

CITY OF FAIR OAKS RANCH, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2015**



CITY OF FAIR OAKS RANCH, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

CHERYL LANDMAN

CITY COUNCIL

MARY ANNE HAVARD

GLENN DAMSTRA

STEVE HARTPENCE

AL SCHMIDT

GARY MANITZAS

INTERIM CITY ADMINISTRATOR

MARCUS JAHNS

ATTORNEY

DENTON, NAVARRO, ROCHA, BERNAL, HYDE & ZECH, P.C.

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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, and the major funds of the City of Fair Oaks Ranch, as of and for the year ended September 30, 2015, 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

The City of Fair Oaks Ranch 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.

Auditor's Responsibility

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

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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, and the major funds of the City of Fair Oaks Ranch, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A21 to the financial statements, in October 2014, the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

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, and the major funds of the City of Fair Oaks Ranch, as of September 30, 2015, 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, budgetary comparison information, and the schedule of funding progress – defined benefit 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 inquires 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Fair Oaks Ranch financial statements. The statistical section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The statistical section has 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 it.



Armstrong, Vaughan & Associates, P.C.

January 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Fair Oaks Ranch comprehensive annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

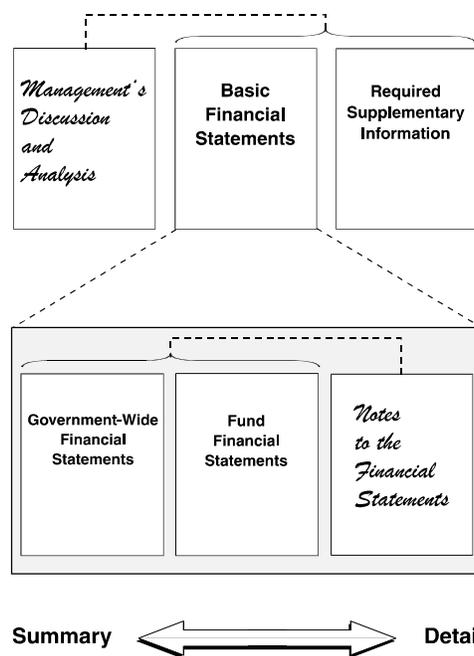
- The City's total combined net position was \$19,475,038 at September 30, 2015.
- During the year, the City's expenses were \$565,982 more than the \$4,540,784 generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs increased by \$1,081,501 from last year; however, no new programs were added this year.
- The general fund reported a fund balance this year of \$2,294,916.
- The City issued new bonds in 2015 in the amount of \$7,000,000 for Roadway Bond Project.

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- 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			
<i>Type of Statements</i>	Fund 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 & Changes in Fund Balances	• Statement of Revenues, Expenses & 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 Statements

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

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets, deferred outflows of resources, and liabilities—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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$19,475,038 at September 30, 2015 (See Table A-1).

The \$8,552,615 of unrestricted net position, represent resources available to fund the programs of the City next year.

Changes in net position. The combined activities total revenues were \$8,999,605. The revenue from property taxes was \$2,823,221 or 31% (See Table A-2), 49% comes from utility, while only 7% relates to charges for services (Court, Public Works, Building Codes, Etc.).

The total cost of all programs and services was \$8,459,205, 40% of these costs are Business-Type Activities (See Table A-2).

Governmental Activities

- Property tax rate was \$.2663 per \$100 assessed value.

Table A-1
City of Fair Oaks Ranch Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2015-2014
	2015	2014*	2015	2014*	2015	2014*	
<i>Current Assets:</i>							
Cash and Cash Equivalents	\$ 11,438	\$ 4,935	\$ 4,679	\$ 3,633	\$ 16,117	\$ 8,568	88.1%
Receivables	284	265	564	379	848	644	31.7%
Inventories & Prepaids	44	24	160	115	204	139	46.8%
<i>Restricted Assets:</i>							
Cash and Investments	-	-	-	2,069	-	2,069	-100.0%
<i>Total Current Assets:</i>	<u>11,766</u>	<u>5,224</u>	<u>5,403</u>	<u>6,196</u>	<u>17,169</u>	<u>11,420</u>	<u>50.3%</u>
<i>Noncurrent Assets:</i>							
Land and Improvements	100	100	54	54	154	154	0.0%
Building and Improvements	1,735	1,735	-	-	1,735	1,735	0.0%
Utility Plant and Easements	-	-	15,832	12,027	15,832	12,027	31.6%
Vehicles and Equipment	1,018	988	580	580	1,598	1,568	1.9%
Infrastructure	3,023	3,023	-	-	3,023	3,023	0.0%
Construction in Progress	462	-	-	2,676	462	2,676	-82.7%
Less Accumulated Depreciation	<u>(2,136)</u>	<u>(1,959)</u>	<u>(5,795)</u>	<u>(5,260)</u>	<u>(7,931)</u>	<u>(7,219)</u>	<u>9.9%</u>
<i>Total Noncurrent Assets</i>	<u>4,202</u>	<u>3,887</u>	<u>10,671</u>	<u>10,077</u>	<u>14,873</u>	<u>13,964</u>	<u>6.5%</u>
<i>Total Assets</i>	<u>15,968</u>	<u>9,111</u>	<u>16,074</u>	<u>16,273</u>	<u>32,042</u>	<u>25,384</u>	<u>26.2%</u>
<i>Deferred Outflows of Resources:</i>							
Deferred Charge on Refunding	-	-	8	15	8	15	-46.7%
Deferred Pension Related Outflows	<u>211</u>	<u>130</u>	<u>75</u>	<u>45</u>	<u>286</u>	<u>175</u>	<u>63.4%</u>
<i>Total Deferred Outflows</i>	<u>211</u>	<u>130</u>	<u>83</u>	<u>60</u>	<u>294</u>	<u>190</u>	<u>16.8%</u>
<i>Liabilities:</i>							
Current Liabilities	754	417	607	1,545	1,361	1,962	-30.6%
<i>Non-Current Liabilities</i>							
Due within One Year	390	-	385	370	775	370	109.5%
Due in more than One Year	6,610	-	3,533	3,918	10,143	3,918	158.9%
Premiums on Issuance of Bonds	100	-	-	-	100	-	100.0%
Net Pension Liability	<u>355</u>	<u>289</u>	<u>126</u>	<u>102</u>	<u>481</u>	<u>391</u>	<u>23.0%</u>
<i>Total Liabilities</i>	<u>8,209</u>	<u>706</u>	<u>4,651</u>	<u>5,935</u>	<u>12,860</u>	<u>6,641</u>	<u>360.7%</u>
<i>Net Position:</i>							
Net Investment in Capital Assets	4,053	3,887	6,752	7,848	10,805	11,735	-7.9%
Restricted	67	68	-	-	67	68	-1.5%
Unrestricted	<u>3,850</u>	<u>4,580</u>	<u>4,754</u>	<u>2,550</u>	<u>8,604</u>	<u>7,130</u>	<u>20.7%</u>
<i>Total Net Position</i>	<u>\$ 7,970</u>	<u>\$ 8,535</u>	<u>\$ 11,506</u>	<u>\$ 10,398</u>	<u>\$ 19,476</u>	<u>\$ 18,933</u>	<u>2.9%</u>

*Note: Comparative information restated for adoption of GASB No. 68. See note A21 for more detail.

Table A-2
Changes in City of Fair Oaks Ranch Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2015-2014
	2015	2014*	2015	2014*	2015	2014*	
Charges for Services	\$ 643	\$ 653	\$ 4,454	\$ 4,108	\$ 5,097	\$ 4,761	7.1%
Operating Grants and Contributions	2	2	-	-	2	2	100.0%
Capital Grants and Contributions	-	-	-	-	-	-	N/A
General Revenues							
Property Taxes	2,823	2,634	-	-	2,823	2,634	7.2%
Non-Property Taxes	1,029	904	-	-	1,029	904	13.8%
Investment Earnings	25	2	4	4	29	6	383.3%
Miscellaneous	18	24	-	-	18	24	-25.0%
Total Revenues	4,540	4,219	4,458	4,112	8,998	8,332	8.0%
City Administration	1,797	921	-	-	1,797	921	95.1%
Municipal Court	81	82	-	-	81	82	-1.2%
Public Safety	1,735	1,588	-	-	1,735	1,588	9.3%
Public Health/Emergency	293	287	-	-	293	287	2.1%
Building Codes	162	119	-	-	162	119	36.1%
Public Works	869	1,074	-	-	869	1,074	-19.1%
Culture/Recreation/Other	33	64	-	-	33	64	-48.4%
Interest and Fiscal Fees	136	-	-	-	136	-	100.0%
Utility	-	-	3,352	3,243	3,352	3,243	3.4%
Total Expenses	\$ 5,106	\$ 4,135	\$ 3,352	\$ 3,243	\$ 8,458	\$ 7,378	14.6%
Transfers	-	-	-	-	-	-	-100.0%
Increase (Decrease) in Net Position	\$ (566)	\$ 84	\$ 1,106	\$ 869	\$ 540	\$ 954	-43.4%

*Note Comparative information for 2014 has not been restated for the effects of the adoption of GASB No. 68 as information is not available.

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

- The cost of all *governmental* activities this year was \$5,106,766.
- The amount that our taxpayers paid for these activities through property taxes was \$2,823,221.
- Some of the cost, \$643,366 or 13% was paid by those who directly benefited from the programs and activities.

Table A-3
 Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of Services			% Change	Net Cost of Services		
	2015	2014			2015	2014	% Change
City Administration	\$ 1,797	\$ 921	95.1%	\$ 1,625	\$ 722	125.1%	
Municipal Court	81	82	-1.2%	(77)	(77)	0.0%	
Public Safety	1,735	1,588	9.3%	1,724	1,578	9.3%	
Public Health/Emergency	293	287	2.1%	288	282	2.1%	
Building Codes	162	119	36.1%	(137)	(162)	-15.4%	
Public Works	869	1,074	-19.1%	869	1,074	-19.1%	
Culture/Recreation/Other	33	64	-48.4%	33	64	-48.4%	
Water and Sewer	3,352	3,243	3.4%	(1,102)	(865)	27.4%	

Business-Type Activities

Revenues of the City's Water & Sewer business-type activities were \$4,454,644 and operating expenses were \$3,352,439 (See Table A-2).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$4,545,339 in fiscal year 2015. Revenue from proprietary fund types totaled \$4,454,644 in fiscal year 2015.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were \$533,359 below final budget amounts.

- Sales tax collections were \$117,040 more than expected.
- Franchise tax collections were \$126,014 more than expected.
- Building Permits collections were \$55,156 more than expected.
- Personnel Expenditures were \$95,170 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the City had invested \$22,803,525 in a broad range of capital assets, including land, equipment, buildings, vehicles, infrastructure and construction in progress (See Table A-4). This amount less accumulated depreciation totaling \$7,931,508 results in a total Net Capital Asset value of \$14,872,017.

Table A-4
City of Fair Oaks Ranch Capital Assets
(In thousands dollars)

	Governmental		Business-Type		Total		Total Percentage Change 2015-2014
	Activities		Activities				
	2015	2014	2015	2014	2015	2014	
Land and Improvements	\$ 100	\$ 100	\$ 54	\$ 54	\$ 154	\$ 154	0.0%
Buildings and improvements	1,735	1,735	-	-	1,735	1,735	0.0%
Vehicles and Equipment	1,018	988	580	580	1,598	1,568	1.9%
Infrastructure	3,023	3,023	-	-	3,023	3,023	0.0%
Construction in Progress	462	-	-	2,676	462	2,676	-479.2%
Utility Plant	-	-	15,832	12,027	15,832	12,027	24.0%
Totals at historical cost	6,338	5,846	16,466	15,337	22,804	21,183	7.1%
Total accumulated depreciation	(2,136)	(1,959)	(5,795)	(5,260)	(7,931)	(7,219)	9.0%
Net capital assets	<u>\$ 4,202</u>	<u>\$ 3,887</u>	<u>\$ 10,671</u>	<u>\$ 10,077</u>	<u>\$ 14,873</u>	<u>\$ 13,964</u>	<u>6.1%</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$7,790,000 in bonds outstanding and \$3,128,000 in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City of Fair Oaks Ranch Long Term Debt
(In thousands dollars)

	Governmental		Business-type		Total		Total Percentage Change 2015-2014
	Activities		Activities				
	2015	2014	2015	2014	2015	2014	
Bonds Payable	\$ 7,000	\$ -	\$ 790	\$ 1,160	\$ 7,790	\$ 1,160	85.1%
Capital Lease	-	-	3,128	3,128	3,128	3,128	0.0%
Total Bonds and Capital Leases	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 1,160</u>	<u>\$ 7,790</u>	<u>\$ 1,160</u>	<u>85.1%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The net taxable assessed values used for the 2015-16 budget preparation is \$1,256,661,399 resulting in \$432,525 in property tax revenue for maintenance and operations.

The increase in net taxable assessed value is due to the annexation of over 300 built homes in one subdivision and due to a significant increase in issuance of new home building permits in several other subdivisions throughout the City. This indicator was taken into account adopting the General Fund budget for FY 2015-16 by setting the M&O property tax rate at a lower rate as the previous year.

Fiscal year 2015-16 expenditures are budgeted at \$4,981,862, a decrease from the previous fiscal year due to one-time major expenditures in FY 14-15. Increased departmental expenditures include technology upgrades, two new police officers, GIS technician and a Public Works Superintendent, home rule consideration, and drainage projects.

If these estimates are realized, the City's budgetary general fund balance will remain the same at the end of fiscal year 2016.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and Investments	\$ 11,438,359	\$ 4,679,180	\$ 16,117,539	\$ 352,455
Receivables (net of allowances for uncollectibles)				
Taxes	50,683	-	50,683	-
Accounts	232,997	563,761	796,758	27,932
Accrued Interest Receivable	-	2,352	2,352	-
Inventories	-	116,737	116,737	-
Prepays	43,625	41,329	84,954	-
Utility Deposits	-	185	185	-
Capital Assets:				
Land and Improvements	99,798	53,600	153,398	-
Buildings and Improvements	1,734,665	-	1,734,665	-
Utility Plant and Easements	-	15,832,286	15,832,286	-
Vehicles and Equipment	1,018,560	579,490	1,598,050	-
Infrastructure	3,022,818	-	3,022,818	-
Construction in Progress	462,308	-	462,308	-
Accumulated Depreciation	(2,136,291)	(5,795,217)	(7,931,508)	-
TOTAL ASSETS	15,967,522	16,073,703	32,041,225	380,387
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	-	8,786	8,786	-
Deferred Pension Related Outflows	210,501	74,868	285,369	-
TOTAL DEFERRED OUTFLOWS	\$ 210,501	\$ 83,654	\$ 294,155	\$ -

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable and Other				
Accrued Liabilities	\$ 605,034	\$ 251,723	\$ 856,757	\$ -
Accrued Compensated Absences	112,610	13,662	126,272	-
Accrued Interest Payable	35,918	90,918	126,836	-
Unearned Revenue	-	250,842	250,842	-
<i>Noncurrent Liabilities:</i>				
Due within One Year	390,000	385,000	775,000	-
Due in more than One Year	6,610,000	3,533,356	10,143,356	-
Premiums on Issuance of Bonds	100,090	-	100,090	-
Net Pension Liability	354,947	126,242	481,189	-
TOTAL LIABILITIES	8,208,599	4,651,743	12,860,342	-
NET POSITION				
Net Investment in Capital Assets	4,103,711	6,751,803	10,855,514	-
Restricted	66,909	-	66,909	-
Unrestricted	3,798,804	4,753,811	8,552,615	380,387
TOTAL NET POSITION	\$ 7,969,424	\$ 11,505,614	\$ 19,475,038	\$ 380,387

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
City Administration	\$ 1,796,709	\$ 171,929	\$ -	\$ -
Municipal Court	81,316	158,352	-	-
Public Safety	1,735,259	9,034	2,149	-
Public Health/Emergency	293,092	5,245	-	-
Building Codes	161,821	298,806	-	-
Public Works	869,328	-	-	-
Culture/Recreation/Other	33,233	-	-	-
Interest and Fiscal Fees on Long-term Debt	136,008	-	-	-
Total Governmental Activities	<u>5,106,766</u>	<u>643,366</u>	<u>2,149</u>	<u>-</u>
Business-Type Activities				
Water/Sewer Utility	<u>3,352,439</u>	<u>4,454,644</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>3,352,439</u>	<u>4,454,644</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 8,459,205</u>	<u>\$ 5,098,010</u>	<u>\$ 2,149</u>	<u>\$ -</u>
Component Unit				
Municipal Development District	<u>\$ 9,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property Taxes				
Non Property Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Municipal Development District
\$ (1,624,780)	\$ -	\$ (1,624,780)	
77,036	-	77,036	
(1,724,076)	-	(1,724,076)	
(287,847)	-	(287,847)	
136,985	-	136,985	
(869,328)	-	(869,328)	
(33,233)	-	(33,233)	
(136,008)	-	(136,008)	
<u>(4,461,251)</u>	<u>-</u>	<u>(4,461,251)</u>	
-	1,102,205	1,102,205	
-	1,102,205	1,102,205	
<u>(4,461,251)</u>	<u>1,102,205</u>	<u>(3,359,046)</u>	
			<u>\$ (9,111)</u>
2,823,221	-	2,823,221	-
1,028,559	-	1,028,559	142,964
25,359	4,177	29,536	-
18,130	-	18,130	-
<u>3,895,269</u>	<u>4,177</u>	<u>3,899,446</u>	<u>142,964</u>
(565,982)	1,106,382	540,400	133,853
8,694,116	10,455,679	19,149,795	246,534
(158,710)	(56,447)	(215,157)	-
<u>\$ 7,969,424</u>	<u>\$ 11,505,614</u>	<u>\$ 19,475,038</u>	<u>\$ 380,387</u>

CITY OF FAIR OAKS RANCH, TEXAS
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015

	<u>Major Fund</u> General Fund	<u>Major Fund</u> 2015 GO Bond Fund	<u>Major Fund</u> Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 4,421,019	\$ 7,017,340	\$ -	\$ 11,438,359
Receivables (net of allowances for uncollectibles):				
Property Taxes	50,683	-	-	50,683
Accounts	232,997	-	-	232,997
Due from Other Funds	98,147	-	2,260,000	2,358,147
Prepaid Items	43,625	-	-	43,625
TOTAL ASSETS	<u>\$ 4,846,471</u>	<u>\$ 7,017,340</u>	<u>\$ 2,260,000</u>	<u>\$ 14,123,811</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ 154,754	\$ -	\$ 364,162	\$ 518,916
Accrued Expenditures	86,118	-	-	86,118
Due to Other Funds	2,260,000	98,147	-	2,358,147
<i>Total Liabilities</i>	<u>2,500,872</u>	<u>98,147</u>	<u>364,162</u>	<u>2,963,181</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenues	50,683	-	-	50,683
<i>Total Deferred Inflows of Resources</i>	<u>50,683</u>	<u>-</u>	<u>-</u>	<u>50,683</u>
<i>Fund Balance:</i>				
Nonspendable:				
Prepaid Items	43,625	-	-	43,625
Restricted for:				
Court Technology	14,802	-	-	14,802
Court Security Building	47,270	-	-	47,270
Court Efficiency and Felony Forfeiture	518	-	-	518
PEG Fees	4,319	-	-	4,319
Capital Projects	-	6,919,193	-	6,919,193
Assigned for:				
Capital Projects	553,000	-	1,895,838	2,448,838
Legal Issues	50,000	-	-	50,000
Unassigned:	1,581,382	-	-	1,581,382
<i>Total Fund Balance</i>	<u>2,294,916</u>	<u>6,919,193</u>	<u>1,895,838</u>	<u>11,109,947</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 4,846,471</u>	<u>\$ 7,017,340</u>	<u>\$ 2,260,000</u>	<u>\$ 14,123,811</u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 11,109,947
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.		4,201,858
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		50,683
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(112,610)
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	7,000,000	
Unamortized Bond Premium	<u>100,090</u>	(7,100,090)
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	354,947	
Pension Related Deferred Outflows	<u>(210,501)</u>	(144,446)
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the governmental funds.		<u>(35,918)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 7,969,424</u></u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Major Fund General Fund	Major Fund 2015 GO Bond Fund	Major Fund Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 3,854,859	\$ -	\$ -	\$ 3,854,859
Licenses and Permits	304,051	-	-	304,051
Fines and Forfeits	158,352	-	-	158,352
Utility Management Fee	171,929	-	-	171,929
Interest	8,109	17,250	-	25,359
Grant Proceeds	2,149	-	-	2,149
Miscellaneous	26,255	90	-	26,345
Proceeds from Sale of Assets	2,295	-	-	2,295
TOTAL REVENUES	<u>4,527,999</u>	<u>17,340</u>	<u>-</u>	<u>4,545,339</u>
EXPENDITURES				
Current:				
City Administration	1,749,973	-	-	1,749,973
Municipal Court	81,918	-	-	81,918
Public Safety	1,653,785	-	-	1,653,785
Public Health/Emergency	281,876	-	-	281,876
Building Codes	162,100	-	-	162,100
Public Works	759,233	-	-	759,233
Culture and Recreation	33,233	-	-	33,233
Capital Projects/Outlay	106,672	98,147	364,162	568,981
Debt Service:				
Bond Issuance Costs	-	100,090	-	100,090
TOTAL EXPENDITURES	<u>4,828,790</u>	<u>198,237</u>	<u>364,162</u>	<u>5,391,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,791)</u>	<u>(180,897)</u>	<u>(364,162)</u>	<u>(845,850)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bonds Payable	-	7,000,000	-	7,000,000
Premium on Bonds Payable	-	100,090	-	100,090
Transfers In (Out)	(2,260,000)	-	2,260,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,260,000)</u>	<u>7,100,090</u>	<u>2,260,000</u>	<u>7,100,090</u>
Net Change in Fund Balance	(2,560,791)	6,919,193	1,895,838	6,254,240
Fund Balance at Beginning of Year	<u>4,855,707</u>	<u>-</u>	<u>-</u>	<u>4,855,707</u>
Fund Balance at End of Year	<u>\$ 2,294,916</u>	<u>\$ 6,919,193</u>	<u>\$ 1,895,838</u>	<u>\$ 11,109,947</u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,254,240

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

Governmental funds report 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	537,048	
Current Year Depreciation	<u>(220,456)</u>	316,592

Proceeds from capital asset dispositions produces current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is the net book value of capital assets disposed. (1,474)

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

Ad Valorem Revenue	(3,079)
--------------------	---------

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.

Proceeds from Bonds Payable	(7,000,000)	
Premium on Bonds Payable	<u>(100,090)</u>	(7,100,090)

Governmental funds report required contributions to employee pensions 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. 14,264

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	(10,517)	
Accrued Interest	<u>(35,918)</u>	

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (565,982)

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2015

	Business-Type Activities <u>Water/Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 4,679,180
Receivables (net of allowances for uncollectibles):	
Accounts	563,761
Accrued Interest Receivable	2,352
Inventories	116,737
Prepays	41,329
Utility Deposits	185
<i>Total Current Assets</i>	<u>5,403,544</u>
 <i>Capital Assets</i>	
Land and Improvements	53,600
Utility Plant and Easements	15,832,286
Vehicles & Equipment	579,490
Accumulated Depreciation	<u>(5,795,217)</u>
<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>10,670,159</u>
 TOTAL ASSETS	 <u>16,073,703</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	8,786
Deferred Pension Related Outflows	<u>74,868</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 83,654</u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2015

	Business-Type Activities <u>Water/Sewer Fund</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 157,073
Accrued Liabilities	94,650
Accrued Compensated Absences	13,662
Accrued Interest Payable	90,918
Unearned Revenue - Water Supply Agreements	250,842
Current Portion of Long-term Bonds	385,000
<i>Total Current Liabilities</i>	<u>992,145</u>
 <i>Noncurrent Liabilities</i>	
Long Term Debt	3,533,356
Net Pension Liability	126,242
<i>Total Noncurrent Liabilities</i>	<u>3,659,598</u>
 TOTAL LIABILITIES	 <u>4,651,743</u>
 NET POSITION	
Net Investment in Capital Assets	6,751,803
Unrestricted	4,753,811
 TOTAL NET POSITION	 <u><u>\$ 11,505,614</u></u>

See accompanying notes to basic 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, 2015

	Business-Type Activities
	Water/Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 4,454,644
TOTAL OPERATING REVENUES	4,454,644
 OPERATING EXPENSES	
Personnel Services	800,793
Contractual Services	10,609
Maintenance	188,751
Equipment Lease	3,626
Supplies	63,092
Office Supplies	56,532
Postage	14,323
Utilities	197,969
Management Fee	171,929
Professional Fees	95,120
Permits and Licenses	7,267
Water Reservation Fees	967,333
Insurance	17,361
Miscellaneous	78,912
TOTAL OPERATING EXPENSES	2,673,617
 Operating Income (Loss) Before Depreciation	1,781,027
 Depreciation	535,120
OPERATING INCOME (LOSS)	1,245,907
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	4,177
Interest and Fiscal Charges	(137,500)
Amortization of Deferred Loss on Refunding Issue	(6,202)
TOTAL NONOPERATING REVENUES (EXPENSES)	(139,525)
 CHANGE IN NET POSITION	1,106,382
 NET POSITION AT BEGINNING OF YEAR	10,455,679
Prior Period Adjustment	(56,447)
NET POSITION AT END OF YEAR	\$ 11,505,614

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities <u>Water/Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 4,175,676
Cash Paid for Employee Wages & Benefits	(735,886)
Cash Paid for Suppliers for Goods & Services	(2,714,989)
Cash Paid to General Fund for Management Fee	<u>(171,929)</u>
Net Cash Provided (Used) by Operating Activities	<u>552,872</u>
 Cash Flows From Capital and Related Financing Activities:	
Purchase/Construction of Capital Assets	(1,129,649)
Principal Payments on Long-Term Debt	(370,000)
Interest and Fiscal Charges Paid	<u>(79,089)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,578,738)</u>
 Cash Flows From Investing Activities:	
Investment Interest Received	<u>3,069</u>
Net Cash Provided (Used) by Investing Activities	<u>3,069</u>
Net Increase (Decrease) in Cash and Investments	<u>(1,022,797)</u>
 Cash and Investments at Beginning of Year:	
Cash and Investments	3,633,297
Restricted Cash and Investments	<u>2,068,680</u>
	<u>5,701,977</u>
 Cash and Investments at End of Year:	
Cash and Investments	4,679,180
Restricted Cash and Investments	-
	<u>\$ 4,679,180</u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Business-Type Activities</u> <u>Water/Sewer Fund</u>
Reconciliation of Net Operating Income to Net Cash Provided to Net Cash (Used) by Operating Activities:	
Operating Income (Loss)	\$ 1,245,907
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	535,120
Change in Net Pension Liability	(5,074)
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(185,363)
(Increase) Decrease in Inventories	(10,814)
(Increase) Decrease in Prepaids	(32,472)
(Increase) Decrease in Utility Deposits	2,075
Increase (Decrease) in Accounts Payable	(970,808)
Increase (Decrease) in Accrued Liabilities	75,273
Increase (Decrease) in Accrued Compensated Absences	(5,292)
Increase (Decrease) in Unearned Revenue	(95,680)
	(693,035)
Net Cash Provided (Used) by Operating Activities	\$ 552,872

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A -- 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:

1. 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, 2015, 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.

2. 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.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund meets the criteria of a *major governmental fund*. The City does not have any other governmental funds.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

The government reports the following major governmental funds:

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

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

Capital Projects Fund is used to account for other various capital projects including the public safety building that is funded through transfers from excess fund balance in the general fund.

There are no other governmental funds for the City.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

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

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

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

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

4. CASH AND INVESTMENTS

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

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts, certificates of deposit and public funds investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair value in accordance with GASB 31.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2014 and past due after January 31, 2015. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

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

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

7. 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".

8. 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.

9. RESTRICTED ASSETS

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

CITY OF FAIR OAKS RANCH, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. 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 estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	5 to 10 years
Buildings 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

11. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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 (expense/expenditure) until then. The City only has two items that qualify for reporting in this category: deferred charge on refunding and pension related items reported in the government-wide statement of net position, as well as the Proprietary Fund statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges related to pensions include contributions after the measurement date, differences in investment earnings, and differences in actuarial assumptions related to experience. The amounts are deferred and amortized over the actuarially determined periods.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. UNEARNED REVENUE

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

14. 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.

15. PENSIONS

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

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. FUND EQUITY (Continued)

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

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

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

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

17. 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.

18. 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, 2015, management fees totaled \$166,093.

19. OPERATING REVENUES AND EXPENSES

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

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

21. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

For the year ending September 30, 2015, the City implemented GASB Statement No. 68 related to accounting for pensions. This new standard requires the City plan's net pension liability (asset) and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements and proprietary funds. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at September 30, 2014 less associated deferred outflows of resources.

NOTE B -- CASH AND INVESTMENTS

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

1. Cash and Cash Equivalents

At September 30, 2015, the carrying amount of the City's cash on hand was \$1,025 and deposits in the bank (including certificates of deposit) were \$2,839,906 and the bank balance, \$2,835,942. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a face value of \$12,766,722 and market value of \$13,099,116 as collateral for the City's deposits. All of the City's cash was fully collateralized.

At September 30, 2015, the carrying amount of the MDD's deposits in the bank was \$352,455 and the bank balance was the same. Of the bank balance, \$250,000 was covered by federal deposit insurance and the remaining \$102,455 was uncollateralized.

2. 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) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

CITY OF FAIR OAKS RANCH, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements 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, 2015 were as shown below:

Investment	Reported Value
TexPool	\$ 13,276,608
Total Investments	\$ 13,276,608

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. At year end, the City was not exposed to custodial credit risk.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

3. Analysis of Specific Deposit and Investment Risks (Continued)

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

4. 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.

5. 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.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE C -- PROPERTY TAX

Taxes were levied on and payable as of January 1. The City has contracted with the Kendall 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 2015, the assessed tax rate for the City was .2663 per \$100 on an assessed valuation of \$1,080,429,983. Total tax levy for fiscal year 2015 is \$2,877,185. As of September 30, 2015, the delinquent current taxes for 2014 were \$17,655.

NOTE D -- 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. Interfund balances between City funds at September 30, 2015 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	2015 GO Bond Fund	\$ 98,147	Reimbursement of Costs
Capital Projects Fund	General Fund	2,260,000	Payment of Contribution Transfer
		<u>\$ 2,358,147</u>	

Transfers during the year ended September 30, 2015, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 2,260,000	Contribution toward Public Safety Building

NOTE E -- CAPITAL ASSETS

Capital asset activity in the governmental fund for the year ended September 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/2014</u>	<u>Additions & Adjustments</u>	<u>Disposals & Adjustments</u>	<u>Balance 9/30/2015</u>
Land and Improvements	\$ 99,798	\$ -	\$ -	\$ 99,798
Buildings and Improvements	1,734,665	-	-	1,734,665
Vehicles & Equipment	988,051	74,740	(44,231)	1,018,560
Infrastructure	3,022,818	-	-	3,022,818
Construction in Progress	-	462,308	-	462,308
	<u>5,845,332</u>	<u>537,048</u>	<u>(44,231)</u>	<u>6,338,149</u>
Less Accumulated Depreciation				
Land Improvements	(18,753)	-	-	(18,753)
Buildings and Improvements	(640,995)	(52,225)	-	(693,220)
Vehicles & Equipment	(713,023)	(92,661)	42,757	(762,927)
Infrastructure	(585,821)	(75,570)	-	(661,391)
	<u>(1,958,592)</u>	<u>(220,456)</u>	<u>42,757</u>	<u>(2,136,291)</u>
Governmental Capital Assets, Net	<u>\$ 3,886,740</u>	<u>\$ 316,592</u>	<u>\$ (1,474)</u>	<u>\$ 4,201,858</u>

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE E -- CAPITAL ASSETS (CONTINUED)

Capital asset activity in the proprietary fund for the year ended September 30, 2015, was as follows:

<u>Business-Type Activities</u>	Balance 10/1/2014	Additions & Adjustments	Disposals & Adjustments	Balance 9/30/2015
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Utility Plant and Easements	12,026,600	3,805,686	-	15,832,286
Vehicles & Equipment	579,490	-	-	579,490
Construction in Progress	2,676,037	1,082,319	(3,758,356)	-
Totals at Historical Cost	<u>15,335,727</u>	<u>4,888,005</u>	<u>(3,758,356)</u>	<u>16,465,376</u>
Less Accumulated Depreciation				
Utility Plant and Easements	(4,867,653)	(476,748)	-	(5,344,401)
Vehicles & Equipment	(392,444)	(58,372)	-	(450,816)
	<u>(5,260,097)</u>	<u>(535,120)</u>	<u>-</u>	<u>(5,795,217)</u>
Business-Type Capital Assets, Net	<u>\$ 10,075,630</u>	<u>\$ 4,352,885</u>	<u>\$ (3,758,356)</u>	<u>\$ 10,670,159</u>

Land and construction in progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 21,349
Public Safety	75,452
Public Health	11,216
Public Works	<u>112,439</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 220,456</u>

NOTE F -- 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 zero contributions in aid during the year ended September 30, 2015, but earned \$95,680 in current fees. The City has received \$584,128 in contributions in aid to date and has earned a total of \$333,286 in fees. The remaining \$250,842 of contributions are reported as unearned revenue accordingly.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE G -- LONG-TERM DEBT

Primary Government

At September 30, 2015, the City's long-term debt consisted of the following:

<u>Governmental Activities:</u>	<u>Range of Interest Rates</u>	<u>Unpaid Principal</u>	<u>Current Maturities</u>	<u>Long-Term Maturities</u>
General Obligation Refunding				
Bond, Series 2015	1.0 - 3.0%	\$ 7,000,000	\$ 390,000	\$ 6,610,000
Total Long-Term Debt		<u>\$ 7,000,000</u>	<u>\$ 390,000</u>	<u>\$ 6,610,000</u>
<u>Business-Type Activities:</u>	<u>Range of Interest Rates</u>	<u>Unpaid Principal</u>	<u>Current Maturities</u>	<u>Long-Term Maturities</u>
General Obligation Refunding				
Bond, Series 2008	3.5%	\$ 790,000	\$ 385,000	\$ 405,000
Capital Lease	3.31%	3,128,356	-	3,128,356
Total Long-Term Debt		<u>\$ 790,000</u>	<u>\$ 385,000</u>	<u>\$ 405,000</u>

Changes in the City's long-term debt during the fiscal year ended September 30, 2015:

<u>Governmental Activities:</u>	<u>Original Amount</u>	<u>Balance Outstanding Oct. 1, 2014</u>	<u>Current (Retirements) Additions</u>	<u>Balance Outstanding Sept. 30, 2015</u>
GO Bonds, Series 2015	\$ 7,000,000	\$ -	\$ 7,000,000	\$ 7,000,000
Compensated Absences		102,093	10,517	112,610
Total Governmental Activities		<u>102,093</u>	<u>7,010,517</u>	<u>7,112,610</u>
<u>Business-Type Activities:</u>				
2008 Refunding Series	\$ 3,065,000	1,160,000	(370,000)	790,000
Capital Lease	3,128,356	3,128,356	-	3,128,356
Compensated Absences		18,954	(5,292)	13,662
Total Business-Type Activities		<u>4,307,310</u>	<u>(375,292)</u>	<u>3,932,018</u>
Total Changes in Long-Term Debt		<u>\$ 4,409,403</u>	<u>\$ 6,635,225</u>	<u>\$ 11,044,628</u>

The total deferred charge on refunding is \$8,786 as of September 30, 2015 and is shown on the Statement of Net Position as a deferred outflow of resources.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE G -- LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2015, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 390,000	\$ 174,287	\$ 564,287
2017	425,000	126,153	551,153
2018	430,000	121,878	551,878
2019	435,000	117,009	552,009
2020	440,000	111,540	551,540
2021 - 2025	2,305,000	452,628	2,757,628
2026 - 2030	2,575,000	176,338	2,751,338
	<u>\$ 7,000,000</u>	<u>\$ 1,279,833</u>	<u>\$ 8,279,833</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 385,000	\$ 20,912	\$ 405,912
2017	405,000	7,087	412,087
	<u>\$ 790,000</u>	<u>\$ 27,999</u>	<u>\$ 817,999</u>

On April 4, 2014, the City entered into a lease purchase agreement with Siemens Public, Inc. for improvements to the City's utility system and infrastructure. The term of the lease is 14 years, with quarterly payments of \$22,500 through January 2018 and quarterly payments of \$88,626 beginning July 2018 through January 2029, which includes interest at 3.31% annually. The lease and the infrastructure are recorded in the Utility Fund.

Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2016	\$ 90,000
2017	90,000
2018	222,253
2019	354,506
2020	354,506
2021 - 2025	1,772,530
2026 - 2029	1,240,771
	<u>\$ 4,124,566</u>
Less: Interest Amount	(996,210)
	<u>\$ 3,128,356</u>

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE G -- LONG-TERM DEBT (CONTINUED)

The following is an analysis of the property under capital lease as of September 30, 2015:

Utility Plant and Easements	\$ 3,758,356
Less: Accumulated Depreciation	<u>(73,019)</u>
Net Leased Property	<u><u>\$ 3,685,337</u></u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 860 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 retirement system.

2. 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.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2013	2014
Inactive employees or beneficiaries currently receiving benefits	7	9
Inactive employees entitled to but not yet receiving benefits	21	22
Active employees	38	43
	66	74

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

3. 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.

For the year ending September 30, 2015, 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 11.47% and 11.75% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$250,635, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) or Asset was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Salary Increases	3.50% to 12.00%, including inflation
Investment Rate of Return*	7.00%

*Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

5. Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 rates of return by the target asset allocation percentage and by adding the expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	<u>100.00%</u>	

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

6. Discount Rate

The discount rate used to measure the Total Pension Liability was 7%. 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.

7. Discount Rate Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate <u>6%</u>	Discount Rate <u>7%</u>	Discount Rate <u>8%</u>
Net Pension Liability (Asset)	\$ 1,347,847	\$ 481,189	\$ (214,246)

8. Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2013	\$ 4,225,483	\$ 3,834,900	\$ 390,583
Changes for the year:			
Service Cost	314,855	-	314,855
Interest	303,986	-	303,986
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	66,156	-	66,156
Changes of Assumptions	-	-	-
Contributions - Employer	-	234,399	(234,399)
Contributions - Employee	-	143,051	(143,051)
Net Investment Income	-	219,419	(219,419)
Benefit Payments, Including Refunds of Employee Contributions	(80,511)	(80,511)	-
Administrative Expense	-	(2,290)	2,290
Other Changes	-	(188)	188
Net Changes	<u>604,486</u>	<u>513,880</u>	<u>90,606</u>
Balance at December 31, 2014	<u>\$ 4,829,969</u>	<u>\$ 4,348,780</u>	<u>\$ 481,189</u>

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

9. 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.

10. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$231,298. Also as of September 30, 2015, 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
Differences between Expected and Actual Economic Experience	\$ 54,488	\$ -
Changes in Actuarial Assumptions	-	-
Differences between Projected and Actual Investment Earnings	39,219	-
Contributions Subsequent to the Measurement Date	191,662	-
	\$ 285,369	\$ -

Deferred outflows of resources in the amount of \$191,662 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2015	\$ 21,473
2016	21,473
2017	21,473
2018	21,472
2019	7,816
	\$ 93,707

CITY OF FAIR OAKS RANCH, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2015

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Other Post-Employment Benefits

The City also 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.

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 post-employment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term-life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for the years ending September 30, 2015, 2014, and 2013 were \$3,272, \$3,147, and \$3,007, respectively, which equaled the required contributions each year.

NOTE I -- COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has entered into construction and engineering contracts for the following projects. Estimated future commitments associated with these contracts as of September 30, 2015 are as follows:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
Public Safety Building	\$ 2,223,963	\$ 310,797	\$ 1,913,166
Roadway Bond Project	1,040,885	98,147	942,738
Water System Improvements	278,725	7,134	271,591
Battle Intense Pathway Mobility	153,720	50,735	102,985
	<u>\$ 3,697,293</u>	<u>\$ 466,813</u>	<u>\$ 3,230,480</u>

Litigation

No reportable litigation was pending against the City.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE J -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, 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, 2015 were \$90,161 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 Funding Progress – Defined Benefit

CITY OF FAIR OAKS RANCH, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 3,611,707	\$ 3,611,707	\$ 3,854,859	\$ 243,152
Licenses and Permits	251,638	251,638	304,051	52,413
Fines and Forfeits	154,775	154,775	158,352	3,577
Utility Management Fee	171,000	171,000	171,929	929
Interest	3,000	3,000	8,109	5,109
Grant Proceeds	3,000	3,000	2,149	(851)
Miscellaneous	24,100	24,100	26,255	2,155
Gain (Loss) on Sale of Assets	4,000	4,000	2,295	(1,705)
TOTAL REVENUES	<u>4,223,220</u>	<u>4,223,220</u>	<u>4,527,999</u>	<u>304,779</u>
EXPENDITURES				
<i>City Administration:</i>				
Personnel	331,308	331,308	325,028	6,280
General	132,830	132,830	105,360	27,470
Maintenance	14,130	14,130	8,603	5,527
Contractual	1,376,368	1,376,368	1,304,715	71,653
Leases	6,000	6,000	6,267	(267)
<i>Total City Administration</i>	<u>1,860,636</u>	<u>1,860,636</u>	<u>1,749,973</u>	<u>110,663</u>
<i>Municipal Court:</i>				
Personnel	56,775	56,775	56,952	(177)
General	6,150	6,150	3,899	2,251
Maintenance	1,250	1,250	45	1,205
Contractual	23,790	23,790	21,022	2,768
<i>Total Municipal Court</i>	<u>87,965</u>	<u>87,965</u>	<u>81,918</u>	<u>6,047</u>
<i>Public Safety:</i>				
Personnel	1,373,728	1,373,728	1,331,812	41,916
General	122,820	122,820	97,002	25,818
Maintenance	22,878	22,878	16,516	6,362
Contractual	196,904	196,904	199,135	(2,231)
Leases	9,640	9,640	9,320	320
<i>Total Public Safety</i>	<u>1,725,970</u>	<u>1,725,970</u>	<u>1,653,785</u>	<u>72,185</u>
<i>Public Health/Emergency:</i>				
General	5,940	5,940	5,689	251
Maintenance	5,380	5,380	1,185	4,195
Contractual	276,011	276,011	275,002	1,009
<i>Total Public Health/Emergency</i>	<u>\$ 287,331</u>	<u>\$ 287,331</u>	<u>\$ 281,876</u>	<u>\$ 5,455</u>

CITY OF FAIR OAKS RANCH, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXPENDITURES (CONTINUED)	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Building Codes:</i>				
Personnel	\$ 111,636	\$ 149,136	\$ 145,618	\$ 3,518
General	9,175	12,375	12,548	(173)
Maintenance	1,100	1,100	2,365	(1,265)
Contractual	1,566	1,566	1,569	(3)
<i>Total Building Codes</i>	<u>123,477</u>	<u>164,177</u>	<u>162,100</u>	<u>2,077</u>
<i>Public Works:</i>				
Personnel	377,484	377,484	333,851	43,633
General	32,135	32,135	21,997	10,138
Maintenance	49,340	49,340	32,010	17,330
Contractual	420,393	420,393	371,375	49,018
<i>Total Public Works</i>	<u>879,352</u>	<u>879,352</u>	<u>759,233</u>	<u>120,119</u>
<i>Culture/Recreation/Other:</i>				
General	97,643	56,943	33,233	23,710
<i>Total Culture/Recreation/Other</i>	<u>97,643</u>	<u>56,943</u>	<u>33,233</u>	<u>23,710</u>
<i>Capital Outlay:</i>				
Personal Property	99,775	99,775	106,672	(6,897)
Land Improvements	200,000	200,000	-	200,000
<i>Total Capital Outlay</i>	<u>299,775</u>	<u>299,775</u>	<u>106,672</u>	<u>193,103</u>
TOTAL EXPENDITURES	<u>5,362,149</u>	<u>5,362,149</u>	<u>4,828,790</u>	<u>533,359</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,138,929)</u>	<u>(1,138,929)</u>	<u>(300,791)</u>	<u>838,138</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	(2,260,000)	(2,260,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,260,000)</u>	<u>(2,260,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,138,929)	(3,398,929)	(2,560,791)	838,138
Fund Balance - Beginning of Year	<u>4,855,707</u>	<u>4,855,707</u>	<u>4,855,707</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,716,778</u>	<u>\$ 1,456,778</u>	<u>\$ 2,294,916</u>	<u>\$ 838,138</u>

Note that the above deficit for current operations was approved by City Council as a use of prior fund balance.



CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2015

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 maintains a legally adopted budget.

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

Note that the Other Financing Uses to transfer out \$2,260,000 was not approved as a formal amendment to the budget; however, the expenditure was directly approved by the City Council and was to be tracked in a separate capital projects fund.

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.



CITY OF FAIR OAKS RANCH, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
 LAST CALENDAR YEAR

Total Pension Liability	
	2014
Service Cost	\$ 314,855
Interest (on the Total Pension Liability)	303,986
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	66,156
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(80,511)
Net Change in Total Pension Liability	604,486
Total Pension Liability - Beginning	4,225,483
Total Pension Liability - Ending	\$ 4,829,969
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 234,399
Contributions - Employee	143,051
Net Investment Income	219,419
Benefit Payments, Including Refunds of Employee Contributions	(80,511)
Administrative Expense	(2,290)
Other	(188)
Net Change in Plan Fiduciary Net Position	513,880
Plan Fiduciary Net Position - Beginning	3,834,900
Plan Fiduciary Net Position - Ending	\$ 4,348,780
Net Pension Liability (Asset) - Ending	\$ 481,189
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.04%
Covered Employee Payroll	\$ 2,043,586
Net Pension Liability as a Percentage of Covered Employee Payroll	23.55%

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2015

Schedule of Contributions:

	2014
Actuarially Determined Contribution	\$ 250,635
Contribution in Relation to the Actuarially Determined Contribution	250,635
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	\$ 2,147,330
 Contributions as a Percentage of Covered Employee Payroll	11.67%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year Smoothed Market, 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

This part of the City of Fair Oaks Ranch's 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 Fair Oaks Ranch's overall financial health.

Contents

Financial Trends – Tables 1 through 5

These schedules contain trend information to help the reader understand how the City of Fair Oaks Ranch's financial performance and well-being have changed over time.

Revenue Capacity – Tables 6 through 9

These schedules contain information to help the reader assess the City of Fair Oaks Ranch's most significant local revenue source, the property tax.

Debt Capacity – Table 10

This schedules present information to help the reader assess the affordability of the City of Fair Oaks Ranch's current levels of outstanding debt, and our ability to issue additional debt.

Demographic and Economic Information – Tables 11 and 12

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Fair Oaks Ranch's financial activities take place.

CITY OF FAIR OAKS RANCH, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006*	2007*	2008*	2009*
Governmental Activities				
Net Investment in Capital Assets	\$ 2,941,068	\$ 3,398,697	\$ 3,316,645	\$ 3,216,848
Restricted	-	-	-	-
Unrestricted	<u>2,380,942</u>	<u>2,615,572</u>	<u>2,746,778</u>	<u>3,149,374</u>
Total Governmental Activities				
Net Position	<u>\$ 5,322,010</u>	<u>\$ 6,014,269</u>	<u>\$ 6,063,423</u>	<u>\$ 6,366,222</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 4,368,759	\$ 4,823,656	\$ 4,935,977	\$ 5,003,477
Unrestricted	<u>1,785,943</u>	<u>1,958,878</u>	<u>2,037,141</u>	<u>2,424,188</u>
Total Business-Type Activities				
Net Position	<u>\$ 6,154,702</u>	<u>\$ 6,782,534</u>	<u>\$ 6,973,118</u>	<u>\$ 7,427,665</u>
Primary Government				
Net Investment in Capital Assets	\$ 7,309,827	\$ 8,222,353	\$ 8,252,622	\$ 8,220,325
Restricted	-	-	-	-
Unrestricted	<u>4,166,885</u>	<u>4,574,450</u>	<u>4,783,919</u>	<u>5,573,562</u>
Total Primary Government				
Net Position	<u>\$11,476,712</u>	<u>\$12,796,803</u>	<u>\$13,036,541</u>	<u>\$13,793,887</u>

*Note: Prior periods have not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available to restate (note A21).

TABLE 1

Fiscal Year					
2010*	2011*	2012*	2013*	2014	2015
\$ 4,940,584	\$ 4,802,338	\$ 4,675,461	\$ 4,658,498	\$ 3,886,740	\$ 4,103,711
39,266	46,229	48,355	64,787	68,071	66,909
2,483,604	3,002,828	3,452,484	3,887,116	4,580,595	3,798,804
<u>\$ 7,463,454</u>	<u>\$ 7,851,395</u>	<u>\$ 8,176,300</u>	<u>\$ 8,610,401</u>	<u>\$ 8,535,406</u>	<u>\$ 7,969,424</u>
\$ 5,767,825	\$ 5,733,694	\$ 5,842,767	\$ 6,255,433	\$ 7,847,915	\$ 6,751,803
2,004,430	2,603,460	2,972,799	3,331,135	2,551,317	4,753,811
<u>\$ 7,772,255</u>	<u>\$ 8,337,154</u>	<u>\$ 8,815,566</u>	<u>\$ 9,586,568</u>	<u>\$ 10,399,232</u>	<u>\$ 11,505,614</u>
\$ 10,708,409	\$ 10,536,032	\$ 10,518,228	\$ 10,913,931	\$ 11,734,655	\$ 10,855,514
39,266	46,229	48,355	64,787	68,071	66,909
4,488,034	5,606,288	6,425,283	7,218,251	7,131,912	8,552,615
<u>\$ 15,235,709</u>	<u>\$ 16,188,549</u>	<u>\$ 16,991,866</u>	<u>\$ 18,196,969</u>	<u>\$ 18,934,638</u>	<u>\$ 19,475,038</u>

CITY OF FAIR OAKS RANCH, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

Expenses	Fiscal Year			
	2006*	2007*	2008*	2009*
Governmental Activities:				
City Administration	\$ 405,798	\$ 592,778	\$ 462,165	\$ 535,765
Municipal Court	63,331	66,621	71,893	74,356
Public Safety	726,671	893,991	1,020,014	1,113,684
Public Health/Emergency	194,881	195,440	285,994	220,713
Building Codes	74,314	80,165	84,258	89,412
Public Works	417,385	509,670	727,013	765,066
Culture/Recreational/Other	41,872	108,076	88,634	58,273
Interest on Long-Term Debt	-	4,413	8,579	2,548
Total Governmental Activities Expenses	<u>1,924,252</u>	<u>2,451,154</u>	<u>2,748,550</u>	<u>2,859,817</u>
Business-Type Activities:				
Water/Sewer Utility	<u>2,138,239</u>	<u>2,164,092</u>	<u>2,551,516</u>	<u>2,720,050</u>
Total Business-Type Activities	<u>2,138,239</u>	<u>2,164,092</u>	<u>2,551,516</u>	<u>2,720,050</u>
Total Primary Government Expenses	<u>\$ 4,062,491</u>	<u>\$ 4,615,246</u>	<u>\$ 5,300,066</u>	<u>\$ 5,579,867</u>
 Program Revenues				
Governmental Activities:				
Charges for Service:				
City Administration	\$ 126,018	\$ 97,667	\$ 131,693	\$ 147,729
Municipal Court	100,497	100,699	114,122	72,771
Public Safety	-	-	-	5,733
Public Health/Emergency	5,830	5,785	4,920	6,795
Building Codes	139,204	156,557	119,542	77,293
Operating Grants and Contributions	6,634	4,592	5,141	-
Capital Grants and Contributions	921,981	559,423	-	-
Total Governmental Activities Program Revenues	<u>1,300,164</u>	<u>924,723</u>	<u>375,418</u>	<u>310,321</u>
Business-Type Activities:				
Charges for Service:				
Water/Sewer Utility	2,707,263	2,149,163	2,695,394	3,167,197
Capital Grants and Contributions	985,396	562,740	-	-
Total Primary Government Program Revenues	<u>\$ 4,992,823</u>	<u>\$ 3,636,626</u>	<u>\$ 3,070,812</u>	<u>\$ 3,477,518</u>

*Note: Prior periods have not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available to restate (note A21).

TABLE 2

Fiscal Year					
2010*	2011*	2012*	2013*	2014*	2015
\$ 692,233	\$ 578,516	\$ 588,562	\$ 638,151	\$ 921,009	\$ 1,796,709
70,340	79,208	77,131	79,538	81,522	81,316
1,232,747	1,295,748	1,342,773	1,521,426	1,588,137	1,735,259
319,465	231,337	255,789	282,238	286,999	293,092
84,319	86,316	88,521	98,196	119,338	161,821
727,527	776,437	815,467	933,879	1,074,375	869,328
32,352	47,335	125,537	139,671	63,517	33,233
4,225	1,200	-	-	-	136,008
<u>3,163,208</u>	<u>3,096,097</u>	<u>3,293,780</u>	<u>3,693,099</u>	<u>4,134,897</u>	<u>5,106,766</u>
<u>2,879,504</u>	<u>2,785,881</u>	<u>2,954,021</u>	<u>3,013,859</u>	<u>3,242,807</u>	<u>3,352,439</u>
<u>2,879,504</u>	<u>2,785,881</u>	<u>2,954,021</u>	<u>3,013,859</u>	<u>3,242,807</u>	<u>3,352,439</u>
<u>\$ 6,042,712</u>	<u>\$ 5,881,978</u>	<u>\$ 6,247,801</u>	<u>\$ 6,706,958</u>	<u>\$ 7,377,704</u>	<u>\$ 8,459,205</u>
\$ 126,612	\$ 237,810	\$ 241,201	\$ 249,506	\$ 198,992	\$ 171,929
114,981	131,279	126,633	156,452	158,407	158,352
5,960	7,736	6,824	7,079	8,664	9,034
7,521	6,720	6,580	7,245	5,325	5,245
85,493	73,595	127,522	196,062	281,831	298,806
3,855	-	-	605	1,715	2,149
998,250	-	-	-	-	-
<u>1,342,672</u>	<u>457,140</u>	<u>508,760</u>	<u>616,949</u>	<u>654,934</u>	<u>645,515</u>
2,434,913	3,352,080	3,427,533	3,744,856	4,107,471	4,454,644
796,054	4,454,644	-	-	-	-
<u>\$ 4,573,639</u>	<u>\$ 8,263,864</u>	<u>\$ 3,936,293</u>	<u>\$ 4,361,805</u>	<u>\$ 4,762,405</u>	<u>\$ 5,100,159</u>

CITY OF FAIR OAKS RANCH, TEXAS
CHANGE IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006*	2007*	2008*	2009*
Net (Expenses) Revenue				
Governmental Activities	\$ (624,088)	\$(1,526,431)	\$(2,373,132)	\$(2,549,496)
Business-Type Activities	1,554,420	547,811	143,878	447,147
Total Primary Government				
Net Expenses	<u>\$ 930,332</u>	<u>\$ (978,620)</u>	<u>\$(2,229,254)</u>	<u>\$(2,102,349)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,646,403	\$ 1,778,179	\$ 2,000,492	\$ 2,230,070
Non-Property Taxes	253,214	249,186	283,543	555,500
Interest and Investment Earnings	114,243	165,411	110,430	29,017
Miscellaneous	21,368	25,914	22,518	27,102
Transfers	-	-	5,303	10,606
Total Governmental Activities	<u>2,035,228</u>	<u>2,218,690</u>	<u>2,422,286</u>	<u>2,852,295</u>
Business-Type Activities:				
Interest and Investment Earnings	52,429	80,021	52,009	18,006
Transfers	-	-	(5,303)	(10,606)
Total Business-Type Activities	<u>52,429</u>	<u>80,021</u>	<u>46,706</u>	<u>7,400</u>
Total Primary Government	<u>\$ 2,087,657</u>	<u>\$ 2,298,711</u>	<u>\$ 2,468,992</u>	<u>\$ 2,859,695</u>
Changes In Net Position				
Government Activities	\$ 1,411,140	\$ 692,259	\$ 49,154	\$ 302,799
Business-Type Activities	1,606,849	627,832	190,584	454,547
Total Primary Government	<u>\$ 3,017,989</u>	<u>\$ 1,320,091</u>	<u>\$ 239,738</u>	<u>\$ 757,346</u>

*Note: Prior periods have not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available to restate (note A21).

TABLE 2 (Continued)

Fiscal Year					
2010*	2011*	2012*	2013*	2014*	2015
<u>\$(1,820,536)</u>	<u>\$(2,638,957)</u>	<u>\$(2,785,020)</u>	<u>\$(3,076,150)</u>	<u>\$(3,479,963)</u>	<u>\$(4,461,251)</u>
<u>351,463</u>	<u>5,020,843</u>	<u>473,512</u>	<u>730,997</u>	<u>864,664</u>	<u>1,102,205</u>
<u><u>\$(1,469,073)</u></u>	<u><u>\$ 2,381,886</u></u>	<u><u>\$(2,311,508)</u></u>	<u><u>\$(2,345,153)</u></u>	<u><u>\$(2,615,299)</u></u>	<u><u>\$(3,359,046)</u></u>
\$ 2,322,501	\$ 2,327,361	\$ 2,345,006	\$ 2,561,039	\$ 2,634,353	\$ 2,823,221
598,699	634,021	662,271	750,966	903,592	1,028,559
10,691	7,324	7,213	7,094	1,633	25,359
14,537	13,623	95,435	225,123	24,100	18,130
10,606	5,303	-	(33,971)	-	-
<u>2,957,034</u>	<u>2,987,632</u>	<u>3,109,925</u>	<u>3,510,251</u>	<u>3,563,678</u>	<u>3,895,269</u>
3,733	4,003	4,900	6,034	4,447	4,177
<u>(10,606)</u>	<u>(5,303)</u>	<u>-</u>	<u>33,971</u>	<u>-</u>	<u>-</u>
<u>(6,873)</u>	<u>(1,300)</u>	<u>4,900</u>	<u>40,005</u>	<u>4,447</u>	<u>4,177</u>
<u><u>\$ 2,950,161</u></u>	<u><u>\$ 2,986,332</u></u>	<u><u>\$ 3,114,825</u></u>	<u><u>\$ 3,550,256</u></u>	<u><u>\$ 3,568,125</u></u>	<u><u>\$ 3,899,446</u></u>
\$ 1,136,498	\$ 348,675	\$ 324,905	\$ 434,101	\$ 83,715	\$ (565,982)
<u>344,590</u>	<u>5,019,543</u>	<u>478,412</u>	<u>771,002</u>	<u>869,111</u>	<u>1,106,382</u>
<u><u>\$ 1,481,088</u></u>	<u><u>\$ 5,368,218</u></u>	<u><u>\$ 803,317</u></u>	<u><u>\$ 1,205,103</u></u>	<u><u>\$ 952,826</u></u>	<u><u>\$ 540,400</u></u>

CITY OF FAIR OAKS RANCH, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
Nonspendable Fund Balance:				
Prepaid Items	\$ 18,099	\$ 43,468	\$ 17,761	\$ 25,339
Restricted Fund Balance:				
Court Technology	16,243	21,850	1,740	2,171
Court Security	17,420	21,769	25,398	27,728
Court Efficiency	64	36	10	5
Felony Forfeiture	-	-	-	-
PEG Fees	-	-	-	-
Capital Projects	-	-	-	-
Total Restricted Fund Balance	33,727	43,655	27,148	29,904
Committed Fund Balance:				
Public Safety Committee	-	-	-	-
Wildlife Research Study	-	-	-	-
TxDOT Projects	-	-	-	-
Partnership Water Study	-	-	-	-
Total Committed Fund Balance	-	-	-	-
Assigned Fund Balance:				
Capital Projects	-	-	-	-
Legal Issues	-	-	-	-
Total Assigned Fund Balance	-	-	-	-
Unassigned	2,320,416	2,524,777	2,702,746	3,077,462
Total Governmental Funds	\$ 2,372,242	\$ 2,611,900	\$ 2,747,655	\$ 3,132,705

TABLE 3

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 23,524	\$ 24,628	\$ 24,104	\$ 25,631	\$ 24,220	\$ 43,625
7,298	10,177	9,477	15,845	15,285	14,802
31,574	35,640	38,436	44,497	44,420	47,270
16	34	64	16	110	140
378	378	378	3,937	3,937	378
-	-	-	3,492	4,319	4,319
-	-	-	-	-	6,919,193
39,266	46,229	48,355	67,787	68,071	6,986,102
-	-	250,000	30,451	30,451	-
-	-	45,779	16,928	-	-
-	-	-	-	810,000	-
-	-	-	-	100,000	-
-	-	295,779	47,379	940,451	-
-	-	-	1,000,000	720,000	2,448,838
-	-	-	50,000	50,000	50,000
-	-	-	1,050,000	770,000	2,498,838
2,514,179	3,008,608	3,158,573	2,794,225	3,052,965	1,581,382
\$ 2,576,969	\$ 3,079,465	\$ 3,526,811	\$ 3,985,022	\$ 4,855,707	\$ 11,109,947

CITY OF FAIR OAKS RANCH, TEXAS
CHANGES IN FUND BALANCE
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
REVENUES				
Taxes	\$ 1,889,989	\$ 2,025,748	\$ 2,277,623	\$ 2,766,918
Licenses and Permits	145,146	164,827	125,162	86,388
Fines and Forfeits	105,001	105,291	119,263	78,503
Utility Management Fee	126,018	97,667	130,993	145,430
Interest	114,243	165,411	110,430	29,017
Miscellaneous	23,385	38,122	22,518	27,102
TOTAL REVENUES	<u>2,403,782</u>	<u>2,597,066</u>	<u>2,785,989</u>	<u>3,133,358</u>
EXPENDITURES				
Current:				
City Administration	387,656	575,105	452,963	463,894
Municipal Court	63,331	66,621	71,893	74,356
Public Safety	714,975	847,545	962,543	1,058,030
Public Health/Emergency	182,517	180,657	267,360	205,765
Building Codes	74,314	80,166	84,258	89,412
Public Works	362,983	432,025	644,430	667,404
Culture and Recreation	41,872	108,073	88,634	58,273
Capital Projects/Outlay	16,287	71,845	163,070	92,434
Debt Service:				
Capital Lease Payments	-	67,825	65,237	90,312
Capital Lease Interest	-	-	8,579	2,548
Bond Issuance Costs	-	-	-	-
TOTAL EXPENDITURES	<u>1,843,935</u>	<u>2,429,862</u>	<u>2,808,967</u>	<u>2,802,428</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>559,847</u>	<u>167,204</u>	<u>(22,978)</u>	<u>330,930</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Capital Lease Financing	-	71,845	153,430	43,514
Proceeds of Bond Issuance	-	-	-	-
Premiums on Bond Issuance	-	-	-	-
Transfer from Other Funds	-	-	5,303	10,606
Proceeds from Disposal of Equipment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>71,845</u>	<u>158,733</u>	<u>54,120</u>
 Net Change in Fund Balance	 <u>\$ 559,847</u>	 <u>\$ 239,049</u>	 <u>\$ 135,755</u>	 <u>\$ 385,050</u>
 Debt Service as a Percentage of Noncapital Expenditures	 -	 2.9%	 2.8%	 3.4%

TABLE 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 2,951,739	\$ 2,968,775	\$ 2,988,981	\$ 3,306,451	\$ 3,537,635	\$ 3,854,859
94,654	82,070	135,992	203,307	287,156	304,051
120,941	131,279	126,633	156,452	158,407	158,352
113,889	159,071	159,435	169,357	166,093	171,929
10,691	7,324	7,213	7,094	1,633	25,359
36,847	100,284	182,135	316,504	622,574	30,789
<u>3,328,761</u>	<u>3,448,803</u>	<u>3,600,389</u>	<u>4,159,165</u>	<u>4,773,498</u>	<u>4,545,339</u>
632,220	533,332	548,635	609,674	717,511	1,749,973
70,340	77,203	75,754	83,854	80,509	81,918
1,184,137	1,250,707	1,282,550	1,402,730	1,463,524	1,653,785
304,614	216,613	242,174	271,023	275,784	281,876
84,319	86,864	88,663	95,948	119,507	162,100
605,504	658,761	700,305	747,165	962,447	759,233
32,352	47,335	125,537	139,671	63,517	33,233
900,732	48,399	89,425	319,918	217,014	568,981
76,660	48,181	-	-	-	-
4,225	1,200	-	-	-	-
-	-	-	-	-	100,090
<u>3,895,103</u>	<u>2,968,595</u>	<u>3,153,043</u>	<u>3,669,983</u>	<u>3,899,813</u>	<u>5,391,189</u>
<u>(566,342)</u>	<u>480,208</u>	<u>447,346</u>	<u>489,182</u>	<u>873,685</u>	<u>(845,850)</u>
-	-	-	-	-	-
-	-	-	-	-	7,000,000
-	-	-	-	-	100,090
10,606	5,303	-	(33,971)	-	-
-	16,985	-	-	-	-
<u>10,606</u>	<u>22,288</u>	<u>-</u>	<u>(33,971)</u>	<u>-</u>	<u>7,100,090</u>
<u>\$ (555,736)</u>	<u>\$ 502,496</u>	<u>\$ 447,346</u>	<u>\$ 455,211</u>	<u>\$ 873,685</u>	<u>\$ 6,254,240</u>
2.7%	1.7%	0.0%	0.0%	0.0%	2.1%

CITY OF FAIR OAKS RANCH, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales	Franchise	Mixed Beverage	Total
2006	\$ 1,636,775	\$ -	\$ 247,354	\$ 5,860	\$ 1,889,989
2007	1,776,563	-	242,754	6,431	2,025,748
2008	1,994,080	-	276,560	6,983	2,277,623
2009	2,211,418	247,950	279,395	28,155	2,766,918
2010	2,353,040	282,708	295,603	20,386	2,951,737
2011	2,334,754	305,028	312,645	16,348	2,968,775
2012	2,326,710	325,128	323,308	13,835	2,988,981
2013	2,555,485	389,722	346,066	15,178	3,306,451
2014	2,634,043	431,575	453,279	18,738	3,537,635
2015	2,826,300	513,040	496,714	18,805	3,854,859

CITY OF FAIR OAKS RANCH, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2006	\$ 661,015,200	\$ 38,667,325	\$ 25,133,269	\$ 674,549,256	0.2461
2007	710,191,865	51,277,590	38,626,811	722,842,644	0.2415
2008	838,453,794	65,125,001	69,342,898	834,235,897	0.2461
2009	938,067,890	95,346,777	97,894,497	935,520,170	0.2415
2010	1,006,529,595	44,577,989	82,136,984	968,970,600	0.2461
2011	992,927,327	40,159,647	54,767,903	978,319,071	0.2415
2012	937,057,120	86,472,850	54,659,715	968,870,255	0.2461
2013	943,904,242	92,123,352	57,650,996	978,376,598	0.2663
2014	958,417,836	105,566,114	60,565,527	1,003,418,423	0.2663
2015	1,026,612,835	107,240,362	53,423,214	1,080,429,983	0.2663

Source: Bexar, Comal, and 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
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

TABLE 7

Fiscal Period	City	Boerne School District	Bexar County	Kendall County	Comal County	Total
2006	0.24610	1.620	0.331190	0.37000	0.315201	2.882491
2007	0.24150	1.620	0.314147	0.37000	0.315201	2.860848
2008	0.24610	1.330	0.295104	0.37000	0.317993	2.559197
2009	0.24150	1.330	0.289399	0.37000	0.308023	2.538922
2010	0.24610	1.330	0.296187	0.37000	0.312955	2.555242
2011	0.24150	1.314	0.296187	0.37000	0.334000	2.555687
2012	0.24610	1.314	0.296187	0.37000	0.350421	2.576708
2013	0.26630	1.294	0.296187	0.39500	0.305221	2.556708
2014	0.26630	1.294	0.296187	0.39400	0.278221	2.528708
2015	0.26630	1.294	0.283821	0.39400	0.292821	2.530942

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 on 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
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO

TABLE 8

Taxpayer	2015			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Greenland Ventures	\$ 3,105,510	1	0.29%			0.00%
Bilbrey Pam	1,334,660	2	0.12%			0.00%
Fair Oaks Club Corp	1,192,040	3	0.11%	\$ 8,009,261	1	1.23%
Barron, Edward & Deborah	1,043,070	4	0.10%			0.00%
Kaiser, Keith & Kristi	1,034,430	5	0.10%			0.00%
Carola De Los Angeles Garcia	1,008,720	6	0.09%			0.00%
Stokes Family Living Trust	982,980	8	0.09%			0.00%
Sharp, Donn & Malinda	978,100	7	0.09%			0.00%
Powers, Donald & Leslie	969,740	9	0.09%			0.00%
Torpey, Scott & Brenda	966,710	10	0.09%			0.00%
Armstrong Family Trust				2,249,610	2	0.35%
P. Steldt				2,138,820	3	0.33%
Fair Ralph E., Inc.				1,701,420	4	0.26%
Time Warner Cable				1,419,360	5	0.22%
Fountains Development Group				1,248,890	6	0.19%
P. Bilbrey				1,181,380	7	0.18%
G. Rapier				997,860	8	0.15%
G. Frashier				907,350	9	0.14%
G. Nagel				741,940	10	0.11%
Total	<u>\$ 12,615,960</u>		<u>1.17%</u>	<u>\$ 20,595,891</u>		<u>3.16%</u>

CITY OF FAIR OAKS RANCH, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year Ended <u>September 30,</u>	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
2006	\$ 1,684,559	\$ 1,619,222	96.12%	\$ 64,611	\$ 1,683,833	99.96%
2007	1,807,107	1,789,693	99.04%	16,653	1,806,346	99.96%
2008	2,035,536	2,015,608	99.02%	17,431	2,033,039	99.88%
2009	2,259,896	2,226,351	98.52%	30,779	2,257,130	99.88%
2010	2,340,064	2,318,698	99.09%	18,903	2,337,601	99.89%
2011	2,357,767	2,340,869	99.28%	14,546	2,355,415	99.90%
2012	2,381,119	2,357,934	99.03%	17,540	2,375,474	99.76%
2013	2,604,255	2,577,855	98.99%	19,479	2,597,334	99.73%
2014	2,672,104	2,653,136	99.29%	10,071	2,663,207	99.67%
2015	2,877,185	2,859,530	99.39%	-	2,859,530	99.39%

Source: Kendall County Appraisal District

* Includes discounts allowed for early payments. Discounts taken for the fiscal year ended September 30, 2015 were \$65,289.

CITY OF FAIR OAKS RANCH, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 10

Fiscal Year	Governmental Activities <u>GO Bonds</u>	Governmental Activities <u>Capital Leases</u>	Business-Type Activities <u>Capital Leases</u>	Business-Type Activities <u>Certificates of Obligation</u>	Total Government	Per Capita*
2006	\$ -	\$ 75,015	\$ -	\$ 3,525,000	\$ 3,600,015	620
2007	-	83,446	-	3,290,000	3,373,446	565
2008	-	171,639	-	3,065,000	3,236,639	549
2009	-	124,841	-	2,780,000	2,904,841	456
2010	-	48,181	-	2,485,000	2,533,181	456
2011	-	-	-	2,175,000	2,175,000	358
2012	-	-	-	1,855,000	1,855,000	305
2013	-	-	-	1,515,000	1,515,000	239
2014	-	-	3,128,356	1,160,000	4,288,356	653
2015	7,000,000	-	3,128,356	790,000	10,918,356	1,662

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

*See Population figures on Table 11.

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

TABLE 11

Year	Population	Per Capita Personal Income	Median Age	School Enrollment	San Antonio Unemployment Rate
2006	5694	\$ 45,293	45.9	797	3.4%
2007	5825	45,293	45.9	693	4.1%
2008	5895	45,293	45.9	658	5.0%
2009	5966	45,293	45.9	660	7.1%
2010	5986	58,576	50.9	678	7.6%
2011	6068	58,576	50.9	683	6.8%
2012	6084	60,195	50.9	776	6.1%
2013	6326	57,945	50.9	697	5.7%
2014	6569	57,306	50.9	650	5.1%
2015	6569	55,586	51.2	650	5.1%

Sources: Population, Per Capita Income, and Median Age provided by the United States Census Bureau/American Fact Finders. 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
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND SIX YEARS AGO

TABLE 12

Employer	2015		2009	
	Employees	Rank	Employees	Rank
Lackland Air Force Base	37,097	1	28,100	2
Fort Sam Houston	32,000	2	30,793	1
HEB Food Stores	20,000	3	14,852	3
USAA	17,000	4	14,588	4
Northside I.S.D.	12,751	5	12,597	5
Randolph Air Force Base	11,068	6	10,700	6
North East I.S.D.	10,052	7	10,223	7
City of San Antonio	9,145	8	9,000	8
Methodist Healthcare System	8,118	9	7,581	9
Baptist Health System	7,000	10	7,013	10
Total	<u>164,231</u>		<u>145,447</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.

Information for nine years ago is not available; information for 2009 is presented instead.

Source: San Antonio Economic Development Corporation

