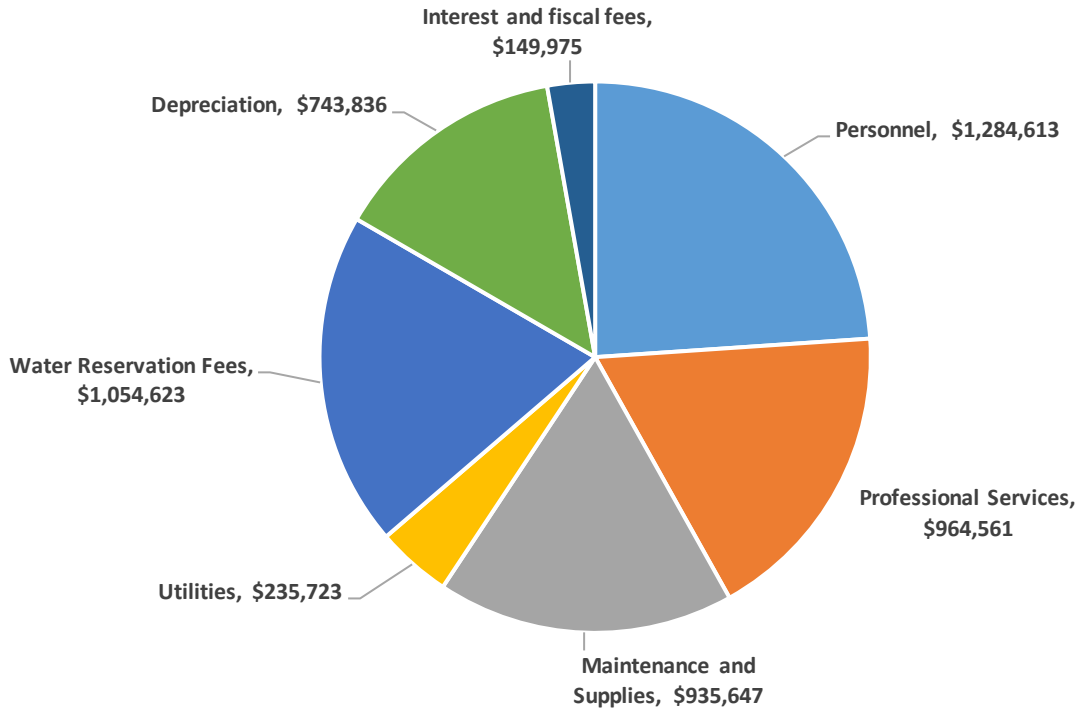


Business-type activities

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 \$5,889,635 and operating expenses were \$5,418,730, (see Table A-2). Business-type activities increased the City’s net position by \$470,905.

The revenues in the current fiscal year for the business-type activities increased by \$893,076 from 2019. The total expenditures for the business-type activities increased by \$671,881. The primary reason for the increase in revenue year over year is due to impact fee revenue, which increased by a total of \$551,293. Increases in water and wastewater impact fee revenue were \$330,000 and \$221,293 respectively. The remaining increase in revenue year over year was a result of increased consumption, primarily due to the increase in daytime population of the City due to the pandemic, as well as weather and an increase in overall connections. The increase in utility expenditures was primarily due to legal fees relating to water rights.

Expenses - Business-type Activities Water and Wastewater Utilities



Business-type Expenses Year over Year Comparison

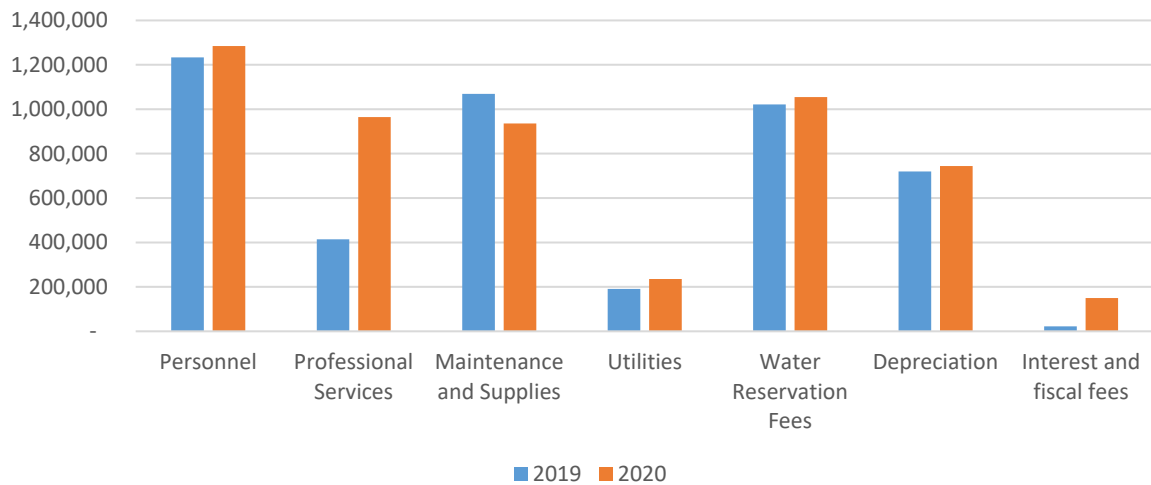


TABLE A-1

CITY OF FAIR OAKS RANCH'S NET POSITION

	Governmental		Business-Type		Total		Total Percentage Change 2020-2019
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Current assets:							
Cash and cash equivalents	\$ 7,675,832	\$ 6,184,792	\$ 6,285,927	\$ 5,483,983	\$ 13,961,759	\$ 11,668,775	19.7%
Receivables	579,449	442,621	574,296	593,231	1,153,745	1,035,852	11.4%
Inventories and prepaids	82,635	53,275	209,946	155,581	292,581	208,856	40.1%
Total current assets	<u>8,337,916</u>	<u>6,680,688</u>	<u>7,070,169</u>	<u>6,232,795</u>	<u>15,408,085</u>	<u>12,913,483</u>	<u>19.3%</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	-	-	18,432,221	18,292,857	18,432,221	18,292,857	0.8%
Vehicles and equipment	1,990,684	1,831,795	979,348	979,348	2,970,032	2,811,143	5.7%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Construction in progress	4,655	-	404,749	113,595	409,404	113,595	260.4%
Less: accumulated depreciation	(3,827,939)	(3,293,101)	(8,902,399)	(8,158,563)	(12,730,338)	(11,451,664)	11.2%
Total non-current assets	<u>12,470,085</u>	<u>12,841,379</u>	<u>10,967,519</u>	<u>11,280,837</u>	<u>23,437,604</u>	<u>24,122,216</u>	<u>-2.8%</u>
Total assets	<u>20,808,001</u>	<u>19,522,067</u>	<u>18,037,688</u>	<u>17,513,632</u>	<u>38,845,689</u>	<u>37,035,699</u>	<u>4.9%</u>
Deferred outflows of resources:							
Deferred OPEB related outflows	21,244	8,308	6,423	2,567	27,667	10,875	100.0%
Deferred pension related outflows	355,255	575,562	108,537	182,098	463,792	757,660	-38.8%
Total deferred outflows of resources	<u>376,499</u>	<u>583,870</u>	<u>114,960</u>	<u>184,665</u>	<u>491,459</u>	<u>768,535</u>	<u>-36.1%</u>
Liabilities:							
Current liabilities	915,954	793,182	591,669	390,767	1,507,623	1,183,949	27.3%
Non-current liabilities:							
Due within one year	494,490	480,141	241,618	273,618	736,108	753,759	-2.3%
Due in more than one year	4,623,502	5,047,129	2,464,856	2,577,235	7,088,358	7,624,364	-7.0%
OPEB liability	86,715	67,246	25,900	20,459	112,615	87,705	28.4%
Net pension liability	403,288	836,637	120,455	261,772	523,743	1,098,409	-52.3%
Total liabilities	<u>6,523,949</u>	<u>7,224,335</u>	<u>3,444,498</u>	<u>3,523,851</u>	<u>9,968,447</u>	<u>10,748,186</u>	<u>-7.3%</u>
Deferred inflows of resources:							
Deferred OPEB related inflows	7,663	4,452	2,342	1,393	10,005	5,845	71.2%
Deferred pension related inflows	284,583	64,101	82,048	20,198	366,631	84,299	334.9%
Total deferred inflows of resources	<u>292,246</u>	<u>68,553</u>	<u>84,390</u>	<u>21,591</u>	<u>376,636</u>	<u>90,144</u>	<u>317.8%</u>
Net position:							
Net investment in capital assets	7,523,360	7,576,143	8,307,519	8,466,058	15,830,879	16,042,201	-1.3%
Restricted	132,938	108,461	-	-	132,938	108,461	22.6%
Unrestricted	6,712,007	5,128,445	6,316,241	5,686,797	13,028,248	10,815,242	20.5%
Total net position	<u>\$ 14,368,305</u>	<u>\$ 12,813,049</u>	<u>\$ 14,623,760</u>	<u>\$ 14,152,855</u>	<u>\$ 28,992,065</u>	<u>\$ 26,965,904</u>	<u>7.5%</u>

TABLE A-2

CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

	Governmental		Business-Type		Total		Total Percentage Change 2020-2019
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program revenues:							
Charges for services	\$ 809,858	\$ 635,029	\$ 5,839,886	\$ 4,875,781	\$ 6,649,744	\$ 5,510,810	20.7%
Operating grants and contributions	3,728	15,579	-	-	3,728	15,579	-76.1%
General revenues:							
Property taxes	6,202,561	5,742,831	-	-	6,202,561	5,742,831	8.0%
Non property taxes	1,796,558	1,496,073	-	-	1,796,558	1,496,073	20.1%
Investment earnings	72,151	150,030	49,749	120,778	121,900	270,808	-55.0%
Gain on sale of capital assets	12,534	20,206	-	-	12,534	20,206	-38.0%
Miscellaneous	66,819	9,711	-	-	66,819	9,711	588.1%
Total revenues	<u>8,964,209</u>	<u>8,069,459</u>	<u>5,889,635</u>	<u>4,996,559</u>	<u>14,853,844</u>	<u>13,066,018</u>	<u>13.7%</u>
Expenses:							
Mayor and council	23,568	11,381	-	-	23,568	11,381	107.1%
City administration	1,235,258	792,165	-	-	1,235,258	792,165	55.9%
City secretary	159,376	153,944	-	-	159,376	153,944	3.5%
HR and communications	168,794	114,659	-	-	168,794	114,659	47.2%
Finance	339,295	271,247	-	-	339,295	271,247	25.1%
Municipal court	184,553	161,422	-	-	184,553	161,422	14.3%
Public safety	3,001,619	2,915,589	-	-	3,001,619	2,915,589	3.0%
Engineering and planning	718,380	270,309	-	-	718,380	270,309	165.8%
Public works	870,398	740,477	-	-	870,398	740,477	17.5%
Building codes and permits	248,414	241,097	-	-	248,414	241,097	3.0%
Non-departmental	459,298	301,984	-	-	459,298	301,984	52.1%
Utility	-	-	5,418,730	4,746,849	5,418,730	4,746,849	14.2%
Total expenses	<u>7,408,953</u>	<u>5,974,274</u>	<u>5,418,730</u>	<u>4,746,849</u>	<u>12,827,683</u>	<u>10,721,123</u>	<u>19.6%</u>
Increases (decreases) in net position before transfers							
	1,555,256	2,095,185	470,905	249,710	2,026,161	2,344,895	-13.6%
Transfers in (out)	-	9,850	-	(9,850)	-	-	-
Change in net position	1,555,256	2,105,035	470,905	239,860	2,026,161	2,344,895	-13.6%
Net position - beginning	<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>
Net position - ending	<u>\$ 14,368,305</u>	<u>\$ 12,813,049</u>	<u>\$ 14,623,760</u>	<u>\$ 14,152,855</u>	<u>\$ 28,992,065</u>	<u>\$ 26,965,904</u>	<u>7.5%</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 \$7,408,953.
- Total amount that our taxpayers paid for these activities through property taxes was \$6,202,561.
- Some of the cost, \$809,858 or 10.9%, 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		
	2020	2019	% Change	2020	2019	% Change
Mayor and council	\$ 23,568	\$ 11,381	107.08%	\$ 23,568	\$ 11,381	107.08%
City administration	1,235,258	682,316	81.04%	937,450	442,893	111.67%
City secretary	159,376	153,944	3.53%	159,376	153,944	3.53%
HR and communications	168,794	114,659	47.21%	168,794	114,659	47.21%
Finance	339,295	271,247	25.09%	339,295	271,247	25.09%
Municipal court	184,553	161,422	14.33%	83,144	24,246	242.92%
Public safety	3,001,619	2,915,589	2.95%	2,992,481	2,895,395	3.35%
Engineering and planning	718,380	270,309	165.76%	718,380	270,309	165.76%
Public works	870,398	740,477	17.55%	870,398	740,477	17.55%
Building codes and permits	248,414	241,097	3.03%	(156,817)	(12,718)	1133.03%
Non-departmental	459,298	301,984	52.09%	459,298	301,984	52.09%
Water and sewer	5,418,730	4,746,849	14.15%	(421,156)	(128,932)	226.65%

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 \$7,293,485, a net increase of \$1,509,490. Revenues from governmental fund types totaled \$8,945,343 with an additional \$128,721 for sales of assets in fiscal year 2020, while expenditures from governmental fund types totaled \$7,564,574 for an increase of total fund balance of \$1,509,490.

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

General Fund	\$ 1,526,598
2015 Bond Fund	(128,163)
Other Government Funds	<u>111,056</u>
Combined fund balance change	<u>\$ 1,509,490</u>

Net change in fund balance in the General Fund was \$1,526,598. A majority of the increase was attributable to operational savings due to the pandemic, surplus revenues largely in sales tax, and a budgeted transfer to the +6 month operating reserve. With this savings, the reserve now represents 7 months of operating expense.

The decrease in the 2015 Bond Fund is due to expenditures related to the bond projects. The bond projects consist of roadway reconstruction work which was completed during December 2019.

The increase in Other Governmental Funds was \$111,056 which was due to savings into the equipment replacement fund and strategic projects fund. The purpose of budgeting and forecasting equipment replacement pro-actively results in a more stable tax rate in the future.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements. Total net position at the close of the fiscal year was \$14,623,760 of which \$8,307,519 represented net investment in capital assets and \$6,316,241 represented unrestricted net position.

The City maintains separate funds for operational expenses, capital projects for water and wastewater, as well as an equipment replacement fund for the utility.

Net Position	9/30/2020
Net investment in Capital Assets	\$ 8,307,519
Unrestricted	
Contribution in Aid - EST	437,518
Equipment Replacement Fund	796,405
Operating Expense Reserve	3,697,214
Water Capital	977,312
Wastewater Capital	345,309
Unassigned	62,482
Total Unrestricted	6,316,241
Total Net Position	\$14,623,760

LONG-TERM FINANCIAL PLANNING AND BUDGET PROCESS

The City’s elected officials considered many factors when setting the fiscal year 2019-20 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.

Priorities for the 2019-20 fiscal year focused 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 four main risk areas with the approved budget making the following investment in each risk category.

The first step in developing a strategic plan is to determine the overarching aspirations of the entity that will guide future decisions. For a company, this might be reaching a sales level or industry position. For a municipality like the City of Fair Oaks Ranch, which is responsible for making decisions on behalf of an entire community, this process starts with a vision for the future.

The foundation of the strategic plan are the following five Pillars. These Pillars, in no prioritized order, are:

1. Financial Integrity
2. Responsible Growth Management
3. Reliable and Sustainable Infrastructure
4. Public Health, Safety and Welfare
5. Operational Excellence

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget. Actual revenues were more than final budgeted amounts by \$814,764 while actual expenditures were \$527,976 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. A full budgetary comparison can be found in the Required Supplementary Information section.

\$814,764 exceeded budget in total revenues:

- Property Taxes – exceeded budget by \$124,343 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 \$421,082 due primarily to increase in internet sales during the pandemic.
- Franchise Fees – exceeded budget by \$75,403. The impact of SB 1152 on Telecom Franchise Fee revenue was less than originally projected.
- Interest Earned – less than budget by \$44,053 due to target interest rate decreases made by the Fed during the year.
- Total Permits – exceeded budget by \$154,741 due to increased residential and commercial building permits issued than forecasted.
- Fines and Fees – less than budget by \$26,161 due to the closure of Municipal Court proceedings during the COVID pandemic.

\$527,976 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 \$120,639 primarily due to a savings in personnel and training from delayed hiring of budgeted executive assistant position.
- City Secretary – under budget by \$25,717 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 \$49,116 primarily due to a savings in personnel and training from delayed hiring of the Communications position and the July 4th annual event was cancelled.

- City Finance – under budget by \$56,468 primarily due to a savings in personnel from delayed hiring of the IT Tech and internal controls project not finalized.
- Municipal Court – under budget by \$21,010 due to fewer jury trials than forecasted.
- Public Safety – under budget by \$319,754 primarily due to personnel vacancies, and a savings in capital outlay from a delay in purchasing budgeted patrol vehicles.
- Public Works – over budget by \$74,315 due to emergency replacement of Street Sweeper, offset with a savings in personnel due to vacancies.
- Engineering and Planning – under budget by \$33,298 primarily due to personnel vacancies offset with an overage in street maintenance.
- Non-departmental and Shared Services – over budget by \$39,048 primarily due to an overage in COVID-related expenditures offset with a savings in facility contracts being negotiated with no increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in Capital Assets for its governmental and business-type activities of September 30, 2020, amounted to \$23,437,604 (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 2.8%.

TABLE A-4

CITY OF FAIR OAKS RANCH’S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Capital assets - not depreciated							
Land	\$ 116,798	\$ 116,798	\$ 53,600	\$ 53,600	\$ 170,398	\$ 170,398	0.0%
Construction in progress	4,655	-	404,749	113,595	409,404	113,595	260.4%
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	1,990,684	1,831,795	979,348	979,348	2,970,032	2,811,143	5.7%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Utility plant	-	-	18,432,221	18,292,857	18,432,221	18,292,857	0.8%
Totals at historical cost	16,298,024	16,134,480	19,869,918	19,439,400	36,167,942	35,573,880	1.7%
Total accumulated depreciation	(3,827,939)	(3,293,101)	(8,902,399)	(8,158,563)	(12,730,338)	(11,451,664)	11.2%
Net capital assets	<u>\$ 12,470,085</u>	<u>\$ 12,841,379</u>	<u>\$ 10,967,519</u>	<u>\$ 11,280,837</u>	<u>\$ 23,437,604</u>	<u>\$ 24,122,216</u>	<u>-2.8%</u>

At the end of the fiscal year 2020, 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 improvements to the water system infrastructure as well as construction in progress for several strategic projects that will be continuing into the next fiscal year. For Governmental, most of the investment was in vehicles and equipment. The City also had construction in progress for an HVAC system in the Public Safety building.

Additional detail regarding capital assets can be found in note 5 on page 47-48 of the financial statements.

Long-Term Debt

The City's outstanding principal on debt for governmental activities decreased by \$440,000. At year end, the City had \$4,880,000 in Roadway Reconstruction bonds outstanding and \$2,660,000 in bonds for the Water Utility SCADA system.

TABLE A-5

CITY OF FAIR OAKS RANCH'S LONG-TERM DEBT

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2020	2019	2020	2019	2020	2019	Change
Bonds payable	\$ 4,880,000	\$ 5,320,000	\$ 2,660,000	\$ -	\$ 7,540,000	\$ 5,320,000	41.7%
Capital lease	-	-	-	2,814,779	-	2,814,779	-100.0%
Total bonds and leases	<u>\$ 4,880,000</u>	<u>\$ 5,320,000</u>	<u>\$ 2,660,000</u>	<u>\$ 2,814,779</u>	<u>\$ 7,540,000</u>	<u>\$ 8,134,779</u>	<u>-7.3%</u>

During the fiscal year, the City of Fair Oaks Ranch Utilities issued Certificates of Obligation related to the refinance of a capital lease at more favorable terms to the City. Principal balance remaining on the capital lease contract at the time of the refinance was \$2,683,570 at an interest rate of 3.31%. With the historically low interest rates in the market, the City opted for early retirement of the lease, as allowed under the contract, at 102% of the unpaid principal. Including the early retirement fee of 2% as well as transaction costs, the overall savings of the refinance is expected to be \$115,588 over the remaining life of the Certificates of Obligation. The interest rate would be reduced from 3.31% to 1.25%, and a certificate of obligation would carry more favorable terms to the City than the existing capital lease agreement. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements, note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

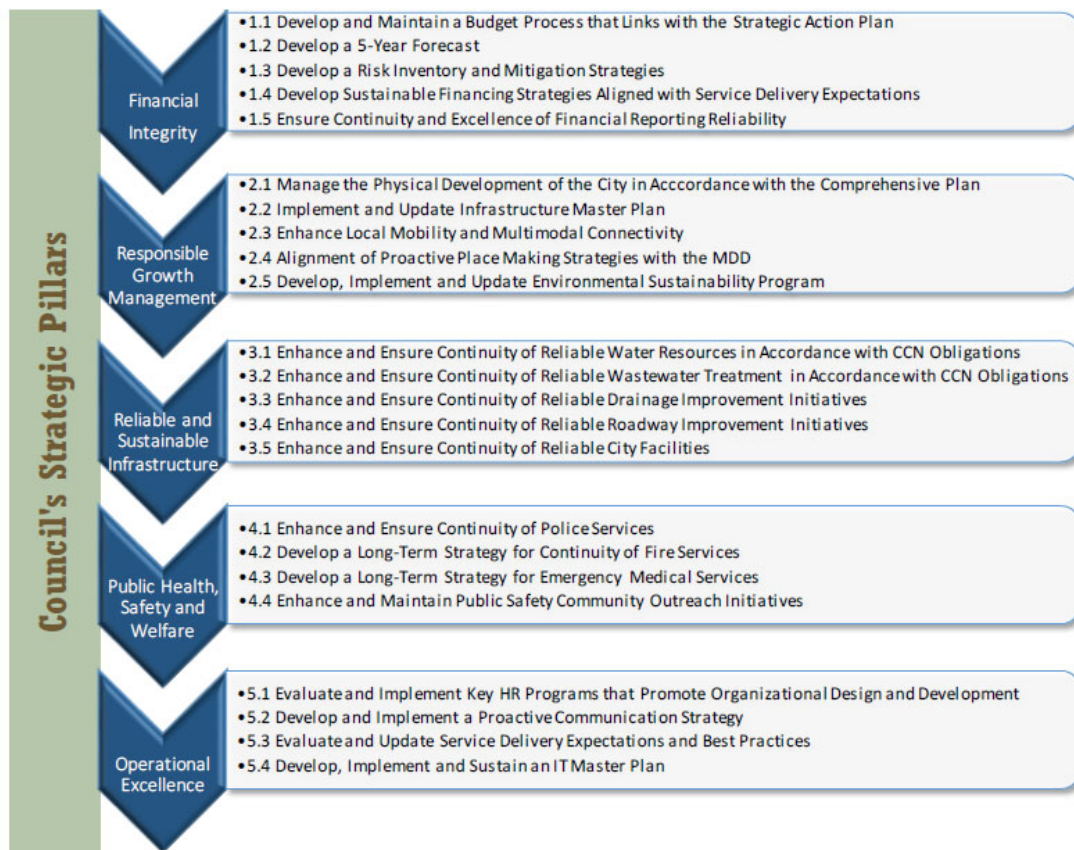
The City's elected officials considered many factors when setting the fiscal year 2020-21 budget, tax rates, and fees that will be charged for the business-type activities. The 2020-21 budget was developed through an extensive Strategic Planning process that defined citizen driven expectations and risk 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 "bang for the buck".

Priorities for the 2020-21 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:

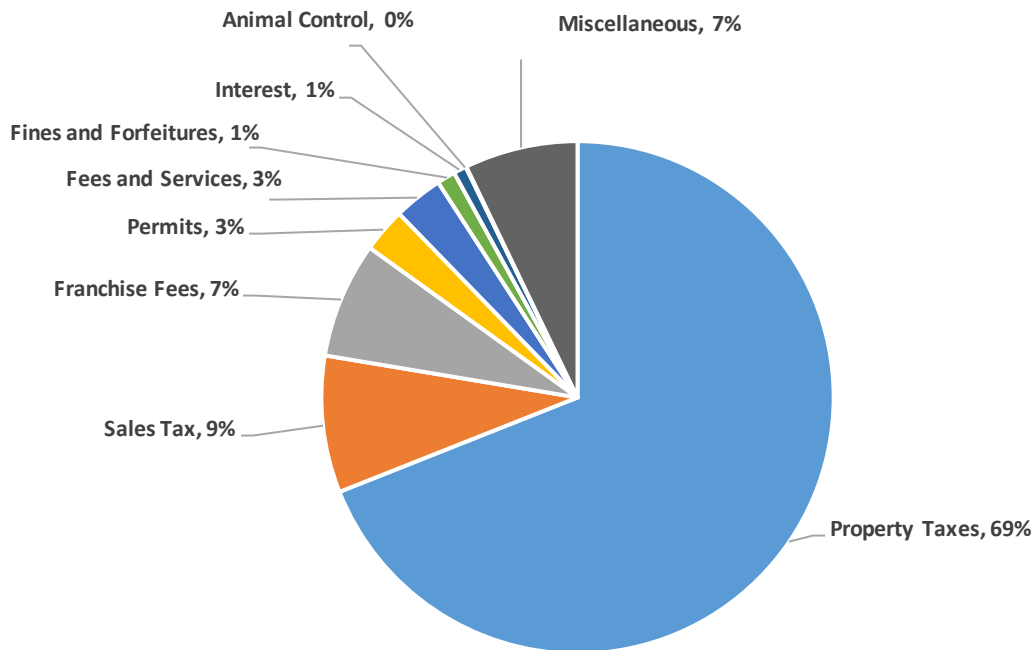
COUNCIL'S STRATEGIC PILLARS WITH MILESTONES



FY 2020-21 GOVERNMENTAL FUNDS – REVENUE SOURCES

Budgeted Governmental activities revenue sources for the City total \$8,651,068 excluding interfund transfers. Honoring the 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, 69% of the City’s Governmental budget is realized from property taxes. Only about 9% of Governmental revenue is realized from sales tax. 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.

Governmental Activities Revenue



The total ad valorem property tax rate is \$0.3735 for the FY 2020-21, of the \$0.3735 per \$100 valuation of property, \$0.0326 cents are allocated towards debt service (\$7MM voter-approved general obligation bonds).

FY 2020-21 UTILITY FUND – REVENUE SOURCES

Budgeted Utility Fund revenue sources for the City total \$5,402,116 and are comprised of user charges for water, wastewater and stormwater 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, wastewater and stormwater 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).



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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and cash equivalents	\$ 7,675,832	\$ 6,285,927	\$ 13,961,759	\$ 1,371,041
Receivables (net of allowance for uncollectibles):				
Taxes	143,166	-	143,166	58,827
Accounts	436,283	574,296	1,010,579	-
Inventories	-	119,788	119,788	-
Prepays	82,635	90,158	172,793	-
Capital assets, net:				
Land	116,798	53,600	170,398	-
Buildings and land improvements	2,820,776	-	2,820,776	-
Utility plant and easements	-	10,160,798	10,160,798	-
Vehicles and equipment	810,245	348,372	1,158,617	-
Infrastructure	8,717,611	-	8,717,611	-
Construction in progress	4,655	404,749	409,404	-
Total capital assets	<u>12,470,085</u>	<u>10,967,519</u>	<u>23,437,604</u>	<u>-</u>
Total assets	<u>20,808,001</u>	<u>18,037,688</u>	<u>38,845,689</u>	<u>1,429,868</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	21,244	6,423	27,667	-
Deferred outflows related to pensions	355,255	108,537	463,792	-
Total deferred outflows of resources	<u>376,499</u>	<u>114,960</u>	<u>491,459</u>	<u>-</u>

(continued)

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
Accounts payable and other	\$ 662,266	\$ 295,978	\$ 958,244	\$ 1,727
Accrued liabilities	150,658	37,562	188,220	-
Accrued interest payable	-	-	-	-
Other liabilities	103,030	109,077	212,107	-
Unearned revenue	-	149,052	149,052	-
Noncurrent liabilities:				
Due within one year	494,490	241,618	736,108	-
Due in more than one year	4,623,502	2,464,856	7,088,358	-
OPEB liability	86,715	25,900	112,615	-
Net pension liability	403,288	120,455	523,743	-
Total liabilities	<u>6,523,949</u>	<u>3,444,498</u>	<u>9,968,447</u>	<u>1,727</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	284,583	82,048	366,631	-
Deferred inflows related to OPEB	<u>7,663</u>	<u>2,342</u>	<u>10,005</u>	-
Total deferred inflows of resources	<u>292,246</u>	<u>84,390</u>	<u>376,636</u>	-
NET POSITION				
Net investment in capital assets	7,523,360	8,307,519	15,830,879	-
Restricted for:				
Court technology	14,520	-	14,520	-
Court security building	57,330	-	57,330	-
Court efficiency and felony forfeiture	11,212	-	11,212	-
Other court restrictions	1,428	-	1,428	-
PEG fees	4,319	-	4,319	-
Public safety	11,819	-	11,819	-
Debt service	32,310	-	32,310	-
Unrestricted	<u>6,712,007</u>	<u>6,316,241</u>	<u>13,028,248</u>	<u>1,428,141</u>
Total net position	<u>\$ 14,368,305</u>	<u>\$ 14,623,760</u>	<u>\$ 28,992,065</u>	<u>\$ 1,428,141</u>

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Mayor and council	\$ 23,568	\$ -	\$ -	\$ -
Administration	1,235,258	297,808	-	-
City secretary	159,376	-	-	-
HR and communications	168,794	-	-	-
Finance	339,295	-	-	-
Municipal court	184,553	101,409	-	-
Public safety	3,001,619	5,410	3,728	-
Engineering and planning	718,380	-	-	-
Public works	870,398	-	-	-
Building codes and permits	248,414	405,231	-	-
General government	459,298	-	-	-
Total governmental activities	<u>7,408,953</u>	<u>809,858</u>	<u>3,728</u>	<u>-</u>
Business-type activities:				
Water/sewer utility	<u>5,418,730</u>	<u>5,839,886</u>	-	-
Total business-type activities	5,418,730	5,839,886	-	-
Total primary government	<u>\$ 12,827,683</u>	<u>\$ 6,649,744</u>	<u>\$ 3,728</u>	<u>\$ -</u>
Component unit				
Municipal Development District	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Taxes:

 Property taxes

 Non property taxes

Interest and investment earnings

Gain on sale of capital assets

Miscellaneous

 Total general revenues

 Change in net position

Net position - beginning

Net position - ending

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

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Municipal</u>
<u>Activities</u>	<u>Activities</u>		<u>Development</u>
			<u>District</u>
\$ (23,568)	\$ -	\$ (23,568)	
(937,450)	-	(937,450)	
(159,376)	-	(159,376)	
(168,794)	-	(168,794)	
(339,295)	-	(339,295)	
(83,144)	-	(83,144)	
(2,992,481)	-	(2,992,481)	
(718,380)	-	(718,380)	
(870,398)	-	(870,398)	
156,817	-	156,817	
(459,298)	-	(459,298)	
<u>(6,595,367)</u>	<u>-</u>	<u>(6,595,367)</u>	
-	421,156	421,156	
-	421,156	421,156	
<u>(6,595,367)</u>	<u>421,156</u>	<u>(6,174,211)</u>	
			\$ <u>(35,945)</u>
6,202,561	-	6,202,561	-
1,796,558	-	1,796,558	316,733
72,151	49,749	121,900	9,995
12,534	-	12,534	-
66,819	-	66,819	-
<u>8,150,623</u>	<u>49,749</u>	<u>8,200,372</u>	<u>326,728</u>
1,555,256	470,905	2,026,161	290,783
<u>12,813,049</u>	<u>14,152,855</u>	<u>26,965,904</u>	<u>1,137,358</u>
<u>\$ 14,368,305</u>	<u>\$ 14,623,760</u>	<u>\$ 28,992,065</u>	<u>\$ 1,428,141</u>

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Strategic Projects Fund	Equipment Replacement Fund		
ASSETS					
Cash and cash equivalents	\$ 5,531,368	\$ 1,245,256	\$ 869,615	\$ 29,593	\$ 7,675,832
Receivables (net of allowance for uncollectibles):					
Property taxes	128,883	-	-	14,283	143,166
Accounts	436,283	-	-	-	436,283
Prepaid items	82,635	-	-	-	82,635
Total assets	\$ 6,179,169	\$ 1,245,256	\$ 869,615	\$ 43,876	\$ 8,337,916
LIABILITIES					
Accounts payable	\$ 592,554	\$ 69,712	\$ -	\$ -	\$ 662,266
Accrued expenditures	129,508	21,150	-	-	150,658
Other liabilities	103,030	-	-	-	103,030
Total liabilities	825,092	90,862	-	-	915,954
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	116,911	-	-	11,566	128,477
Total deferred inflows of resources	116,911	-	-	11,566	128,477
FUND BALANCES					
Nonspendable:					
Prepaid items	82,635	-	-	-	82,635
Restricted for:					
Court technology	14,520	-	-	-	14,520
Court security building	57,330	-	-	-	57,330
Court efficiency and felony forfeiture	11,212	-	-	-	11,212
Other court restrictions	1,428	-	-	-	1,428
PEG fees	4,319	-	-	-	4,319
Public safety	11,819	-	-	-	11,819
Debt service	-	-	-	32,310	32,310
Assigned for:					
Strategic expenses	-	1,154,394	-	-	1,154,394
Capital equipment	-	-	869,615	-	869,615
Legal issues	50,000	-	-	-	50,000
Encumbrances	16,823	-	-	-	16,823
Six month operating reserve	3,678,069	-	-	-	3,678,069
Unassigned	1,309,011	-	-	-	1,309,011
Total fund balances	5,237,166	1,154,394	869,615	32,310	7,293,485
Total liabilities, deferred inflows of resources and fund balances	\$ 6,179,169	\$ 1,245,256	\$ 869,615	\$ 43,876	\$ 8,337,916

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, 2020

Total fund balances - total governmental funds	\$	7,293,485
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.		12,470,085
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.		128,477
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(171,267)
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		(4,880,000)
Unamortized bond premium		(66,725)
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		(403,288)
Pension related deferred inflows		(284,583)
Pension related deferred outflows		355,255
OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
OPEB liability		(86,715)
OPEB related deferred inflows		(7,663)
OPEB related deferred outflows		21,244
		<hr/>
Total net position of governmental activities	\$	<u>14,368,305</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, 2020

	Major Fund			Other Governmental Funds	Total Governmental Funds
	General Fund	Strategic Projects Fund	Equipment Replacement Fund		
REVENUES					
Taxes	\$ 6,823,079	\$ -	\$ -	\$ 564,605	\$ 7,387,684
Franchise fees	605,103	-	-	-	605,103
Licenses and permits	410,641	-	-	-	410,641
Fines and forfeits	101,409	-	-	-	101,409
Utility management fee	214,908	-	-	-	214,908
Interest	70,947	-	-	1,204	72,151
Donations	59,925	-	-	-	59,925
Miscellaneous	93,522	-	-	-	93,522
Total revenues	<u>8,379,534</u>	<u>-</u>	<u>-</u>	<u>565,809</u>	<u>8,945,343</u>
EXPENDITURES					
Current:					
Mayor and council	23,568	-	-	-	23,568
Administration	504,797	555,360	-	128,362	1,188,519
City secretary	158,624	-	-	-	158,624
HR and communications	168,057	-	-	-	168,057
Finance	337,815	-	-	-	337,815
Municipal court	183,851	-	-	-	183,851
Public safety	2,781,577	-	-	-	2,781,577
Engineering and planning	717,010	-	-	-	717,010
Public works	521,395	-	-	-	521,395
Building codes and permits	247,209	-	-	-	247,209
Non-departmental	372,665	-	-	-	372,665
Capital projects/outlay	312,344	-	-	-	312,344
Debt service:					
Principal	-	-	-	440,000	440,000
Interest and fiscal charges	-	-	-	111,940	111,940
Total expenditures	<u>6,328,912</u>	<u>555,360</u>	<u>-</u>	<u>680,302</u>	<u>7,564,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,050,622</u>	<u>(555,360)</u>	<u>-</u>	<u>(114,493)</u>	<u>1,380,769</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	128,721	-	-	-	128,721
Transfers in	177,272	599,525	230,492	-	1,007,289
Transfers out	(830,017)	-	(177,272)	-	(1,007,289)
Total other financing sources (uses)	<u>(524,024)</u>	<u>599,525</u>	<u>53,220</u>	<u>-</u>	<u>128,721</u>
Net change in fund balances	1,526,598	44,165	53,220	(114,493)	1,509,490
Fund balance - beginning	<u>3,710,568</u>	<u>1,110,229</u>	<u>816,395</u>	<u>146,803</u>	<u>5,783,995</u>
Fund balance - ending	<u>\$ 5,237,166</u>	<u>\$ 1,154,394</u>	<u>\$ 869,615</u>	<u>\$ 32,310</u>	<u>\$ 7,293,485</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, 2020

Net change in fund balances - total governmental funds \$ 1,509,490

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	312,344
Current year depreciation	(567,451)
Loss on disposal	(116,187)

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

Ad valorem revenue	6,332
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Princial repayments	440,000
Amortization of bond premiums	6,673
Accrued interest	18,634

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.

(7,440)

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.

(9,744)

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>(37,395)</u>
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Change in net position - governmental activities \$ 1,555,256

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, 2020

	Business-Type Activities
	Water/Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,285,927
Receivables (net of allowances for uncollectibles):	
Accounts	574,296
Inventories	119,788
Prepays	90,158
Total current assets	7,070,169
Capital assets:	
Land	53,600
Construction in progress	404,749
Utility plant and easements	18,432,221
Vehicles and equipment	979,348
Accumulated depreciation	(8,902,399)
Total capital assets, net of accumulated depreciation	10,967,519
 Total assets	 18,037,688
 Deferred outflows of resources	
Deferred OPEB related outflows	6,423
Deferred pension related outflows	108,537
Total deferred outflows of resources	114,960
 Liabilities	
Current liabilities:	
Accounts payable	295,978
Accrued liabilities	37,562
Other liabilities	109,077
Unearned revenue - water supply agreements	149,052
Due within one year	241,618
Total current liabilities	833,287
 Noncurrent liabilities:	
Due in more than one year	2,464,856
OPEB liability	25,900
Net pension liability	120,455
Total noncurrent liabilities	2,611,211
 Total liabilities	 3,444,498
 Deferred inflows of resources	
Deferred pension related inflows	82,048
Deferred OPEB related inflows	2,342
Total deferred inflows of resources	84,390
 Net position	
Net investment in capital assets	8,307,519
Unrestricted	6,316,241
Total net position	\$ 14,623,760

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, 2020

	Business-Type Activities <u>Water/Sewer Fund</u>
Operating revenues	
Charges for utility service	\$ 5,839,886
Operating expenses	
Personnel services	1,284,613
Contractual services	6,555
Maintenance	293,798
Equipment lease	5,010
Supplies	75,532
Office supplies	121,443
Postage	17,735
Utilities	235,723
Management fee	214,908
Professional fees	749,653
Permits and licenses	9,651
Water reservation fees	1,054,623
Insurance	39,088
Sludge disposal	263,977
Miscellaneous	<u>102,858</u>
Total operating expenses	<u>4,475,167</u>
Operating income (loss) before depreciation	<u>1,364,719</u>
Depreciation	<u>743,836</u>
Operating income (loss)	<u>620,883</u>
Nonoperating revenues (expenses)	
Interest income	49,749
Interest and fiscal charges	<u>(199,727)</u>
Total nonoperating revenues (expenses)	<u>(149,978)</u>
Income before transfers	<u>470,905</u>
Change in net position	470,905
Total net position - beginning	<u>14,152,855</u>
Total net position - ending	<u>\$ 14,623,760</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, 2020

	Business-Type Activities
	Water/Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 5,858,821
Cash paid for employee wages and benefits	(1,283,360)
Cash paid for suppliers for goods and services	(2,833,734)
Cash paid to general fund for management fee	(214,908)
Net cash provided (used) in operating activities	1,526,819
Cash flows from capital and related financing activities	
Purchase/construction of capital assets	(430,518)
Principal payments on long-term debt	(144,379)
Interest and fiscal charges paid	(199,727)
Net cash provided (used) by capital and related financing activities	(774,624)
Cash flows from investing activities	
Investment interest received	49,749
Net cash provided (used) by investing activities	49,749
Net increase (decrease) in cash and investments	801,944
Cash and investments at beginning of year	5,483,983
Cash and investments at end of year	\$ 6,285,927
Reconciliation of net operating income to net cash provided to net cash (used) by operating activities	
Operating income (loss)	\$ 620,883
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	743,836
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	18,935
(Increase) decrease in inventories	(4,179)
(Increase) decrease in prepaids	(50,186)
Increase (decrease) in accounts payable	156,213
Increase (decrease) in accrued liabilities	4,625
Increase (decrease) in other liabilities	36,692
Net cash provided (used) by operating activities	\$ 1,526,819
<u>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</u>	
Actuarially determined change in net pension liability	\$ 61,850
Other postemployment benefit liability	949

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

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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, 2020, 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, 2020

(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.

Strategic projects fund is used to account for the funds assigned for various capital projects.

Equipment Replacement Fund is used to account for funds assigned for capital equipment additions.

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, 2020

(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, 2019 and past due after January 31, 2020. 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, 2020

(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, 2020

(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:

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

Deferred 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, 2020

(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, 2020

(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, 2020, management fees totaled \$214,908.

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, 2020

(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, 2020, the carrying amount of the City’s deposits in the bank was \$824,063 and the bank balance was \$1,032,541. 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 \$4,890,650 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, 2020.

At September 30, 2020, the carrying amount of the Municipal Development District’s deposits in the bank was \$52,442 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, 2020 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool (valued at amortized cost)	AAAm	\$ 13,136,520	36

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Cash and investments (continued)

Investments (continued)

The Municipal Development District’s investments at September 30, 2020 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool (valued at amortized cost)	AAAm	\$ 1,318,599	36

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, 2020

(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 2020, the assessed tax rate for the City was \$.3735 per \$100 on an assessed valuation of \$1,655,060,303. The tax rate is split \$.3395 for general maintenance and operations and \$.0340 for interest and sinking. Total tax levy for fiscal year 2020 is \$6,182,363. As of September 30, 2020, the delinquent taxes were \$141,791.

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, 2020, was \$.3735 per \$100 of assessed value, which means that the City has a tax margin of \$2.1265 for each \$100 value and could increase its annual tax levy by approximately \$35,194,857 based upon the present assessed valuation of \$1,655,060,303 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 three and a half percent (3.5%) of the previous year’s maintenance and operations tax rate.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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, 2020, the City did not have any due to/due from balances outstanding.

Transfers between City funds during the year ended September 30, 2020 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Strategic Projects Fund	\$ 599,525	Capital Improvement Plan
General Fund	Equipment Replacement Fund	230,492	Capital Equipment Replacement
Equipment Replacement Fund	General Fund	<u>177,272</u>	Capital Replacement
Total		<u>\$ 1,007,289</u>	

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2020, was as follows:

	<u>Balance</u>			<u>Balance</u>
	October 1, 2019	Additions	Disposals	September 30, 2020
Governmental activities				
Capital assets not being depreciated				
Land	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	-	4,655	-	4,655
Capital assets being depreciated				
Buildings and land improvements	4,037,292	-	-	4,037,292
Vehicles and equipment	1,831,795	307,689	(148,800)	1,990,684
Infrastructure	<u>10,148,595</u>	-	-	<u>10,148,595</u>
Total capital assets	<u>16,134,480</u>	<u>312,344</u>	<u>(148,800)</u>	<u>16,298,024</u>
Less accumulated depreciation				
Buildings and land improvements	(1,092,842)	(123,674)	-	(1,216,516)
Vehicles and equipment	(1,031,027)	(182,025)	32,613	(1,180,439)
Infrastructure	<u>(1,169,232)</u>	<u>(261,752)</u>	-	<u>(1,430,984)</u>
Total accumulated depreciation	<u>(3,293,101)</u>	<u>(567,451)</u>	<u>32,613</u>	<u>(3,827,939)</u>
Governmental capital assets, net	<u>\$ 12,841,379</u>	<u>\$ (255,107)</u>	<u>\$ (116,187)</u>	<u>\$ 12,470,085</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(5) Capital assets (continued)

Capital asset activity in the proprietary fund for the year ended September 30, 2020, was as follows:

	Balance October 1, 2019	Additions	Disposals	Balance September 30, 2020
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	113,595	291,154	-	404,749
Capital assets being depreciated				
Utility plant and easements	18,292,857	139,364	-	18,432,221
Vehicles and equipment	<u>979,348</u>	<u>-</u>	<u>-</u>	<u>979,348</u>
Totals capital assets	<u>19,439,400</u>	<u>430,518</u>	<u>-</u>	<u>19,869,918</u>
Less accumulated depreciation				
Utility plant and easements	(7,609,796)	(661,627)	-	(8,271,423)
Vehicles and equipment	<u>(548,767)</u>	<u>(82,209)</u>	<u>-</u>	<u>(630,976)</u>
Total accumulated depreciation	<u>(8,158,563)</u>	<u>(743,836)</u>	<u>-</u>	<u>(8,902,399)</u>
Business-type capital assets, net	<u>\$ 11,280,837</u>	<u>\$ (313,318)</u>	<u>-</u>	<u>\$ 10,967,519</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 44,396
Public safety	175,975
Public works	<u>347,080</u>
 Total depreciation expense - governmental activities	 <u>\$ 567,451</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, 2020. 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, 2020

(7) Long-term liabilities

Primary government

At September 30, 2020, the City's long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Governmental activities:				
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 4,880,000	\$ 445,000	\$ 4,435,000
Business-type activities	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Certificate of Obligation Bond Series 2015	1.01%	\$ 2,660,000	\$ 230,000	\$ 2,430,000

Changes in the City's long-term liabilities during the fiscal year ended September 30, 2020:

	Original Amount	Balance Outstanding Oct. 1, 2019	Current Additions	Current Reductions	Balance Outstanding Sept. 30, 2020	Due Within One Year
Governmental activities:						
Long-term debt:						
GO Bonds, Series 2015	\$ 7,000,000	\$ 5,320,000	\$ -	\$ (440,000)	\$ 4,880,000	\$ 445,000
Premium on bonds		73,398	-	(6,673)	66,725	6,673
Total long-term debt		5,393,398	-	(446,673)	4,946,725	451,673
Other long-term liabilities:						
Compensated absences		133,872	70,863	(33,468)	171,267	42,817
Total governmental activities		<u>\$ 5,527,270</u>	<u>\$ 70,863</u>	<u>\$ (480,141)</u>	<u>\$ 5,117,992</u>	<u>\$ 494,490</u>
Business-type activities:						
Long-term debt:						
Capital lease (direct borrowing)	\$ 3,128,356	\$ 2,814,779	\$ -	\$ (2,814,779)	\$ -	\$ -
CO Bonds, Series 2020	2,660,000	-	2,660,000	-	2,660,000	230,000
Other long-term liabilities:						
Compensated absences		36,074	19,419	(9,019)	46,474	11,618
Total business-type activities		<u>2,850,853</u>	<u>2,679,419</u>	<u>(2,823,798)</u>	<u>2,706,474</u>	<u>241,618</u>
Total changes in long-term liabilities		<u>\$ 8,378,123</u>	<u>\$ 2,750,282</u>	<u>\$ (3,303,939)</u>	<u>\$ 7,824,466</u>	<u>\$ 736,108</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. The net and total pension liabilities and the OPEB liability will be liquidated primarily from the general fund, approximately 77%, with the remaining amounts from the water and sewer fund.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(7) Long-term liabilities (continued)

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2020, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 445,000	\$ 105,675	\$ 550,675	\$ 230,000	\$ 21,824	\$ 251,824
2022	450,000	99,185	549,185	315,000	22,952	337,952
2023	460,000	92,130	552,130	320,000	19,745	339,745
2024	470,000	83,163	553,163	320,000	16,513	336,513
2025	480,000	72,475	552,475	325,000	13,256	338,256
2026 - 2030	<u>2,575,000</u>	<u>176,338</u>	<u>2,751,338</u>	<u>1,150,000</u>	<u>20,755</u>	<u>1,170,755</u>
	<u>\$ 4,880,000</u>	<u>\$ 628,966</u>	<u>\$ 5,508,966</u>	<u>\$ 2,660,000</u>	<u>\$ 115,045</u>	<u>\$ 2,775,045</u>

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 888 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.tmr.com.

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

Benefits provided

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

At retirement, the benefit is calculated 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Benefits provided (continued)

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, 2019 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>65</u>
Total	<u>125</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.71% and 11.72% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020, were \$479,231, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return*	6.75%

* presented net of pension plan investment expense, including inflation

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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. 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)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

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.

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2019:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 7,890,627	\$ 6,792,218	\$ 1,098,409
Changes for the year:			
Service cost	648,430	-	648,430
Interest	550,195	-	550,195
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(79,808)	-	(79,808)
Changes of assumptions	51,465	-	51,465
Contributions - employer	-	437,261	(437,261)
Contributions - employee	-	261,163	(261,163)
Net investment income	-	1,052,635	(1,052,635)
Benefit payments, including refunds of employee contributions	(127,623)	(127,623)	-
Administrative expenses	-	(5,933)	5,933
Other changes	-	(178)	178
Net changes	1,042,659	1,617,325	(574,666)
Balance at 12/31/2019	\$ 8,933,286	\$ 8,409,543	\$ 523,743

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 2,078,009	\$ 523,743	\$ (715,540)

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, 2020, the City recognized pension expense of \$480,764.

At September 30, 2020, 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	\$ 63,771	\$ 116,522
Changes in actuarial assumptions	47,006	-
Difference between projected and actual investment earnings	-	250,109
Contributions made subsequent to the measurement date	353,015	-
Total	\$ 463,792	\$ 366,631

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position (continued)

The City reported \$353,015 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amortization</u> <u>Expense</u>
2021	\$ (70,206)
2022	(72,700)
2023	12,340
2024	(124,304)
2025	(984)
Thereafter	<u>-</u>
	<u>\$ (255,854)</u>

(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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(9) Other postemployment benefits (continued)

Contributions (continued)

The contribution rate for the City was 0.14% for calendar years 2019 and 2020. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2020 were \$5,728, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>65</u>
Total	<u>82</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$112,615 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2019 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 11.5% including inflation
Discount rate *	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(9) Other postemployment benefits (continued)

Changes in the total OPEB liability:

Balance at 12/31/2018	\$ 87,705
Changes for the year:	
Service cost	7,462
Interest on total OPEB liability	3,385
Changes of benefit terms	-
Difference between expected and actual experience	(5,875)
Changes of assumptions	20,311
Benefit payments	<u>(373)</u>
Net changes	<u>24,910</u>
 Balance at 12/31/2019	 <u>\$ 112,615</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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Current Single Rate Assumption (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability (asset)	\$ <u>138,732</u>	\$ <u>112,615</u>	\$ <u>92,946</u>

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$13,154.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,925	\$ 5,078
Changes in actuarial assumptions	21,522	4,927
Difference between projected and actual investment earnings	-	-
Contributions made subsequent to the measurement date	<u>4,220</u>	<u>-</u>
Total	<u>\$ 27,667</u>	<u>\$ 10,005</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(9) Other postemployment benefits (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB
(continued)

The City reported \$4,220 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, 2021. 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>	<u>Amortization Expense</u>
2021	\$ 2,307
2022	2,307
2023	2,307
2024	2,307
2025	1,739
Thereafter	<u>2,475</u>
	<u>\$ 13,442</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, 2020 were \$153,742 for property and casualty and workers compensation coverage.

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



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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,277,653	\$ 6,277,653	\$ 6,823,079	\$ 545,426
Franchise fees	529,700	529,700	605,103	75,403
Licenses and permits	255,900	255,900	410,641	154,741
Fines and forfeits	127,570	127,570	101,409	(26,161)
Utility management fee	202,017	202,017	214,908	12,891
Interest	115,000	115,000	70,947	(44,053)
Donations	2,000	2,000	59,925	57,925
Miscellaneous	54,930	54,930	93,522	38,592
Total revenues	<u>7,564,770</u>	<u>7,564,770</u>	<u>8,379,534</u>	<u>814,764</u>
Expenditures				
Mayor and council:				
Supplies and maintenance	6,350	6,350	1,165	5,185
Services	24,000	24,000	22,403	1,597
Total mayor and council	<u>30,350</u>	<u>30,350</u>	<u>23,568</u>	<u>6,782</u>
Administration:				
Personnel	498,031	498,031	429,972	68,059
Maintenance and supplies	4,100	4,100	861	3,239
Services	123,305	123,305	73,964	49,341
Total administration	<u>625,436</u>	<u>625,436</u>	<u>504,797</u>	<u>120,639</u>
City secretary:				
Personnel	155,283	155,283	145,553	9,730
Supplies, maintenance and operations	1,931	1,931	2,308	(377)
Services	27,127	27,127	10,763	16,364
Total city secretary	<u>184,341</u>	<u>184,341</u>	<u>158,624</u>	<u>25,717</u>
Human resources and communications:				
Personnel	157,885	157,885	139,030	18,855
Supplies, maintenance and operations	2,000	5,500	2,326	3,174
Services	57,288	53,788	26,701	27,087
Total human resources and communications	<u>217,173</u>	<u>217,173</u>	<u>168,057</u>	<u>49,116</u>
Finance:				
Personnel	299,993	299,993	275,200	24,793
Supplies, maintenance and operations	2,325	2,325	1,510	815
Professional services	91,965	91,965	61,105	30,860
Total finance	<u>394,283</u>	<u>394,283</u>	<u>337,815</u>	<u>56,468</u>

(continued)

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures (continued)				
Municipal court:				
Personnel	\$ 139,531	\$ 139,531	\$ 134,664	\$ 4,867
Supplies, maintenance and operations	3,700	3,700	3,318	382
Services	61,630	61,630	45,869	15,761
Total municipal court	204,861	204,861	183,851	21,010
Public safety:				
Personnel	2,311,546	2,311,546	2,110,787	200,759
Supplies, maintenance and operations	85,950	93,950	90,979	2,971
Services	560,467	554,771	579,811	(25,040)
Capital outlay	216,000	177,806	36,742	141,064
Total public safety	3,173,963	3,138,073	2,818,319	319,754
Engineering and planning:				
Personnel	306,516	306,516	264,285	42,231
Supplies, maintenance and operations	419,887	419,887	437,049	(17,162)
Services	23,905	23,905	15,676	8,229
Total engineering and planning	750,308	750,308	717,010	33,298
Public works:				
Personnel	431,517	431,517	409,409	22,108
Supplies, maintenance and operations	107,635	107,635	110,613	(2,978)
Services	9,641	9,641	1,373	8,268
Capital outlay	-	173,890	275,602	(101,712)
Total public works	548,793	722,683	796,997	(74,314)
Building codes and permits:				
Personnel	236,608	236,608	233,023	3,585
Supplies, maintenance and operations	4,480	4,480	3,269	1,211
Services	14,675	14,675	10,917	3,758
Total building codes and permits	255,763	255,763	247,209	8,554
Non-departmental and shared services:				
Supplies, maintenance and operations	6,000	6,000	92,348	(86,348)
Shared services	327,617	327,617	280,317	47,300
Total non-departmental and shared services	333,617	333,617	372,665	(39,048)
Total expenditures	6,718,888	6,856,888	6,328,912	527,976

(continued)

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ 845,882	\$ 707,882	\$ 2,050,622	\$ 1,342,740
Other financing sources (uses)				
Sale of assets	-	-	128,721	128,721
Transfers in (out)	(1,430,017)	(1,430,017)	(830,017)	600,000
Transfers in (out)	154,000	292,000	177,272	(114,728)
Total other financing sources (uses)	<u>(1,276,017)</u>	<u>(1,138,017)</u>	<u>(524,024)</u>	<u>613,993</u>
Net change in fund balance	(430,135)	(430,135)	1,526,598	1,956,733
Fund balance, beginning	<u>3,710,568</u>	<u>3,710,568</u>	<u>3,710,568</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,280,433</u>	<u>\$ 3,280,433</u>	<u>\$ 5,237,166</u>	<u>\$ 1,956,733</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,

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 648,430	\$ 577,241	\$ 483,263	\$ 415,604	\$ 372,932	\$ 314,855
Interest (on the total pension liability)	550,195	478,426	428,795	377,577	347,674	303,986
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(79,808)	86,113	(101,894)	47,016	(72,739)	66,156
Changes of assumptions	51,465	-	-	-	51,102	-
Benefit payments, including refunds of employee contributions	<u>(127,623)</u>	<u>(100,655)</u>	<u>(143,110)</u>	<u>(87,360)</u>	<u>(99,327)</u>	<u>(80,511)</u>
Net change in total pension liability	1,042,659	1,041,125	667,054	752,837	599,642	604,486
Total pension liability - beginning	<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>	<u>4,225,483</u>
Total pension liability - ending	<u>\$ 8,933,286</u>	<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	\$ 437,261	\$ 400,446	\$ 318,292	\$ 276,800	\$ 265,412	\$ 234,399
Contributions - employee	261,163	232,624	194,528	172,450	158,118	143,051
Net investment income	1,052,635	(193,745)	742,178	316,200	6,418	219,419
Benefit payments, including refunds of employee contributions	<u>(127,623)</u>	<u>(100,655)</u>	<u>(143,110)</u>	<u>(87,360)</u>	<u>(99,327)</u>	<u>(80,511)</u>
Administrative expense	(5,933)	(3,738)	(3,841)	(3,568)	(3,909)	(2,290)
Other	<u>(179)</u>	<u>(195)</u>	<u>(195)</u>	<u>(192)</u>	<u>(193)</u>	<u>(188)</u>
Net change in plan fiduciary net position	1,617,324	334,737	1,107,852	674,330	326,519	513,880
Plan fiduciary net position - beginning	<u>6,792,218</u>	<u>6,457,481</u>	<u>5,349,629</u>	<u>4,675,299</u>	<u>4,348,780</u>	<u>3,834,900</u>
Plan fiduciary net position - ending	<u>\$ 8,409,542</u>	<u>\$ 6,792,218</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>\$ 523,744</u>	<u>\$ 1,098,409</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	94.14%	86.08%	94.28%	86.53%	86.11%	90.04%
Covered payroll	<u>\$ 3,730,898</u>	<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	14.04%	33.05%	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 sixth 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 479,231	\$ 427,169	\$ 375,269	\$ 306,515	\$ 272,041	\$ 238,287
Contributions in relation to the actuarially determined contribution	<u>479,231</u>	<u>427,169</u>	<u>375,269</u>	<u>306,515</u>	<u>272,041</u>	<u>238,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 4,091,573</u>	<u>\$ 3,616,851</u>	<u>\$ 3,150,696</u>	<u>\$ 2,689,459</u>	<u>\$ 2,387,202</u>	<u>\$ 2,103,123</u>
Contributions as a percentage of covered payroll	11.71%	11.81%	11.91%	11.40%	11.40%	11.33%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the sixth 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>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 7,462	\$ 7,311	\$ 5,280
Interest on the total OPEB liability	3,385	2,830	2,653
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(5,875)	2,643	-
Changes of assumptions	20,311	(6,763)	6,688
Benefit payments, including refunds of employee contributions	<u>(373)</u>	<u>(332)</u>	<u>(278)</u>
Net change in total OPEB liability	24,910	5,689	14,343
Total OPEB liability - beginning	<u>87,705</u>	<u>82,016</u>	<u>67,673</u>
Total OPEB liability - ending	<u>\$ 112,615</u>	<u>\$ 87,705</u>	<u>\$ 82,016</u>
Covered payroll	<u>\$ 3,730,898</u>	<u>\$ 3,323,206</u>	<u>\$ 2,778,969</u>
OPEB liability as a percentage of covered payroll	3.02%	2.64%	2.95%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the third 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>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 5,728	\$ 4,871	\$ 4,017
Contributions in relation to the actuarially determined contribution	<u>5,728</u>	<u>4,871</u>	<u>4,017</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 4,091,573</u>	<u>\$ 3,616,851</u>	<u>\$ 3,150,696</u>
Contributions as a percentage of covered payroll	0.14%	0.13%	0.13%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the third 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, 2020

(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, debt service fund, 2015 GO bond fund, strategic project fund, and equipment replacement 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	26 years
Method	10 year smoothed market, 12% soft corridor
Assumption:	
Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the public safety table used for males and the general employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

There were no benefit changes during the year.

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, 2020

	Nonmajor Fund		Total Nonmajor Funds
	Debt Service Fund	2015 GO Bond Fund	
ASSETS			
Cash and investments	\$ 29,593	\$ -	\$ 29,593
Receivables (net of allowance for uncollectibles):			
Property taxes	14,283	-	14,283
Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 43,876</u>	<u>\$ -</u>	<u>\$ 43,876</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	<u>11,566</u>	<u>-</u>	<u>11,566</u>
FUND BALANCES			
Restricted for:			
Debt service	32,310	-	32,310
Assigned for:			
Capital projects	-	-	-
Capital equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>32,310</u>	<u>-</u>	<u>32,310</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,876</u>	<u>\$ -</u>	<u>\$ 43,876</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, 2020

	Nonmajor Fund		Total Nonmajor Funds
	Debt Service Fund	2015 GO Bond Fund	
REVENUES			
Taxes	\$ 564,605	\$ -	\$ 564,605
Interest	<u>1,005</u>	<u>199</u>	<u>1,204</u>
Total revenues	<u>565,610</u>	<u>199</u>	<u>565,809</u>
EXPENDITURES			
Current:			
City administration	-	128,362	128,362
Debt service:			
Principal	440,000	-	440,000
Interest and fiscal charges	<u>111,940</u>	<u>-</u>	<u>111,940</u>
Total expenditures	<u>551,940</u>	<u>128,362</u>	<u>680,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,670</u>	<u>(128,163)</u>	<u>(114,493)</u>
Net change in fund balances	13,670	(128,163)	(114,493)
Fund balance - beginning	<u>18,640</u>	<u>128,163</u>	<u>146,803</u>
Fund balance - ending	<u>\$ 32,310</u>	<u>\$ -</u>	<u>\$ 32,310</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 555,431	\$ 555,431	\$ 564,605	\$ 9,174
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,005</u>	<u>5</u>
Total revenues	<u>556,431</u>	<u>556,431</u>	<u>565,610</u>	<u>9,179</u>
Expenditures				
Debt service:				
Principal	440,000	440,000	440,000	-
Interest and fiscal charges	<u>111,940</u>	<u>111,940</u>	<u>111,940</u>	<u>-</u>
Total debt service	<u>551,940</u>	<u>551,940</u>	<u>551,940</u>	<u>-</u>
Total expenditures	<u>551,940</u>	<u>551,940</u>	<u>551,940</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,491</u>	<u>4,491</u>	<u>13,670</u>	<u>9,179</u>
Net change in fund balance	4,491	4,491	13,670	9,179
Fund balance, beginning	<u>18,640</u>	<u>18,640</u>	<u>18,640</u>	<u>-</u>
Fund balance, ending	<u>\$ 23,131</u>	<u>\$ 23,131</u>	<u>\$ 32,310</u>	<u>\$ 9,179</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 199	\$ 199
Total revenues	<u>-</u>	<u>-</u>	<u>199</u>	<u>199</u>
Expenditures				
City administration	<u>181,345</u>	<u>181,345</u>	<u>128,362</u>	<u>52,983</u>
Total expenditures	<u>181,345</u>	<u>181,345</u>	<u>128,362</u>	<u>52,983</u>
Excess (deficiency) of revenues over (under) expenditures	(181,345)	(181,345)	(128,163)	(52,784)
Net change in fund balance	(181,345)	(181,345)	(128,163)	(52,784)
Fund balance, beginning	<u>128,163</u>	<u>128,163</u>	<u>128,163</u>	<u>-</u>
Fund balance, ending	<u><u>\$ (53,182)</u></u>	<u><u>\$ (53,182)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (53,182)</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures				
City administration	\$ 1,784,000	\$ 1,952,269	\$ 555,360	\$ 1,396,909
Excess (deficiency) of revenues over (under) expenditures	<u>(1,784,000)</u>	<u>(1,952,269)</u>	<u>(555,360)</u>	<u>(1,396,909)</u>
Other financing sources (uses)				
Transfers in	<u>1,199,525</u>	<u>1,199,525</u>	<u>599,525</u>	<u>(600,000)</u>
Net change in fund balances	(584,475)	(752,744)	44,165	(1,996,909)
Fund balance - beginning	<u>1,110,229</u>	<u>1,110,229</u>	<u>1,110,229</u>	<u>-</u>
Fund balance - ending	<u>\$ 525,754</u>	<u>\$ 357,485</u>	<u>\$ 1,154,394</u>	<u>\$ 796,909</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 230,492	\$ 230,492	\$ 230,492	\$ -
Transfers out	<u>(154,000)</u>	<u>(292,000)</u>	<u>(177,272)</u>	<u>114,728</u>
Total other financing sources (uses)	76,492	(61,508)	53,220	114,728
Net change in fund balances	76,492	(61,508)	53,220	114,728
Fund balance - beginning	<u>816,395</u>	<u>816,395</u>	<u>816,395</u>	<u>-</u>
Fund balance - ending	<u>\$ 892,887</u>	<u>\$ 754,887</u>	<u>\$ 869,615</u>	<u>\$ 114,728</u>



STATISTICAL SECTION



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**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 4,802,338	\$ 4,675,461	\$ 4,658,498	\$ 3,886,740
Restricted	46,229	48,355	64,787	68,071
Unrestricted	<u>3,002,828</u>	<u>3,452,484</u>	<u>3,887,116</u>	<u>4,580,595</u>
 Total government activities net position	 <u>\$ 7,851,395</u>	 <u>\$ 8,176,300</u>	 <u>\$ 8,610,401</u>	 <u>\$ 8,535,406</u>
 BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 5,733,694	\$ 5,842,767	\$ 6,255,433	\$ 7,847,915
Unrestricted	<u>2,603,460</u>	<u>2,972,799</u>	<u>3,331,135</u>	<u>2,551,317</u>
 Total business-type activities net position	 <u>\$ 8,337,154</u>	 <u>\$ 8,815,566</u>	 <u>\$ 9,586,568</u>	 <u>\$ 10,399,232</u>
 PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 10,536,032	\$ 10,518,228	\$ 10,913,931	\$ 11,734,655
Restricted	46,229	48,355	64,787	68,071
Unrestricted	<u>5,606,288</u>	<u>6,425,283</u>	<u>7,218,251</u>	<u>7,131,912</u>
 Total primary government net position	 <u>\$ 16,188,549</u>	 <u>\$ 16,991,866</u>	 <u>\$ 18,196,969</u>	 <u>\$ 18,934,638</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

2015*	2016	2017	2018**	2019	2020
\$ 4,103,711	\$ 6,606,072	\$ 6,898,385	\$ 7,006,399	\$ 7,576,143	\$ 7,523,360
66,909	77,162	76,346	105,589	108,461	132,938
<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>6,712,007</u>
<u>\$ 7,969,424</u>	<u>\$ 8,772,354</u>	<u>\$ 9,689,218</u>	<u>\$ 15,909,095</u>	<u>\$ 15,909,095</u>	<u>\$ 14,368,305</u>
\$ 6,751,803	\$ 6,667,928	\$ 8,682,584	\$ 8,210,039	\$ 8,466,058	\$ 8,307,519
<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>6,316,241</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>	<u>\$ 14,623,760</u>
\$ 10,855,514	\$ 13,274,000	\$ 15,580,969	\$ 15,216,438	\$ 16,042,201	\$ 15,830,879
66,909	77,162	76,346	105,589	108,461	132,938
<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>13,028,248</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>	<u>\$ 28,992,065</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

	2011	2012	2013	2014
EXPENSES				
Governmental Activities				
City administration	\$ 578,516	\$ 588,562	\$ 638,151	\$ 921,009
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	79,208	77,131	79,538	81,522
Public safety	1,295,748	1,342,773	1,521,426	1,588,137
Public health/emergency	231,337	255,789	282,238	286,999
Engineering and planning	-	-	-	-
Building codes	86,316	88,521	98,196	119,338
Public works	776,437	815,467	933,879	1,074,375
Non-departmental	-	-	-	-
Culture/recreation/other	47,335	125,537	139,671	63,517
Interest on long term debt	1,200	-	-	-
Total governmental activities expenses	<u>3,096,097</u>	<u>3,293,780</u>	<u>3,693,099</u>	<u>4,134,897</u>
Business-Type Activities				
Water/sewer utility	<u>2,785,881</u>	<u>2,954,021</u>	<u>3,013,859</u>	<u>3,242,807</u>
Total business-type activities expenses	<u>2,785,881</u>	<u>2,954,021</u>	<u>3,013,859</u>	<u>3,242,807</u>
Total primary government expenses	<u>5,881,978</u>	<u>6,247,801</u>	<u>6,706,958</u>	<u>7,377,704</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	237,810	241,201	249,506	198,992
Municipal court	131,279	126,633	156,452	158,407
Public safety	7,736	6,824	7,079	8,664
Public health/emergency	6,720	6,580	7,245	5,325
Building codes	73,595	127,522	196,062	281,831
Operating grants and contributions	-	-	605	1,715
Capital grants and contributions	<u>869,215</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>1,326,355</u>	<u>508,760</u>	<u>616,949</u>	<u>654,934</u>
Business-Type Activities				
Charges for services:				
Water/sewer utility	3,352,080	3,427,533	3,744,856	4,107,471
Capital grants and contributions	<u>3,933,872</u>	<u>4,463,303</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 8,612,307</u>	<u>\$ 8,399,596</u>	<u>\$ 4,361,805</u>	<u>\$ 4,762,405</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

	2015*	2016	2017	2018**	2019	2020
\$	1,796,709	\$ 950,918	\$ 1,431,472	\$ 1,499,717	\$ 682,316	\$ 1,235,258
	-	-	-	-	11,381	23,568
	-	-	-	-	153,944	159,376
	-	-	-	-	114,659	168,794
	-	-	-	-	271,247	339,295
	81,316	86,288	92,032	131,153	161,422	184,553
	1,735,259	2,017,858	2,124,882	2,394,097	2,915,589	3,001,619
	293,092	307,665	299,734	322,918	-	-
	-	-	-	-	270,309	718,380
	161,821	179,577	177,495	198,266	241,097	248,414
	869,328	869,215	982,474	992,400	740,477	870,398
	-	-	-	-	301,984	459,298
	33,233	57,833	44,896	89,710	-	-
	<u>136,008</u>	<u>153,011</u>	<u>119,880</u>	<u>114,211</u>	<u>109,849</u>	<u>-</u>
	<u>5,106,766</u>	<u>4,622,365</u>	<u>5,272,865</u>	<u>5,742,472</u>	<u>5,974,274</u>	<u>7,408,953</u>
	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>	<u>4,215,641</u>	<u>4,746,849</u>	<u>5,418,730</u>
	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>	<u>4,215,641</u>	<u>4,746,849</u>	<u>5,418,730</u>
	<u>8,459,205</u>	<u>8,556,237</u>	<u>9,119,643</u>	<u>9,958,113</u>	<u>10,721,123</u>	<u>12,827,683</u>
	171,929	177,050	201,334	215,959	237,193	297,808
	158,352	161,818	129,260	126,152	137,176	101,409
	9,034	9,448	3,715	10,026	6,845	5,410
	5,245	5,711	2,500	2,415	-	-
	298,806	314,738	274,079	228,715	253,815	405,231
	2,149	-	13,295	51,102	15,579	3,728
	-	-	-	15,908	-	-
	<u>645,515</u>	<u>668,765</u>	<u>624,183</u>	<u>650,277</u>	<u>650,608</u>	<u>813,586</u>
	4,454,644	4,463,303	4,930,347	4,908,925	4,875,781	5,839,886
	-	-	-	-	-	-
\$	<u>5,100,159</u>	<u>5,132,068</u>	<u>5,554,530</u>	<u>5,559,202</u>	<u>5,526,389</u>	<u>6,653,472</u>

(continued)

CITY OF FAIR OAKS RANCH, TEXAS

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

	2011	2012	2013	2014
Net (Expense) Revenues				
Governmental activities	\$ (1,769,742)	\$ (2,785,020)	\$ (3,076,150)	\$ (3,479,963)
Business-type activities	<u>4,500,071</u>	<u>4,936,815</u>	<u>730,997</u>	<u>864,664</u>
Total primary government net expenses	<u>2,730,329</u>	<u>2,151,795</u>	<u>(2,345,153)</u>	<u>(2,615,299)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	2,327,361	2,345,006	2,561,039	2,634,353
Non-property taxes	634,021	662,271	750,966	903,592
Interest and investment earnings	7,324	7,213	7,094	1,633
Gain on sale of capital assets	-	-	-	-
Miscellaneous	13,623	95,435	225,123	24,100
Transfers	<u>5,303</u>	<u>-</u>	<u>(33,971)</u>	<u>-</u>
Total governmental activities	<u>2,987,632</u>	<u>3,109,925</u>	<u>3,510,251</u>	<u>3,563,678</u>
Business-Type Activities				
Interest and investment earnings	4,003	4,900	6,034	4,447
Transfers	<u>(5,303)</u>	<u>-</u>	<u>33,971</u>	<u>-</u>
Total business-type activities	<u>(1,300)</u>	<u>4,900</u>	<u>40,005</u>	<u>4,447</u>
Total primary government	<u>2,986,332</u>	<u>3,114,825</u>	<u>3,550,256</u>	<u>3,568,125</u>
Changes in Net Position				
Governmental activities	1,217,890	324,905	434,101	83,715
Business-type activities	<u>4,498,771</u>	<u>4,941,715</u>	<u>771,002</u>	<u>869,111</u>
Total primary government	<u>\$ 5,716,661</u>	<u>\$ 5,266,620</u>	<u>\$ 1,205,103</u>	<u>\$ 952,826</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)

2015*	2016	2017	2018**	2019	2020
\$ (4,461,251)	\$ (3,953,600)	\$ (4,648,682)	\$ 108,886	\$ (5,323,666)	\$ (6,595,367)
<u>1,102,205</u>	<u>529,431</u>	<u>1,083,569</u>	<u>410,790</u>	<u>128,932</u>	<u>421,156</u>
<u>(3,359,046)</u>	<u>(3,424,169)</u>	<u>(3,565,113)</u>	<u>519,676</u>	<u>(5,194,734)</u>	<u>(6,174,211)</u>
2,823,221	3,587,677	4,264,687	4,712,247	5,742,831	6,202,561
1,028,559	1,109,048	1,192,774	1,328,220	1,496,073	1,796,558
25,359	38,950	56,545	94,557	150,030	72,151
-	-	23,874	16,452	20,206	12,534
18,130	20,855	27,666	11,402	9,711	66,819
-	-	-	-	9,850	-
<u>3,895,269</u>	<u>4,756,530</u>	<u>5,565,546</u>	<u>6,162,878</u>	<u>7,428,701</u>	<u>8,150,623</u>
4,177	5,748	32,900	120,778	120,778	49,749
-	-	-	-	(9,850)	-
<u>4,177</u>	<u>5,748</u>	<u>32,900</u>	<u>120,778</u>	<u>110,928</u>	<u>49,749</u>
<u>3,899,446</u>	<u>4,762,278</u>	<u>5,598,446</u>	<u>6,283,656</u>	<u>7,539,629</u>	<u>8,200,372</u>
(565,982)	802,930	916,864	6,271,764	2,105,035	1,555,256
<u>1,106,382</u>	<u>535,179</u>	<u>1,116,469</u>	<u>531,568</u>	<u>239,860</u>	<u>470,905</u>
<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 2,033,333</u>	<u>\$ 6,803,332</u>	<u>\$ 2,344,895</u>	<u>\$ 2,026,161</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

	Fiscal Year			
	2011	2012*	2013	2014
Nonspendable Fund Balance:				
Prepaid items	\$ 24,628	\$ 24,104	\$ 25,631	\$ 24,220
Restricted Fund Balance:				
Court technology	10,177	9,477	15,845	15,285
Court security	35,640	38,436	44,497	44,420
Court efficiency	34	64	16	110
Felony forfeiture	378	378	3,937	3,937
Other court restrictions	-	-	-	-
PEG fees	-	-	3,492	4,319
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total restricted fund balance	<u>46,229</u>	<u>48,355</u>	<u>67,787</u>	<u>68,071</u>
Committed Fund Balance:				
Public safety committee	-	250,000	30,451	30,451
Wildlife research study	-	45,779	16,928	-
TxDOT projects	-	-	-	810,000
Partnership water study	-	-	-	100,000
Total committed fund balance	-	<u>295,779</u>	<u>47,379</u>	<u>940,451</u>
Assigned Fund Balance:				
Capital projects	-	-	1,000,000	720,000
Capital equipment	-	-	-	-
Legal issues	-	-	50,000	50,000
Six month operating reserve	-	-	-	-
Total assigned fund balance	-	-	<u>1,050,000</u>	<u>770,000</u>
Unassigned	<u>3,008,608</u>	<u>3,158,573</u>	<u>2,794,225</u>	<u>3,052,965</u>
Total government funds	<u>\$ 3,079,465</u>	<u>\$ 3,526,811</u>	<u>\$ 3,985,022</u>	<u>\$ 4,855,707</u>

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

TABLE 3

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 43,625	\$ 14,563	\$ 19,281	\$ 54,260	\$ 53,275	\$ 82,635	
14,802	14,047	11,535	15,700	11,386	14,520	
47,270	49,816	51,473	52,996	54,849	57,330	
140	140	292	333	401	438	
378	378	378	5,514	8,954	10,774	
-	-	-	-	-	1,428	
4,319	4,319	4,319	4,319	4,319	4,319	
-	-	1,104	8,087	9,912	11,819	
-	8,462	7,245	8,604	18,640	32,310	
<u>6,919,193</u>	<u>6,252,941</u>	<u>2,319,870</u>	<u>456,345</u>	<u>128,162</u>	<u>-</u>	
6,986,102	6,330,103	2,396,216	551,898	236,623	132,938	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
2,448,838	553,000	906,921	223,508	1,110,229	1,154,394	
-	-	-	760,599	816,395	869,615	
50,000	50,000	50,000	50,000	50,000	50,000	
-	-	-	2,566,167	3,517,472	3,678,069	
<u>2,498,838</u>	<u>603,000</u>	<u>956,921</u>	<u>3,600,274</u>	<u>5,494,096</u>	<u>5,752,078</u>	
<u>1,581,382</u>	<u>1,807,719</u>	<u>2,065,994</u>	<u>-</u>	<u>-</u>	<u>1,309,011</u>	
<u>\$ 11,109,947</u>	<u>\$ 8,755,385</u>	<u>\$ 5,438,412</u>	<u>\$ 4,206,432</u>	<u>\$ 5,783,994</u>	<u>\$ 7,276,662</u>	

CITY OF FAIR OAKS RANCH, TEXAS

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

	2011	2012	2013	2014
REVENUES				
Taxes	\$ 2,656,130	\$ 2,665,673	\$ 2,960,445	\$ 3,084,356
Franchise fees	312,645	323,308	346,006	453,279
Licenses and permits	82,070	135,992	203,307	287,156
Fines and forfeits	131,279	126,633	156,452	158,407
Utility management fee	159,071	159,435	169,357	166,093
Interest	7,324	7,213	7,094	1,633
Donations	-	-	-	-
Capital contributions	-	-	-	-
Miscellaneous	100,284	182,135	316,504	622,574
Total revenues	3,448,803	3,600,389	4,159,165	4,773,498
EXPENDITURES				
Current:				
City administration	533,332	548,635	609,674	717,511
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	77,203	75,754	83,854	80,509
Public safety	1,250,707	1,282,550	1,402,730	1,463,524
Public health/emergency	216,613	242,174	271,023	275,784
Engineering and planning	-	-	-	-
Building codes	86,864	88,663	95,948	119,507
Public works	658,761	700,305	747,165	962,447
Non-departmental	-	-	-	-
Culture and recreation	47,335	125,537	139,671	63,517
Capital projects/outlays	48,399	89,425	319,918	217,014
Debt Service				
Principal payments	48,181	-	-	-
Interest	1,200	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	2,968,595	3,153,043	3,669,983	3,899,813
Excess (deficiency) of revenues over (under) expenditures	480,208	447,346	489,182	873,685
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Proceeds of bond issuance	-	-	-	-
Premiums on bond issuance	-	-	-	-
Transfer from other funds	5,303	-	(33,971)	-
Proceeds from disposal of equipment	16,985	-	-	-
Total other financing sources (uses)	22,288	-	(33,971)	-
Net change in fund balances	\$ 502,496	\$ 447,346	\$ 455,211	\$ 873,685
Debt service as a percentage of noncapital expenditures	1.7%	0.0%	0.0%	0.0%

TABLE 4

	2015	2016	2017	2018	2019	2020
\$	3,358,145	\$ 4,148,224	\$ 4,907,367	\$ 5,472,987	\$ 6,570,863	\$ 7,387,684
	496,714	527,109	540,605	576,181	618,758	605,103
	304,051	320,449	280,294	236,020	257,220	410,641
	158,352	161,818	129,260	126,152	137,176	101,409
	171,929	177,050	195,334	205,959	192,808	214,908
	25,359	38,950	56,545	94,557	150,030	72,151
	-	-	-	32,920	5,915	59,925
	-	-	-	15,908	-	-
	30,789	53,714	46,961	44,721	67,200	93,522
	<u>4,545,339</u>	<u>5,427,314</u>	<u>6,156,366</u>	<u>6,805,405</u>	<u>7,999,970</u>	<u>8,945,343</u>
	1,749,973	931,255	1,380,476	1,461,708	644,481	1,188,519
	-	-	-	-	11,381	23,568
	-	-	-	-	150,845	158,624
	-	-	-	-	112,797	168,057
	-	-	-	-	266,445	337,815
	81,918	84,869	90,428	131,267	158,322	183,851
	1,653,785	1,811,200	1,920,485	2,234,431	2,696,334	2,781,577
	281,876	296,450	288,066	311,250	-	-
	-	-	-	-	264,128	717,010
	162,100	176,077	172,849	198,648	235,603	247,209
	759,233	748,454	852,315	871,371	413,041	521,395
	-	-	-	-	301,985	372,665
	33,233	57,833	44,896	89,710	-	-
	568,981	3,111,050	4,196,145	2,214,919	644,693	312,344
	-	390,000	425,000	430,000	435,000	440,000
	-	174,688	126,553	122,278	117,409	111,940
	100,090	-	-	-	-	-
	<u>5,391,189</u>	<u>7,781,876</u>	<u>9,497,213</u>	<u>8,065,582</u>	<u>6,452,464</u>	<u>7,564,574</u>
	<u>(845,850)</u>	<u>(2,354,562)</u>	<u>(3,340,847)</u>	<u>(1,260,177)</u>	<u>1,547,506</u>	<u>1,380,769</u>
	-	-	-	-	-	128,721
	7,000,000	-	-	-	-	-
	100,090	-	-	-	-	-
	-	-	-	-	9,850	-
	-	-	23,874	28,197	20,206	-
	<u>7,100,090</u>	<u>-</u>	<u>23,874</u>	<u>28,197</u>	<u>30,056</u>	<u>128,721</u>
\$	<u>6,254,240</u>	<u>\$ (2,354,562)</u>	<u>\$ (3,316,973)</u>	<u>\$ (1,231,980)</u>	<u>\$ 1,577,562</u>	<u>\$ 1,509,490</u>
	2.1%	11.9%	10.4%	9.4%	9.5%	7.6%

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>
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
2020	6,196,229	1,174,547	605,103	16,908	7,992,787

CITY OF FAIR OAKS RANCH, TEXAS

TOP TEN SALES TAX PROVIDERS

For the fiscal year ended September 30,

TABLE 6

	2019-2020		2018-2019		2017-2018		2016-2017	
	Rank	% of Total	Rank	% of Total	Rank	% of Total	Rank	% of Total
<u>Business</u>								
Electronic shopping	1	17.4%	2	5.2%	2	5.1%	2	5.1%
Full-service restaurant	2	10.9%	1	17.4%	1	19.0%	1	19.0%
Gasoline station with convenience store	3	2.3%	7	2.0%	9	2.0%	9	2.0%
Wireless telecommunication	4	2.3%	3	3.3%	5	3.2%	5	3.2%
Pharmacies and drugstores	5	1.9%	4	2.7%	4	3.2%	4	3.2%
Cable and other subscription programming	6	1.7%	5	2.3%	8	2.3%	8	2.3%
Gasoline station with convenience store	7	1.6%						
Wired telecommunication	8	1.5%	6	2.2%	6	3.9%	6	3.9%
Limited-service restaurant	9	1.4%	8	2.0%	7	2.5%	7	2.5%
Beer, Wine and Liquor Store	10	1.3%	10	1.4%				
New single-family housing construction			9	1.7%	10	1.8%	10	1.8%
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
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%	13,706	2,873,236	99.86%
2016	3,861,722	3,827,841	99.12%	25,869	3,853,710	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%	13,339	4,801,349	99.74%
2019	5,718,331	5,652,427	98.85%	33,752	5,686,179	99.44%
2020	6,182,363	6,126,458	99.10%	-	6,126,458	99.10%

Source: Bexar County

* Includes discounts allowed for early payments.

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
2011	0.24150	1.314	0.326866	0.37000	0.350421	2.586366
2012	0.24610	1.314	0.326866	0.37000	0.350421	2.607387
2013	0.26630	1.294	0.326866	0.39500	0.350421	2.587387
2014	0.26630	1.294	0.326866	0.39400	0.342921	2.559387
2015	0.26630	1.294	0.314500	0.39400	0.342921	2.561621
2016	0.30730	1.294	0.314500	0.38670	0.342921	2.595421
2017	0.32336	1.316	0.293250	0.41270	0.357921	2.638131
2018	0.32950	1.354	0.291229	0.41270	0.357921	2.745350
2019	0.36678	1.354	0.277429	0.41270	0.377915	2.788824
2020	0.37350	1.284	0.027743	0.41270	0.392553	2.490496

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>
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%
2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.37350%

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	2020			2011		
	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	\$ 8,078,460	1	0.49%	\$ 6,872,950	1	0.71%
T&J Fair Oaks LLC	5,285,000	2	0.32%	-		-
Hicks, Jerry S & Esther W	4,470,020	3	0.27%	-		-
SF Fair Oaks Development LLC	3,999,270	4	0.24%	-		-
Ashton San Antonio LLC	3,997,260	5	0.24%	-		-
Frost Bank	3,789,870	6	0.23%	2,477,470	5	0.26%
Fair Oaks Country Store LLC	3,002,930	7	0.18%	-		-
SA Front Gate LLC	2,857,938	8	0.17%	-		-
Fair Oaks Parkway Associates LLC	2,652,327	9	0.16%	-		-
M2G Fair Oaks LTD	2,524,880	10	0.15%	-		-
Fair Oaks Village II LTD	-		-	4,216,000	2	0.43%
Greenland Ventures	-		-	4,095,560	3	0.42%
Armstrong Trust	-		-	2,834,380	4	0.29%
B&M Fair Oaks	-		-	2,149,278	6	0.22%
Guadalupe Valley Telephone	-		-	1,963,423	7	0.20%
P. Steldt	-		-	1,557,840	8	0.16%
Ralph E. Fair, Inc.	-		-	1,421,200	9	0.15%
K. Moore	-		-	1,382,320	10	0.14%
TOTAL	\$ 40,657,955		2.45%	\$ 28,970,421		2.98%

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			
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
2020	4,946,725	-	-	2,660,000	7,606,725	1.3%	757

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		Amounts Available in Debt Service Fund	Net Debt Outstanding	Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds	Total Primary Government					
2011	\$ -	\$ 2,175,000	\$ 2,175,000		\$ -	\$ 2,175,000	0.22%	358
2012	-	1,855,000	1,855,000		-	1,855,000	0.19%	305
2013	-	1,515,000	1,515,000		-	1,515,000	0.15%	239
2014	-	1,160,000	1,160,000		-	1,160,000	0.12%	177
2015	7,100,090	790,000	7,890,090		-	7,890,090	0.73%	1,201
2016	6,703,417	405,000	7,108,417		-	7,108,417	0.57%	1,028
2017	6,721,744	-	6,721,744		(7,245)	6,714,499	0.50%	777
2018	5,835,071	-	5,835,071		(7,201)	5,827,870	0.38%	641
2019	5,393,398	-	5,393,398		(10,940)	5,382,458	0.35%	555
2020	4,946,725	2,660,000	7,606,725		(30,969)	7,575,756	0.46%	754

CITY OF FAIR OAKS RANCH, TEXAS

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

Total assessed value	\$ 1,655,060,303
Debt limit (\$1.50 of total assessed value)	\$ 24,825,905
Debt applicable to limit:	
General bonded debt outstanding	\$ 4,946,725
general bonded debt	-
Total net debt applicable to limit	4,946,725
Legal debt margin	\$ 19,879,180

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 14,674,786	\$ 14,533,054	\$ 14,675,649	\$ 15,051,276
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 14,534,559	\$ 14,674,786	\$ 14,533,054	\$ 14,675,649

TABLE 13

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>\$ 16,206,450</u>	<u>\$ 18,849,921</u>	<u>\$ 20,165,764</u>	<u>\$ 23,247,169</u>	<u>\$ 23,385,382</u>	<u>\$ 24,825,905</u>
<u>7,000,000</u>	<u>6,610,000</u>	<u>6,185,000</u>	<u>5,835,071</u>	<u>5,393,398</u>	<u>4,946,725</u>
<u>\$ 9,206,450</u>	<u>\$ 12,239,921</u>	<u>\$ 13,980,764</u>	<u>\$ 17,412,098</u>	<u>\$ 17,991,984</u>	<u>\$ 19,879,180</u>

CITY OF FAIR OAKS RANCH, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2020

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%	\$ 2,495,403
Bexar Co	1,944,900,000	0.57%	11,085,930
Bexar Co Hosp Dist	932,030,000	0.57%	5,312,571
Boerne ISD	310,064,647	18.85%	58,447,186
Comal Co	139,835,000	0.97%	1,356,400
Comal ISD	722,510,179	0.38%	2,745,539
Kendall Co	23,440,000	6.42%	<u>1,504,848</u>
Subtotal - overlapping debt			82,947,877
City of Fair Oaks Ranch - direct debt			<u>7,540,000</u>
Total direct and overlapping debt			<u>\$ 90,487,877</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	2019			2010		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment**
Joint Base San Antonio (JBSA) -						
Lackland, Fort Sam & Randolph	80,000	1	7.56%	75,052	1,2,6	9.22%
H.E.B. Food Stores	22,000	2	2.08%	17,664	3	2.17%
United Services Automobile Assoc	19,000	3	1.80%	14,589	4	1.79%
Northside Independent School District	13,977	4	1.32%	12,597	5	1.55%
City of San Antonio	13,881	5	1.31%	11,017	7	1.35%
Methodist Healthcare System	9,851	6	0.93%	7,154	10	0.88%
North East Independent School District	9,001	7	0.85%	10,223	8	1.25%
San Antonio Independent School District	7,677	8	0.73%	7,714	9	0.95%
Baptist Health System	6,371	9	0.60%	-		
JP Morgan Chase & Co.	5,000	10	0.47%	-		
Total	<u>186,758</u>		<u>17.65%</u>	<u>156,010</u>		<u>19.16%</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, 2019. The current year information is not available, therefore, 2019 data is presented

*Percent based on an employment estimate of 1,058,300 of non-farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2019. Figure provided by the Texas Workforce Commission.

**Percent based on an Employment Estimate of 814,900 of non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2010. 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 2010, the employee counts were 35,026, 28,082 and 11,944 respectively.

CITY OF FAIR OAKS RANCH, TEXAS

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>San Antonio Unemployment Rate</u>
2011	6,068	58,576	50.9	683	7.3%
2012	6,084	60,195	50.9	776	5.9%
2013	6,326	57,945	50.9	697	5.7%
2014	6,569	57,306	50.9	650	4.5%
2015	6,569	55,586	51.2	650	3.8%
2016	6,914	54,829	47.9	650	3.9%
2017	8,645	52,917	46.7	916	3.2%
2018	9,091	51,482	45.9	1,321	3.3%
2019	9,700	52,094	47.1	1,391	3.0%
2020	10,042	57,939	46.3	1,575	6.3%

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

CITY OF FAIR OAKS RANCH, TEXAS
OPERATING INDICATORS BY FUNCTION
For the fiscal year ended September 30, 2020

TABLE 17

Function	2020	2019	2018	2017
Police				
Incidents/offenses	589	504	501	444
Arrests	157	207	224	191
Calls for service	3,482	3,913	3,716	3,664
Traffic Stops	2,924	4,893	5,271	4,217
Public Works				
Street resurfacing (square yards)	80,557	155,468	64,496	183,323
Preventative Street Maintenance (square yards)	211,529	49,477	65,244	101,646
Building Codes				
Permits issued	157	118	190	142
Utilities				
Account service orders				
Meter install / change	86	252	222	288
Occupancy change	320	288	330	322
Customer service inquiry	338	297	247	291
Billing (water, sewer, fees, all charges)	\$ 5,002,084	\$ 4,550,072	\$ 4,683,010	\$ 4,892,525
Water				
Service connections	3,083	3,002	2,948	2,929
Purchased (gallons)	337,047,000	318,044,000	276,418,000	296,164,000
Pumped (gallons)	231,668,112	174,702,326	168,328,487	241,088,931
Billed consumption (gallons)	523,698,900	436,094,700	457,611,000	502,639,000
Non-billed & bulk water sold (gallons)	3,192,400	3,350,000	3,476,900	5,182,505
Wastewater/Sewer				
Service connections	1,886	1,820	1,775	1,733
Average daily treatment in gallons	242,174	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, 2020

TABLE 18

Function	2020	2019	2018	2017
Police				
Stations	1	1	1	1
Patrol units	14	14	13	15
Animal Control				
Control vehicle	1	1	1	1
Building Inspections				
Vehicles	2	2	2	2
Public Works				
Vehicles	12	12	10	9
Other equipment	16	16	12	10
Utilities				
Vehicles	11	11	11	11
Other equipment	18	18	16	16
Streets				
Paved streets (in miles)	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	68.1	68.1	68.1
Water				
Water mains (in miles)	76	76	76	76
Wells	40	40	40	40
Treatment plants	5	5	5	5
Number of hydrants	266	266	266	228
Sewer				
Lift stations	6	6	6	6
Sewer lines (in miles)	33	33	33	33
Treatment plants	1	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, 2020

TABLE 19

<u>Function</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government	15	11	9	8	7
Public Safety					
Police	24	24	22	21	19
Animal control	1	1	1	1	1
Municipal court	2	2	2	1	1
Code enforcement	3	3	2	1.5	1.5
Administration	4	3	2	2	2
Public Works	15	14	12	9	9.5
Water and Sewer	<u>11</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u>75</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.

