

CITY OF FAIR OAKS RANCH, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2016**



CITY OF FAIR OAKS RANCH, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

GARRY MANITZAS

CITY COUNCIL

MARY ANNE HAVARD

ROY ELIZONDO

STEVE HARTPENCE

AL SCHMIDT

SNEHAL R. PATEL

CITY ADMINISTRATOR

TOBIN MAPLES

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, 2016, 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, 2016, 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.

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, 2016, 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 budgetary comparison information for the Debt Service Fund and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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.

February 24, 2017

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, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

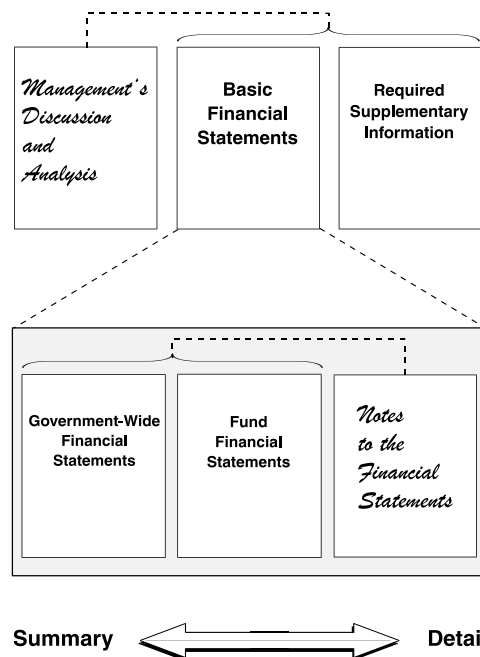
- The City's total combined net position was \$20.8 million at September 30, 2016.
- During the year, the City's expenses were \$803 thousand less than the \$5.4 million generated in taxes and other revenues for governmental activities.
- During the year, the City's expenses were \$535 thousand less than the \$4.4 million generated in charges for services for business-type activities.
- The total cost of the City's programs increased by \$98 thousand from last year; however, no new programs were added this year.
- The general fund reported a fund balance this year of \$2.5 million.

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 \$20.8 million at September 30, 2016 (See Table A-1).

The \$7.5 million 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 \$9.9 million. The revenue from property taxes was \$3.6 million or 36% (See Table A-2), 45% 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 \$8.5 million, 46% of these costs are Business-Type Activities (See Table A-2).

Governmental Activities

- Property tax rate was \$.3073 per \$100 assessed value.

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

	Governmental		Business-Type		Total		Total Percentage Change 2016-2015
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
<i>Current Assets:</i>							
Cash and Cash Equivalents	\$ 8,893	\$ 11,438	\$ 5,426	\$ 4,679	\$ 14,319	\$ 16,117	-11.2%
Receivables	317	284	413	564	730	848	-13.9%
Inventories & Prepaids	14	44	129	160	143	204	-29.9%
<i>Total Current Assets:</i>	<u>9,224</u>	<u>11,766</u>	<u>5,968</u>	<u>5,403</u>	<u>15,192</u>	<u>17,169</u>	<u>-11.5%</u>
<i>Noncurrent Assets:</i>							
Land and Improvements	100	100	54	54	154	154	0.0%
Building and Improvements	1,773	1,735	-	-	1,773	1,735	2.2%
Utility Plant and Easements	-	-	15,913	15,832	15,913	15,832	0.5%
Vehicles and Equipment	1,143	1,018	628	580	1,771	1,598	10.8%
Infrastructure	3,201	3,023	-	-	3,201	3,023	5.9%
Construction in Progress	3,131	462	-	-	3,131	462	577.7%
Less Accumulated							
Depreciation	(2,356)	(2,136)	(6,394)	(5,795)	(8,750)	(7,931)	10.3%
<i>Total Noncurrent Assets</i>	<u>6,992</u>	<u>4,202</u>	<u>10,201</u>	<u>10,671</u>	<u>17,193</u>	<u>14,873</u>	<u>15.6%</u>
Total Assets	<u>16,216</u>	<u>15,968</u>	<u>16,169</u>	<u>16,074</u>	<u>32,385</u>	<u>32,042</u>	<u>1.1%</u>
<i>Deferred Outflows of Resources:</i>							
Deferred Charge on Refunding	-	-	3	8	3	8	-62.5%
Deferred Pension Related Outflows	377	211	131	75	508	286	77.6%
Total Deferred Outflows	<u>377</u>	<u>211</u>	<u>134</u>	<u>83</u>	<u>511</u>	<u>294</u>	<u>15.1%</u>
<i>Liabilities:</i>							
Current Liabilities	546	754	530	607	1,076	1,361	-20.9%
Non-Current Liabilities							
Due within One Year	425	390	405	385	830	775	7.1%
Due in more than One Year	6,278	6,710	3,128	3,533	9,406	10,243	-8.2%
Net Pension Liability	559	355	195	126	754	481	56.8%
Total Liabilities	<u>7,808</u>	<u>8,209</u>	<u>4,258</u>	<u>4,651</u>	<u>12,066</u>	<u>12,860</u>	<u>34.7%</u>
<i>Deferred Inflows of Resources:</i>							
Deferred Pension Related Outflows	13	-	4	-	17	-	100.0%
Total Deferred Inflows	<u>13</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>100.0%</u>
<i>Net Position:</i>							
Net Investment in Capital Assets	6,606	4,053	6,668	6,752	13,274	10,805	22.9%
Restricted	77	67	-	-	77	67	14.9%
Unrestricted	2,089	3,850	5,373	4,754	7,462	8,604	-13.3%
Total Net Position	<u>\$ 8,772</u>	<u>\$ 7,970</u>	<u>\$ 12,041</u>	<u>\$ 11,506</u>	<u>\$ 20,813</u>	<u>\$ 19,476</u>	<u>6.9%</u>

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Charges for Services	\$ 669	\$ 643	\$ 4,463	\$ 4,454	\$ 5,132	\$ 5,097	0.7%
Operating Grants and Contributions	-	2	-	-	-	2	-100.0%
Capital Grants and Contributions	-	-	-	-	-	-	N/A
General Revenues							
Property Taxes	3,588	2,823	-	-	3,588	2,823	27.1%
Non-Property Taxes	1,109	1,029	-	-	1,109	1,029	7.8%
Investment Earnings	39	25	6	4	45	29	55.2%
Miscellaneous	21	18	-	-	21	18	16.7%
Total Revenues	5,426	4,540	4,469	4,458	9,895	8,998	10.0%
City Administration	951	1,797	-	-	951	1,797	-47.1%
Municipal Court	86	81	-	-	86	81	6.2%
Public Safety	2,018	1,735	-	-	2,018	1,735	16.3%
Public Health/Emergency	308	293	-	-	308	293	5.1%
Building Codes	179	162	-	-	179	162	10.5%
Public Works	869	869	-	-	869	869	0.0%
Culture/Recreation/Other	58	33	-	-	58	33	75.8%
Interest and Fiscal Fees	153	136	-	-	153	136	12.5%
Utility	-	-	3,934	3,352	3,934	3,352	17.4%
Total Expenses	\$ 4,622	\$ 5,106	\$ 3,934	\$ 3,352	\$ 8,556	\$ 8,458	1.2%
Transfers	-	-	-	-	-	-	N/A
Increase (Decrease) in Net Position	\$ 803	\$ (566)	\$ 535	\$ 1,106	\$ 1,339	\$ 540	148.0%

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 \$4.6 million.
- The amount that our taxpayers paid for these activities through property taxes was \$3.6 million.
- Some of the cost, \$669 thousand or 14% was paid by those who directly benefited from the programs and activities.

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

	Total Cost of Services			% Change	Net Cost of Services		
	2016	2015			2016	2015	% Change
City Administration	\$ 951	\$ 1,797	-47.1%	\$ 774	\$ 1,625	-52.4%	
Municipal Court	86	81	6.2%	(76)	(77)	-1.3%	
Public Safety	2,018	1,735	16.3%	2,009	1,724	16.5%	
Public Health/Emergency	308	293	5.1%	302	288	4.9%	
Building Codes	179	162	10.5%	(136)	(137)	-0.7%	
Public Works	869	869	0.0%	869	869	0.0%	
Culture/Recreation/Other	58	33	75.8%	58	33	75.8%	
Water and Sewer	3,934	3,352	17.4%	(529)	(1,102)	-52.0%	

Business-Type Activities

Revenues of the City's Water & Sewer business-type activities were \$4.5 million and operating expenses were \$3.9 million (See Table A-2).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$5.4 million in fiscal year 2016 while expenditures from governmental fund types totaled \$7.8 million for a reduction of total fund balance of \$2.4 million.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual revenues exceeded final budgeted amounts by \$86 thousand while actual expenditures were \$508 thousand below final budget amounts.

- Sales tax collections were \$77 thousand more than expected.
- Franchise tax collections were \$47 thousand more than expected.
- Total Personnel Expenditures were \$172 thousand less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had invested \$25.9 million 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 \$8.7 million results in a total Net Capital Asset value of \$17.2 million.

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

	Governmental		Business-Type		Total		Total Percentage Change 2016-2015
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Land and Improvements	\$ 100	\$ 100	\$ 54	\$ 54	\$ 154	\$ 154	0.0%
Buildings and improvements	1,773	1,735	-	-	1,773	1,735	2.1%
Vehicles and Equipment	1,143	1,018	628	580	1,771	1,598	9.8%
Infrastructure	3,201	3,023	-	-	3,201	3,023	5.6%
Construction in Progress	3,131	462	-	-	3,131	462	85.2%
Utility Plant	-	-	15,913	15,832	15,913	15,832	0.5%
Totals at historical cost	9,348	6,338	16,595	16,466	25,943	22,804	12.1%
Total accumulated depreciation	(2,356)	(2,136)	(6,394)	(5,795)	(8,750)	(7,931)	9.4%
Net capital assets	<u>\$ 6,992</u>	<u>\$ 4,202</u>	<u>\$ 10,201</u>	<u>\$ 10,671</u>	<u>\$ 17,193</u>	<u>\$ 14,873</u>	<u>13.5%</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 \$7.0 million in bonds outstanding and \$3.1 million 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 thousand dollars)

	Governmental		Business-type		Total		Total Percentage Change 2016-2015
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Bonds Payable	\$ 6,610	\$ 7,000	\$ 405	\$ 790	\$ 7,015	\$ 7,790	-11.0%
Capital Lease	-	-	3,128	3,128	3,128	3,128	0.0%
Total Bonds and Capital Leases	<u>\$ 6,610</u>	<u>\$ 7,000</u>	<u>\$ 3,533</u>	<u>\$ 3,918</u>	<u>\$ 10,143</u>	<u>\$ 10,918</u>	<u>-7.6%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The net taxable assessed values for the 2016-17 budget preparation is \$1,342,380,386 resulting in \$3,708,753 property tax revenue for maintenance and operations and \$551,552 tax revenue for interest and sinking.

The increase in the net taxable assessed value is partially due to the annexation of established neighborhoods and real property owner request. The city also realized a modest increase in the valuation per average homestead. The increase is also due to an increase in issuance of new home building permits in several other subdivisions throughout the city.

The adopted tax rates for maintenance and operations for the fiscal year 2016-17 (\$.28150 per \$100) is above last year's rate of \$.2615 per \$100. The adopted interest and sinking tax rate for 2016-17 is \$.04186 per \$100 which is lower than last year's rate of \$.0458 per \$100. The overall adopted effective rate for 2016-17 is \$.32336.

Fiscal year 2016-17 expenditures are budgeted at \$5,766,569, an increase from the previous fiscal year. General Fund expenditures planned for the year are Public Safety (Police, Fire, EMS), the establishment of a vehicle replacement fund, and for the development of foundational tools like planning Master Land Use, Drainage, and Subdivision and Zoning Regulations. Enterprise Fund expenditures planned for the year include a Capital Improvement Project implementation for water and wastewater and a Water Distribution Interconnect.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and Investments	\$ 8,892,718	\$ 5,426,195	\$ 14,318,913	\$ 503,081
Receivables (net of allowances for uncollectibles)				
Taxes	72,075	-	72,075	-
Accounts	245,281	413,301	658,582	30,011
Inventories	-	124,235	124,235	-
Prepays	14,563	5,477	20,040	-
Utility Deposits	-	185	185	-
Capital Assets:				
Land and Improvements	99,798	53,600	153,398	-
Buildings and Improvements	1,772,765	-	1,772,765	-
Utility Plant and Easements	-	15,913,050	15,913,050	-
Vehicles and Equipment	1,143,453	628,460	1,771,913	-
Infrastructure	3,200,813	-	3,200,813	-
Construction in Progress	3,130,968	-	3,130,968	-
Accumulated Depreciation	(2,356,126)	(6,393,826)	(8,749,952)	-
TOTAL ASSETS	16,216,308	16,170,677	32,386,985	533,092
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	-	2,584	2,584	-
Deferred Pension Related Outflows	376,948	131,358	508,306	-
TOTAL DEFERRED OUTFLOWS	\$ 376,948	\$ 133,942	\$ 510,890	\$ -

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable and Other				
Accrued Liabilities	\$ 397,177	\$ 224,969	\$ 622,146	\$ 20
Accrued Compensated Absences	127,854	13,662	141,516	-
Accrued Interest Payable	20,915	109,574	130,489	-
Unearned Revenue	-	182,562	182,562	-
<i>Noncurrent Liabilities:</i>				
Due within One Year	425,000	405,000	830,000	-
Due in more than One Year	6,278,417	3,128,356	9,406,773	-
Net Pension Liability	559,011	195,301	754,312	-
TOTAL LIABILITIES	7,808,374	4,259,424	12,067,798	20
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Inflows	12,528	4,402	16,930	-
TOTAL DEFERRED INFLOWS	12,528	4,402	16,930	-
NET POSITION				
Net Investment in Capital Assets	6,606,072	6,667,928	13,274,000	-
Restricted	77,162	-	77,162	-
Unrestricted	2,089,120	5,372,865	7,461,985	533,072
TOTAL NET POSITION	\$ 8,772,354	\$ 12,040,793	\$ 20,813,147	\$ 533,072

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
City Administration	\$ 950,918	\$ 177,050	\$ -	\$ -
Municipal Court	86,288	161,818	-	-
Public Safety	2,017,858	9,448	-	-
Public Health/Emergency	307,665	5,711	-	-
Building Codes	179,577	314,738	-	-
Public Works	869,215	-	-	-
Culture/Recreation/Other	57,833	-	-	-
Interest and Fiscal Fees on Long-term Debt	153,011	-	-	-
Total Governmental Activities	<u>4,622,365</u>	<u>668,765</u>	<u>-</u>	<u>-</u>
Business-Type Activities				
Water/Sewer Utility	<u>3,933,872</u>	<u>4,463,303</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>3,933,872</u>	<u>4,463,303</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>\$ 8,556,237</u></u>	<u><u>\$ 5,132,068</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Component Unit				
Municipal Development District	<u><u>\$ 9,163</u></u>	<u><u>\$ -</u></u>	<u><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				
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
\$ (773,868)	\$ -	\$ (773,868)	
75,530	-	75,530	
(2,008,410)	-	(2,008,410)	
(301,954)	-	(301,954)	
135,161	-	135,161	
(869,215)	-	(869,215)	
(57,833)	-	(57,833)	
(153,011)	-	(153,011)	
<u>(3,953,600)</u>	<u>-</u>	<u>(3,953,600)</u>	
-	529,431	529,431	
-	<u>529,431</u>	<u>529,431</u>	
<u>(3,953,600)</u>	<u>529,431</u>	<u>(3,424,169)</u>	
			<u>\$ (9,163)</u>
3,587,677	-	3,587,677	-
1,109,048	-	1,109,048	161,848
38,950	5,748	44,698	-
20,855	-	20,855	-
<u>4,756,530</u>	<u>5,748</u>	<u>4,762,278</u>	<u>161,848</u>
802,930	535,179	1,338,109	152,685
<u>7,969,424</u>	<u>11,505,614</u>	<u>19,475,038</u>	<u>380,387</u>
<u>\$ 8,772,354</u>	<u>\$ 12,040,793</u>	<u>\$ 20,813,147</u>	<u>\$ 533,072</u>

CITY OF FAIR OAKS RANCH, TEXAS
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2016

	Major Fund General Fund	Major Fund Debt Service Fund	Major Fund 2015 GO Bond Fund
ASSETS			
Cash and Investments	\$ 2,682,029	\$ 8,146	\$ 6,202,543
Receivables (net of allowances for uncollectibles):			
Property Taxes	67,025	5,050	-
Accounts	244,965	316	-
Due from Other Funds	-	-	58,234
Prepaid Items	14,563	-	-
TOTAL ASSETS	\$ 3,008,582	\$ 13,512	\$ 6,260,777
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 109,913	\$ -	\$ 7,836
Accrued Expenditures	127,017	-	-
Due to Other Funds	210,645	-	-
<i>Total Liabilities</i>	<u>447,575</u>	<u>-</u>	<u>7,836</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	67,025	5,050	-
<i>Total Deferred Inflows of Resources</i>	<u>67,025</u>	<u>5,050</u>	<u>-</u>
<i>Fund Balance:</i>			
Nonspendable:			
Prepaid Items	14,563	-	-
Restricted for:			
Court Technology	14,047	-	-
Court Security Building	49,816	-	-
Court Efficiency and Felony Forfeiture	518	-	-
PEG Fees	4,319	-	-
Debt Service	-	8,462	-
Capital Projects	-	-	6,252,941
Assigned for:			
Capital Projects	553,000	-	-
Legal Issues	50,000	-	-
Unassigned:	1,807,719	-	-
<i>Total Fund Balance</i>	<u>2,493,982</u>	<u>8,462</u>	<u>6,252,941</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,008,582	\$ 13,512	\$ 6,260,777

See accompanying notes to basic financial statements.

<u>Major Fund</u> <u>Capital Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 8,892,718
-	72,075
-	245,281
152,411	210,645
-	14,563
<u>\$ 152,411</u>	<u>\$ 9,435,282</u>

\$ 152,411	\$ 270,160
-	127,017
-	210,645
<u>152,411</u>	<u>607,822</u>

<u>-</u>	<u>72,075</u>
<u>-</u>	<u>72,075</u>

-	14,563
-	14,047
-	49,816
-	518
-	4,319
-	8,462
-	6,252,941
-	553,000
-	50,000
<u>-</u>	<u>1,807,719</u>
<u>-</u>	<u>8,755,385</u>

<u>\$ 152,411</u>	<u>\$ 9,435,282</u>
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CITY OF FAIR OAKS RANCH, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 8,755,385
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.		6,991,671
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		72,075
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(127,854)
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	6,610,000	
Unamortized Bond Premium	93,417	(6,703,417)
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	559,011	
Pension Related Deferred Inflows	12,528	
Pension Related Deferred Outflows	(376,948)	(194,591)
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the governmental funds.		(20,915)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 8,772,354

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, 2016

	Major Fund General Fund	Major Fund Debt Service Fund	Major Fund 2015 GO Bond Fund
REVENUES			
Taxes	\$ 4,147,651	\$ 527,682	\$ -
Licenses and Permits	320,449	-	-
Fines and Forfeits	161,818	-	-
Utility Management Fee	177,050	-	-
Interest	19,356	468	19,126
Miscellaneous	53,714	-	-
TOTAL REVENUES	<u>4,880,038</u>	<u>528,150</u>	<u>19,126</u>
EXPENDITURES			
Current:			
City Administration	857,696	-	-
Municipal Court	84,869	-	-
Public Safety	1,811,200	-	-
Public Health/Emergency	296,450	-	-
Building Codes	176,077	-	-
Public Works	748,454	-	-
Culture and Recreation	57,833	-	-
Capital Projects/Outlay	121,253	-	685,378
Debt Service:			
Principal	-	390,000	-
Interest and Fiscal Charges	-	174,688	-
TOTAL EXPENDITURES	<u>4,153,832</u>	<u>564,688</u>	<u>685,378</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>726,206</u>	<u>(36,538)</u>	<u>(666,252)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(527,140)	45,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(527,140)</u>	<u>45,000</u>	<u>-</u>
Net Change in Fund Balance	199,066	8,462	(666,252)
Fund Balance at Beginning of Year	<u>2,294,916</u>	<u>-</u>	<u>6,919,193</u>
Fund Balance at End of Year	<u>\$ 2,493,982</u>	<u>\$ 8,462</u>	<u>\$ 6,252,941</u>

See accompanying notes to basic financial statements.

<u>Major Fund</u> Capital Projects Fund	<u>Total</u> Governmental Funds
\$ -	\$ 4,675,333
-	320,449
-	161,818
-	177,050
-	38,950
-	53,714
-	5,427,314

73,559	931,255
-	84,869
-	1,811,200
-	296,450
-	176,077
-	748,454
-	57,833
2,304,419	3,111,050
-	390,000
-	174,688
2,377,978	7,781,876

(2,377,978)	(2,354,562)
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482,140	-
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482,140	-
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(1,895,838)	(2,354,562)
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1,895,838	11,109,947
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\$ -	\$ 8,755,385
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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, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,354,562)

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	3,036,660	
Current Year Depreciation	<u>(223,437)</u>	2,813,223

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. (23,410)

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

Ad Valorem Revenue	21,392
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments	390,000	
Amortization of Bond Premiums	<u>6,673</u>	396,673

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. (50,145)

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	(15,244)
Accrued Interest	<u>15,003</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 802,930

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2016

	Business-Type Activities <u>Water/Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 5,426,195
Receivables (net of allowances for uncollectibles):	
Accounts	413,301
Inventories	124,235
Prepays	5,477
Utility Deposits	185
<i>Total Current Assets</i>	<u>5,969,393</u>
 <i>Capital Assets</i>	
Land and Improvements	53,600
Utility Plant and Easements	15,913,050
Vehicles & Equipment	628,460
Accumulated Depreciation	<u>(6,393,826)</u>
<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>10,201,284</u>
 TOTAL ASSETS	 <u>16,170,677</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	2,584
Deferred Pension Related Outflows	<u>131,358</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 133,942</u>

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2016

	Business-Type Activities <u>Water/Sewer Fund</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 174,210
Accrued Liabilities	50,759
Accrued Compensated Absences	13,662
Accrued Interest Payable	109,574
Unearned Revenue - Water Supply Agreements	182,562
Current Portion of Long-term Bonds	405,000
<i>Total Current Liabilities</i>	<u>935,767</u>
 <i>Noncurrent Liabilities</i>	
Long Term Debt	3,128,356
Net Pension Liability	195,301
<i>Total Noncurrent Liabilities</i>	<u>3,323,657</u>
TOTAL LIABILITIES	<u>4,259,424</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	<u>4,402</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,402</u>
 NET POSITION	
Net Investment in Capital Assets	6,667,928
Unrestricted	<u>5,372,865</u>
TOTAL NET POSITION	<u><u>\$ 12,040,793</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, 2016

	Business-Type Activities
	Water/Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 4,463,303
TOTAL OPERATING REVENUES	4,463,303
 OPERATING EXPENSES	
Personnel Services	866,298
Contractual Services	8,405
Maintenance	219,234
Equipment Lease	1,917
Supplies	90,656
Office Supplies	95,460
Postage	11,755
Utilities	191,239
Management Fee	177,050
Professional Fees	376,418
Permits and Licenses	7,317
Water Reservation Fees	998,080
Insurance	17,091
Miscellaneous	116,072
TOTAL OPERATING EXPENSES	3,176,992
 Operating Income (Loss) Before Depreciation	1,286,311
Depreciation	598,609
OPERATING INCOME (LOSS)	687,702
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	5,748
Interest and Fiscal Charges	(152,069)
Amortization of Deferred Loss on Refunding Issue	(6,202)
TOTAL NONOPERATING REVENUES (EXPENSES)	(152,523)
 CHANGE IN NET POSITION	535,179
 NET POSITION AT BEGINNING OF YEAR	11,505,614
 NET POSITION AT END OF YEAR	\$ 12,040,793

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, 2016

	Business-Type Activities
	Water/Sewer Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 4,545,483
Cash Paid for Employee Wages & Benefits	(893,218)
Cash Paid for Suppliers for Goods & Services	(2,088,153)
Cash Paid to General Fund for Management Fee	(177,050)
Net Cash Provided (Used) by Operating Activities	1,387,062
Cash Flows From Capital and Related Financing Activities:	
Purchase/Construction of Capital Assets	(129,734)
Principal Payments on Long-Term Debt	(385,000)
Interest and Fiscal Charges Paid	(133,413)
Net Cash Provided (Used) by Capital and Related Financing Activities	(648,147)
Cash Flows From Investing Activities:	
Investment Interest Received	8,100
Net Cash Provided (Used) by Investing Activities	8,100
Net Increase (Decrease) in Cash and Investments	747,015
Cash and Investments at Beginning of Year:	
Cash and Investments	\$ 4,679,180
Cash and Investments at End of Year:	
Cash and Investments	\$ 5,426,195

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, 2016

	<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)	\$ 687,702
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	598,609
Change in Net Pension Liability, Deferred Pension Outflows & Inflows	16,971
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	150,460
(Increase) Decrease in Inventories	(7,498)
(Increase) Decrease in Prepaids	35,852
Increase (Decrease) in Accounts Payable	17,137
Increase (Decrease) in Accrued Liabilities	(43,891)
Increase (Decrease) in Unearned Revenue	(68,280)
	699,360
 Net Cash Provided (Used) by Operating Activities	 \$ 1,387,062

See accompanying notes to basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, 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, 2016

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.

Debt Service Fund is used to account for ad valorem tax to support principal and interest payments on bonded debt.

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, 2016

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, except for money market investments and participating interest-earning investment contracts (U.S Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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, 2015 and past due after January 31, 2016. 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, 2016

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, 2016

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, 2016

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, 2016, management fees totaled \$177,050.

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, 2016

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.

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, 2016, the carrying amount of the City's cash on hand was \$1,025 and deposits in the bank (including certificates of deposit) were \$1,792,561 and the bank balance, \$1,897,576. 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 \$6,271,435 and market value of \$6,664,047 as collateral for the City's deposits. All of the City's cash was fully collateralized.

At September 30, 2016, the carrying amount of the MDD's deposits in the bank was \$503,081 and the bank balance was the same. Of the bank balance, \$250,000 was covered by federal deposit insurance and the District's depository had pledged securities having a face value of \$550,000 and market value of \$562,031 as collateral for the District's deposits. All of the District's cash was fully collateralized.

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.

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.

CITY OF FAIR OAKS RANCH, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016

NOTE B -- CASH AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

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, 2016 were as shown below:

Investment	Reported Value
TexPool	\$ 12,525,327
Total Investments	\$ 12,525,327

3. 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.

4. 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, 2016

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 2016, the assessed tax rate for the City was \$0.3073 per \$100 on an assessed valuation of \$1,256,661,399. The tax rate is split \$0.2615 for general maintenance and operations and \$0.0458 for interest and sinking. Total tax levy for fiscal year 2016 is \$3,861,722. As of September 30, 2016, the delinquent current taxes for 2015 were \$33,881.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2016, was \$0.3073 per \$100 of assessed value, which means that the City has a tax margin of \$2.1927 for each \$100 value and could increase its annual tax levy by approximately \$27,554,814 based upon the present assessed valuation of \$1,256,661,399 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

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.

Transfers between City funds during the year ended September 30, 2016 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 45,000	Coverage of Debt Service Payments
General Fund	Capital Projects Fund	482,140	Contribution toward Public Safety Building
		<u>\$ 527,140</u>	

Interfund balances at September 30, 2016, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
Capital Projects Fund	General Fund	\$ 152,411	Reimbursement of Costs
2015 GO Bond Fund	General Fund	58,234	Reimbursement of Costs
		<u>\$ 210,645</u>	

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE E -- CAPITAL ASSETS

Capital asset activity in the governmental fund for the year ended September 30, 2016, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2015	Additions & Adjustments	Disposals & Adjustments	Balance 9/30/2016
Land and Improvements	\$ 99,798	\$ -	\$ -	\$ 99,798
Buildings and Improvements	1,734,665	38,100	-	1,772,765
Vehicles & Equipment	1,018,560	151,905	(27,012)	1,143,453
Infrastructure	3,022,818	127,260	50,735	3,200,813
Construction in Progress	462,308	2,719,395	(50,735)	3,130,968
	<u>6,338,149</u>	<u>3,036,660</u>	<u>(27,012)</u>	<u>9,347,797</u>
Less Accumulated Depreciation				
Land Improvements	(18,753)	-	-	(18,753)
Buildings and Improvements	(693,220)	(53,813)	-	(747,033)
Vehicles & Equipment	(762,927)	(92,570)	3,602	(851,895)
Infrastructure	(661,391)	(77,054)	-	(738,445)
	<u>(2,136,291)</u>	<u>(223,437)</u>	<u>3,602</u>	<u>(2,356,126)</u>
Governmental Capital Assets, Net	<u>\$ 4,201,858</u>	<u>\$ 2,813,223</u>	<u>\$ (23,410)</u>	<u>\$ 6,991,671</u>

Capital asset activity in the proprietary fund for the year ended September 30, 2016, was as follows:

<u>Business-Type Activities</u>	Balance 10/1/2015	Additions & Adjustments	Disposals & Adjustments	Balance 9/30/2016
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Utility Plant and Easements	15,832,286	80,764	-	15,913,050
Vehicles & Equipment	579,490	48,970	-	628,460
Totals at Historical Cost	<u>16,465,376</u>	<u>129,734</u>	<u>-</u>	<u>16,595,110</u>
Less Accumulated Depreciation				
Utility Plant and Easements	(5,344,401)	(532,892)	-	(5,877,293)
Vehicles & Equipment	(450,816)	(65,717)	-	(516,533)
	<u>(5,795,217)</u>	<u>(598,609)</u>	<u>-</u>	<u>(6,393,826)</u>
Business-Type Capital Assets, Net	<u>\$ 10,670,159</u>	<u>\$ (468,875)</u>	<u>\$ -</u>	<u>\$ 10,201,284</u>

Land and construction in progress are not depreciated.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE E -- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	22,937
Public Safety		75,068
Public Health		11,216
Public Works		114,216
Total Depreciation Expense - Governmental Activities		\$ 223,437

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, 2016. The City has received \$584,128 in contributions in aid to date and has earned a total of \$401,566 in fees. The remaining \$182,562 of contributions are reported as unearned revenue accordingly.

NOTE G -- LONG-TERM DEBT

Primary Government

At September 30, 2016, the City’s long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Governmental Activities:				
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 6,610,000	\$ 425,000	\$ 6,185,000
Total Long-Term Debt		\$ 6,610,000	\$ 425,000	\$ 6,185,000

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE G -- LONG-TERM DEBT (CONTINUED)

<u>Business-Type Activities:</u>	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
General Obligation Refunding				
Bond, Series 2008	3.5%	\$ 405,000	\$ 405,000	\$ -
Capital Lease	3.31%	3,128,356	-	3,128,356
Total Long-Term Debt		<u>\$ 3,533,356</u>	<u>\$ 405,000</u>	<u>\$ 3,128,356</u>

Changes in the City's long-term debt during the fiscal year ended September 30, 2016:

<u>Governmental Activities:</u>	Original Amount	Balance Outstanding Oct. 1, 2015	Current (Retirements) Additions	Balance Outstanding Sept. 30, 2016
GO Bonds, Series 2015	\$ 7,000,000	\$ 7,000,000	\$ (390,000)	\$ 6,610,000
Premiums on Bonds		100,090	(6,673)	93,417
Compensated Absences		112,610	15,244	127,854
Total Governmental Activities		<u>7,212,700</u>	<u>(381,429)</u>	<u>6,831,271</u>
<u>Business-Type Activities:</u>				
2008 Refunding Series	\$ 3,065,000	790,000	(385,000)	405,000
Capital Lease	3,128,356	3,128,356	-	3,128,356
Compensated Absences		13,662	-	13,662
Total Business-Type Activities		<u>3,932,018</u>	<u>(385,000)</u>	<u>3,547,018</u>
Total Changes in Long-Term Debt		<u>\$ 11,144,718</u>	<u>\$ (766,429)</u>	<u>\$ 10,378,289</u>

The total deferred charge on refunding is \$2,584 as of September 30, 2016 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, 2016

NOTE G -- LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2016, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	445,000	105,675	550,675
2022 - 2026	2,350,000	407,903	2,757,903
2027 - 2030	2,085,000	115,388	2,200,388
	<u>\$ 6,610,000</u>	<u>\$ 1,105,546</u>	<u>\$ 7,715,546</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 405,000	\$ 7,087	\$ 412,087
	<u>\$ 405,000</u>	<u>\$ 7,087</u>	<u>\$ 412,087</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
2017	\$ 90,000
2018	222,253
2019	354,506
2020	354,506
2021	354,506
2022 - 2026	1,772,530
2027 - 2029	886,265
	<u>\$ 4,034,566</u>
Less: Interest Amount	<u>(906,210)</u>
	<u>\$ 3,128,356</u>

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE G -- LONG-TERM DEBT (CONTINUED)

The following is an analysis of the property under capital lease as of September 30, 2016:

Utility Plant and Easements	\$ 3,758,356
Less: Accumulated Depreciation	<u>(198,358)</u>
Net Leased Property	<u><u>\$ 3,559,998</u></u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City of Fair Oaks Ranch participates as one of 866 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 valuation and measurement dates, the following employees were covered by the benefit terms:

	2015	2014
Inactive employees or beneficiaries currently receiving benefits	9	9
Inactive employees entitled to but not yet receiving benefits	27	22
Active employees	<u>46</u>	<u>43</u>
	<u><u>82</u></u>	<u><u>74</u></u>

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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, 2016, 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 11.24% and 11.75% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$272,041, 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, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return*	6.75%

*Presented net of pension plan investment expense, including inflation

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

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

5. Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2015 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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 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.

In determining their best estimated of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. 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%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
	<u>100.00%</u>	

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

7. Discount Rate Sensitivity Analysis

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 1,722,977	\$ 754,312	\$ (22,019)

8. Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2015:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2014	\$ 4,829,969	\$ 4,348,780	\$ 481,189
Changes for the year:			
Service Cost	372,932	-	372,932
Interest	347,674	-	347,674
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(72,739)	-	(72,739)
Changes of Assumptions	51,102	-	51,102
Contributions - Employer	-	265,412	(265,412)
Contributions - Employee	-	158,118	(158,118)
Net Investment Income	-	6,418	(6,418)
Benefit Payments, Including Refunds of Employee Contributions	(99,327)	(99,327)	-
Administrative Expense	-	(3,909)	3,909
Other Changes	-	(193)	193
Net Changes	599,642	326,519	273,123
Balance at December 31, 2015	\$ 5,429,611	\$ 4,675,299	\$ 754,312

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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, 2016, the City recognized pension expense of \$339,383. Also as of September 30, 2016, 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	\$ -	\$ 16,930
Changes in Actuarial Assumptions	41,977	-
Differences between Projected and Actual Investment Earnings	267,812	-
Contributions Subsequent to the Measurement Date	198,517	-
	\$ 508,306	\$ 16,930

Deferred outflows of resources in the amount of \$198,517 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, 2016**. 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,	
2016	\$ 77,208
2017	77,208
2018	77,207
2019	63,553
2020	(2,317)
	\$ 292,859

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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, 2016**, 2015, and 2014 were \$3,405, \$3,272, and \$3,147, 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, 2016 are as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Roadway Bond Engineering	\$ 1,040,885	\$ 781,110	\$ 259,775
Roadway Bond Construction	7,573,777	-	7,573,777
Water System Improvements	278,725	191,009	87,716
	<u>\$ 8,893,387</u>	<u>\$ 972,119</u>	<u>\$ 7,921,268</u>

Litigation

The City filed a lawsuit against a developer for violation of a previous development agreement. The City is seeking to resolve the disagreement.

Management is not aware of any other pending or threatened litigation.

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

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, 2016 were \$95,246 for property and casualty and workers compensation coverage.



REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF FAIR OAKS RANCH, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 4,243,332	\$ 4,064,433	\$ 4,147,651	\$ 83,218
Licenses and Permits	304,050	304,050	320,449	16,399
Fines and Forfeits	149,480	149,480	161,818	12,338
Utility Management Fee	166,000	166,000	177,050	11,050
Interest	3,000	3,000	19,356	16,356
Grant Proceeds	3,000	3,000	-	(3,000)
Miscellaneous	104,000	104,000	53,714	(50,286)
TOTAL REVENUES	<u>4,972,862</u>	<u>4,793,963</u>	<u>4,880,038</u>	<u>86,075</u>
EXPENDITURES				
<i>City Administration:</i>				
Personnel	476,382	476,382	361,238	115,144
General	124,230	124,230	73,827	50,403
Maintenance	10,500	10,500	18,360	(7,860)
Contractual	354,840	374,840	398,166	(23,326)
Leases	6,200	6,200	6,105	95
<i>Total City Administration</i>	<u>972,152</u>	<u>992,152</u>	<u>857,696</u>	<u>134,456</u>
<i>Municipal Court:</i>				
Personnel	57,622	57,622	58,066	(444)
General	6,805	6,805	6,286	519
Maintenance	250	250	132	118
Contractual	27,174	27,174	20,385	6,789
<i>Total Municipal Court</i>	<u>91,851</u>	<u>91,851</u>	<u>84,869</u>	<u>6,982</u>
<i>Public Safety:</i>				
Personnel	1,565,260	1,565,260	1,509,509	55,751
General	128,794	128,794	95,328	33,466
Maintenance	22,850	22,850	13,967	8,883
Contractual	181,693	181,693	183,331	(1,638)
Leases	14,349	14,349	9,065	5,284
<i>Total Public Safety</i>	<u>1,912,946</u>	<u>1,912,946</u>	<u>1,811,200</u>	<u>101,746</u>
<i>Public Health/Emergency:</i>				
General	7,645	7,645	16,025	(8,380)
Maintenance	2,500	2,500	1,917	583
Contractual	275,361	275,361	278,508	(3,147)
<i>Total Public Health/Emergency</i>	<u>\$ 285,506</u>	<u>\$ 285,506</u>	<u>\$ 296,450</u>	<u>\$ (10,944)</u>

CITY OF FAIR OAKS RANCH, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXPENDITURES (CONTINUED)	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Building Codes:</i>				
Personnel	\$ 162,625	\$ 162,625	\$ 161,958	\$ 667
General	12,318	12,318	8,794	3,524
Maintenance	6,100	6,100	3,778	2,322
Contractual	1,643	1,643	1,547	96
<i>Total Building Codes</i>	<u>182,686</u>	<u>182,686</u>	<u>176,077</u>	<u>6,609</u>
<i>Public Works:</i>				
Personnel	380,928	380,928	370,829	10,099
General	33,554	33,554	24,704	8,850
Maintenance	51,750	51,750	27,795	23,955
Contractual	528,996	528,996	325,126	203,870
<i>Total Public Works</i>	<u>995,228</u>	<u>995,228</u>	<u>748,454</u>	<u>246,774</u>
<i>Culture/Recreation/Other:</i>				
General	60,210	40,210	57,833	(17,623)
<i>Total Culture/Recreation/Other</i>	<u>60,210</u>	<u>40,210</u>	<u>57,833</u>	<u>(17,623)</u>
<i>Capital Outlay:</i>				
Personal Property	161,000	161,000	121,008	39,992
Land Improvements	-	-	245	(245)
<i>Total Capital Outlay</i>	<u>161,000</u>	<u>161,000</u>	<u>121,253</u>	<u>39,747</u>
TOTAL EXPENDITURES	<u>4,661,579</u>	<u>4,661,579</u>	<u>4,153,832</u>	<u>507,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>311,283</u>	<u>132,384</u>	<u>726,206</u>	<u>593,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(311,408)	(356,408)	(527,140)	(170,732)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(311,408)</u>	<u>(356,408)</u>	<u>(527,140)</u>	<u>(170,732)</u>
Net Change in Fund Balance	(125)	(224,024)	199,066	423,090
Fund Balance - Beginning of Year	<u>2,294,916</u>	<u>2,294,916</u>	<u>2,294,916</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,294,791</u>	<u>\$ 2,070,892</u>	<u>\$ 2,493,982</u>	<u>\$ 423,090</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, 2016

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.



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

Total Pension Liability		
	2014	2015
Service Cost	\$ 314,855	\$ 372,932
Interest (on the Total Pension Liability)	303,986	347,674
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	66,156	(72,739)
Changes of Assumptions	-	51,102
Benefit Payments, Including Refunds of Employee Contributions	(80,511)	(99,327)
Net Change in Total Pension Liability	604,486	599,642
Total Pension Liability - Beginning	4,225,483	4,829,969
Total Pension Liability - Ending	<u>\$ 4,829,969</u>	<u>\$ 5,429,611</u>
Plan Fiduciary Net Position		
	2014	2015
Contributions - Employer	\$ 234,399	\$ 265,412
Contributions - Employee	143,051	158,118
Net Investment Income	219,419	6,418
Benefit Payments, Including Refunds of Employee Contributions	(80,511)	(99,327)
Administrative Expense	(2,290)	(3,909)
Other	(188)	(193)
Net Change in Plan Fiduciary Net Position	513,880	326,519
Plan Fiduciary Net Position - Beginning	3,834,900	4,348,780
Plan Fiduciary Net Position - Ending	<u>\$ 4,348,780</u>	<u>\$ 4,675,299</u>
Net Pension Liability (Asset) - Ending	\$ 481,189	\$ 754,312
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.04%	86.11%
Covered Employee Payroll	\$ 2,043,586	\$ 2,258,825
Net Pension Liability as a Percentage of Covered Employee Payroll	23.55%	33.39%

CITY OF FAIR OAKS RANCH, TEXAS
NOTES TO SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

Schedule of Contributions:

	2015	2016
Actuarially Determined Contribution	\$ 250,635	\$ 272,041
Contribution in Relation to the Actuarially Determined Contribution	250,635	272,041
Contribution Deficiency (Excess)	\$ -	\$ -
 Covered Employee Payroll	 \$ 2,147,330	 \$ 2,387,202
 Contributions as a Percentage of Covered Employee Payroll	 11.67%	 11.40%

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	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – Debt Service Fund

CITY OF FAIR OAKS RANCH, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 564,287	\$ 532,954	\$ 527,682	\$ (5,272)
Interest	1,000	1,000	468	(532)
TOTAL REVENUES	<u>565,287</u>	<u>533,954</u>	<u>528,150</u>	<u>(5,804)</u>
EXPENDITURES				
<i>Debt Service</i>				
Principal	390,000	390,000	390,000	-
Interest and Fiscal Charges	174,287	174,287	174,688	(401)
<i>Total Debt Service</i>	<u>564,287</u>	<u>564,287</u>	<u>564,688</u>	<u>(401)</u>
TOTAL EXPENDITURES	<u>564,287</u>	<u>564,287</u>	<u>564,688</u>	<u>(401)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,000</u>	<u>(30,333)</u>	<u>(36,538)</u>	<u>(6,205)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	45,000	45,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net Change in Fund Balance	1,000	14,667	8,462	(6,205)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,000</u>	<u>\$ 14,667</u>	<u>\$ 8,462</u>	<u>\$ (6,205)</u>

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			
	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets	\$ 3,398,697	\$ 3,316,645	\$ 3,216,848	\$ 4,940,584
Restricted	-	-	-	39,266
Unrestricted	<u>2,615,572</u>	<u>2,746,778</u>	<u>3,149,374</u>	<u>2,483,604</u>
Total Governmental Activities				
Net Position	<u>\$ 6,014,269</u>	<u>\$ 6,063,423</u>	<u>\$ 6,366,222</u>	<u>\$ 7,463,454</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 4,823,656	\$ 4,935,977	\$ 5,003,477	\$ 5,767,825
Unrestricted	<u>1,958,878</u>	<u>2,037,141</u>	<u>2,424,188</u>	<u>2,004,430</u>
Total Business-Type Activities				
Net Position	<u>\$ 6,782,534</u>	<u>\$ 6,973,118</u>	<u>\$ 7,427,665</u>	<u>\$ 7,772,255</u>
Primary Government				
Net Investment in Capital Assets	\$ 8,222,353	\$ 8,252,622	\$ 8,220,325	\$ 10,708,409
Restricted	-	-	-	39,266
Unrestricted	<u>4,574,450</u>	<u>4,783,919</u>	<u>5,573,562</u>	<u>4,488,034</u>
Total Primary Government				
Net Position	<u>\$12,796,803</u>	<u>\$13,036,541</u>	<u>\$13,793,887</u>	<u>\$15,235,709</u>

*Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014. Comparative information has not been restated.

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015*	2016
\$ 4,802,338	\$ 4,675,461	\$ 4,658,498	\$ 3,886,740	\$ 4,103,711	\$ 6,606,072
46,229	48,355	64,787	68,071	66,909	77,162
3,002,828	3,452,484	3,887,116	4,580,595	3,798,804	2,089,120
<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>	<u>\$ 8,772,354</u>
\$ 5,733,694	\$ 5,842,767	\$ 6,255,433	\$ 7,847,915	\$ 6,751,803	\$ 6,667,928
2,603,460	2,972,799	3,331,135	2,551,317	4,753,811	5,372,865
<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>	<u>\$ 12,040,793</u>
\$ 10,536,032	\$ 10,518,228	\$ 10,913,931	\$ 11,734,655	\$ 10,855,514	\$ 13,274,000
46,229	48,355	64,787	68,071	66,909	77,162
5,606,288	6,425,283	7,218,251	7,131,912	8,552,615	7,461,985
<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>	<u>\$ 20,813,147</u>

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

Expenses	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
City Administration	\$ 592,778	\$ 462,165	\$ 535,765	\$ 692,233
Municipal Court	66,621	71,893	74,356	70,340
Public Safety	893,991	1,020,014	1,113,684	1,232,747
Public Health/Emergency	195,440	285,994	220,713	319,465
Building Codes	80,165	84,258	89,412	84,319
Public Works	509,670	727,013	765,066	727,527
Culture/Recreational/Other	108,076	88,634	58,273	32,352
Interest on Long-Term Debt	4,413	8,579	2,548	4,225
Total Governmental Activities Expenses	2,451,154	2,748,550	2,859,817	3,163,208
Business-Type Activities:				
Water/Sewer Utility	2,164,092	2,551,516	2,720,050	2,879,504
Total Business-Type Activities	2,164,092	2,551,516	2,720,050	2,879,504
Total Primary Government Expenses	\$ 4,615,246	\$ 5,300,066	\$ 5,579,867	\$ 6,042,712
 Program Revenues				
Governmental Activities:				
Charges for Service:				
City Administration	\$ 97,667	\$ 131,693	\$ 147,729	\$ 126,612
Municipal Court	100,699	114,122	72,771	114,981
Public Safety	-	-	5,733	5,960
Public Health/Emergency	5,785	4,920	6,795	7,521
Building Codes	156,557	119,542	77,293	85,493
Operating Grants and Contributions	4,592	5,141	-	3,855
Capital Grants and Contributions	559,423	-	-	998,250
Total Governmental Activities Program Revenues	924,723	375,418	310,321	1,342,672
Business-Type Activities:				
Charges for Service:				
Water/Sewer Utility	2,149,163	2,695,394	3,167,197	2,434,913
Capital Grants and Contributions	562,740	-	-	796,054
Total Primary Government Program Revenues	\$ 3,636,626	\$ 3,070,812	\$ 3,477,518	\$ 4,573,639

* Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014. Comparative information has not been restated.

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015*	2016
\$ 578,516	\$ 588,562	\$ 638,151	\$ 921,009	\$ 1,796,709	\$ 950,918
79,208	77,131	79,538	81,522	81,316	86,288
1,295,748	1,342,773	1,521,426	1,588,137	1,735,259	2,017,858
231,337	255,789	282,238	286,999	293,092	307,665
86,316	88,521	98,196	119,338	161,821	179,577
776,437	815,467	933,879	1,074,375	869,328	869,215
47,335	125,537	139,671	63,517	33,233	57,833
1,200	-	-	-	136,008	153,011
<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>4,622,365</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>3,933,872</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>3,933,872</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>	<u>\$ 8,556,237</u>
\$ 237,810	\$ 241,201	\$ 249,506	\$ 198,992	\$ 171,929	\$ 177,050
131,279	126,633	156,452	158,407	158,352	161,818
7,736	6,824	7,079	8,664	9,034	9,448
6,720	6,580	7,245	5,325	5,245	5,711
73,595	127,522	196,062	281,831	298,806	314,738
-	-	605	1,715	2,149	-
869,215	-	-	-	-	-
<u>1,326,355</u>	<u>508,760</u>	<u>616,949</u>	<u>654,934</u>	<u>645,515</u>	<u>668,765</u>
3,352,080	3,427,533	3,744,856	4,107,471	4,454,644	4,463,303
<u>3,933,872</u>	<u>4,463,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,612,307</u>	<u>\$ 8,399,596</u>	<u>\$ 4,361,805</u>	<u>\$ 4,762,405</u>	<u>\$ 5,100,159</u>	<u>\$ 5,132,068</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Net (Expenses) Revenue				
Governmental Activities	\$(1,526,431)	\$(2,373,132)	\$(2,549,496)	\$(1,820,536)
Business-Type Activities	547,811	143,878	447,147	351,463
Total Primary Government				
Net Expenses	<u>\$ (978,620)</u>	<u>\$ (2,229,254)</u>	<u>\$ (2,102,349)</u>	<u>\$ (1,469,073)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,778,179	\$ 2,000,492	\$ 2,230,070	\$ 2,322,501
Non-Property Taxes	249,186	283,543	555,500	598,699
Interest and Investment Earnings	165,411	110,430	29,017	10,691
Miscellaneous	25,914	22,518	27,102	14,537
Transfers	-	5,303	10,606	10,606
Total Governmental Activities	<u>2,218,690</u>	<u>2,422,286</u>	<u>2,852,295</u>	<u>2,957,034</u>
Business-Type Activities:				
Interest and Investment Earnings	80,021	52,009	18,006	3,733
Transfers	-	(5,303)	(10,606)	(10,606)
Total Business-Type Activities	<u>80,021</u>	<u>46,706</u>	<u>7,400</u>	<u>(6,873)</u>
Total Primary Government	<u>\$ 2,298,711</u>	<u>\$ 2,468,992</u>	<u>\$ 2,859,695</u>	<u>\$ 2,950,161</u>
Changes In Net Position				
Government Activities	\$ 692,259	\$ 49,154	\$ 302,799	\$ 1,136,498
Business-Type Activities	627,832	190,584	454,547	344,590
Total Primary Government	<u>\$ 1,320,091</u>	<u>\$ 239,738</u>	<u>\$ 757,346</u>	<u>\$ 1,481,088</u>

* Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014. Comparative information has not been restated.

TABLE 2 (Continued)

Fiscal Year					
2011	2012	2013	2014	2015*	2016
\$(1,769,742)	\$(2,785,020)	\$(3,076,150)	\$(3,479,963)	\$(4,461,251)	\$(3,953,600)
4,500,071	4,936,815	730,997	864,664	1,102,205	529,431
<u>\$ 2,730,329</u>	<u>\$ 2,151,795</u>	<u>\$(2,345,153)</u>	<u>\$(2,615,299)</u>	<u>\$(3,359,046)</u>	<u>\$(3,424,169)</u>
\$ 2,327,361	\$ 2,345,006	\$ 2,561,039	\$ 2,634,353	\$ 2,823,221	\$ 3,587,677
634,021	662,271	750,966	903,592	1,028,559	1,109,048
7,324	7,213	7,094	1,633	25,359	38,950
13,623	95,435	225,123	24,100	18,130	20,855
5,303	-	(33,971)	-	-	-
<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>	<u>4,756,530</u>
4,003	4,900	6,034	4,447	4,177	5,748
(5,303)	-	33,971	-	-	-
<u>(1,300)</u>	<u>4,900</u>	<u>40,005</u>	<u>4,447</u>	<u>4,177</u>	<u>5,748</u>
<u>\$ 2,986,332</u>	<u>\$ 3,114,825</u>	<u>\$ 3,550,256</u>	<u>\$ 3,568,125</u>	<u>\$ 3,899,446</u>	<u>\$ 4,762,278</u>
\$ 1,217,890	\$ 324,905	\$ 434,101	\$ 83,715	\$ (565,982)	\$ 802,930
4,498,771	4,941,715	771,002	869,111	1,106,382	535,179
<u>\$ 5,716,661</u>	<u>\$ 5,266,620</u>	<u>\$ 1,205,103</u>	<u>\$ 952,826</u>	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Nonspendable Fund Balance:				
Prepaid Items	\$ 43,468	\$ 17,761	\$ 25,339	\$ 23,524
Restricted Fund Balance:				
Court Technology	21,850	1,740	2,171	7,298
Court Security	21,769	25,398	27,728	31,574
Court Efficiency	36	10	5	16
Felony Forfeiture	-	-	-	378
PEG Fees	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total Restricted Fund Balance	<u>43,655</u>	<u>27,148</u>	<u>29,904</u>	<u>39,266</u>
Committed Fund Balance:				
Public Safety Committee	-	-	-	-
Wildlife Research Study	-	-	-	-
TxDOT Projects	-	-	-	-
Partnership Water Study	-	-	-	-
Total Committed Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned Fund Balance:				
Capital Projects	-	-	-	-
Legal Issues	-	-	-	-
Total Assigned Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>2,524,777</u>	<u>2,702,746</u>	<u>3,077,462</u>	<u>2,514,179</u>
<i>Total Governmental Funds</i>	<u><u>\$ 2,611,900</u></u>	<u><u>\$ 2,747,655</u></u>	<u><u>\$ 3,132,705</u></u>	<u><u>\$ 2,576,969</u></u>

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 24,628	\$ 24,104	\$ 25,631	\$ 24,220	\$ 43,625	\$ 14,563
10,177	9,477	15,845	15,285	14,802	14,047
35,640	38,436	44,497	44,420	47,270	49,816
34	64	16	110	140	140
378	378	3,937	3,937	378	378
-	-	3,492	4,319	4,319	4,319
-	-	-	-	-	8,462
-	-	-	-	6,919,193	6,252,941
<u>46,229</u>	<u>48,355</u>	<u>67,787</u>	<u>68,071</u>	<u>6,986,102</u>	<u>6,330,103</u>
-	250,000	30,451	30,451	-	-
-	45,779	16,928	-	-	-
-	-	-	810,000	-	-
-	-	-	100,000	-	-
-	<u>295,779</u>	<u>47,379</u>	<u>940,451</u>	-	-
-	-	1,000,000	720,000	2,448,838	553,000
-	-	50,000	50,000	50,000	50,000
-	-	<u>1,050,000</u>	<u>770,000</u>	<u>2,498,838</u>	<u>603,000</u>
<u>3,008,608</u>	<u>3,158,573</u>	<u>2,794,225</u>	<u>3,052,965</u>	<u>1,581,382</u>	<u>1,807,719</u>
<u>\$ 3,079,465</u>	<u>\$ 3,526,811</u>	<u>\$ 3,985,022</u>	<u>\$ 4,855,707</u>	<u>\$ 11,109,947</u>	<u>\$ 8,755,385</u>

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

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes	\$ 2,025,748	\$ 2,277,623	\$ 2,766,918	\$ 2,951,739
Licenses and Permits	164,827	125,162	86,388	94,654
Fines and Forfeits	105,291	119,263	78,503	120,941
Utility Management Fee	97,667	130,993	145,430	113,889
Interest	165,411	110,430	29,017	10,691
Miscellaneous	38,122	22,518	27,102	36,847
TOTAL REVENUES	<u>2,597,066</u>	<u>2,785,989</u>	<u>3,133,358</u>	<u>3,328,761</u>
EXPENDITURES				
Current:				
City Administration	575,105	452,963	463,894	632,220
Municipal Court	66,621	71,893	74,356	70,340
Public Safety	847,545	962,543	1,058,030	1,184,137
Public Health/Emergency	180,657	267,360	205,765	304,614
Building Codes	80,166	84,258	89,412	84,319
Public Works	432,025	644,430	667,404	605,504
Culture and Recreation	108,073	88,634	58,273	32,352
Capital Projects/Outlay	71,845	163,070	92,434	900,732
Debt Service:				
Principal Payments	67,825	65,237	90,312	76,660
Interest	-	8,579	2,548	4,225
Bond Issuance Costs	-	-	-	-
TOTAL EXPENDITURES	<u>2,429,862</u>	<u>2,808,967</u>	<u>2,802,428</u>	<u>3,895,103</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>167,204</u>	<u>(22,978)</u>	<u>330,930</u>	<u>(566,342)</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	10,606
Proceeds from Disposal of Equipment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>71,845</u>	<u>158,733</u>	<u>54,120</u>	<u>10,606</u>
 Net Change in Fund Balance	 <u>\$ 239,049</u>	 <u>\$ 135,755</u>	 <u>\$ 385,050</u>	 <u>\$ (555,736)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 2.9%	 2.8%	 3.4%	 2.7%

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 2,968,775	\$ 2,988,981	\$ 3,306,451	\$ 3,537,635	\$ 3,854,859	\$ 4,675,333
82,070	135,992	203,307	287,156	304,051	320,449
131,279	126,633	156,452	158,407	158,352	161,818
159,071	159,435	169,357	166,093	171,929	177,050
7,324	7,213	7,094	1,633	25,359	38,950
100,284	182,135	316,504	622,574	30,789	53,714
<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>	<u>5,427,314</u>
533,332	548,635	609,674	717,511	1,749,973	931,255
77,203	75,754	83,854	80,509	81,918	84,869
1,250,707	1,282,550	1,402,730	1,463,524	1,653,785	1,811,200
216,613	242,174	271,023	275,784	281,876	296,450
86,864	88,663	95,948	119,507	162,100	176,077
658,761	700,305	747,165	962,447	759,233	748,454
47,335	125,537	139,671	63,517	33,233	57,833
48,399	89,425	319,918	217,014	568,981	3,111,050
48,181	-	-	-	-	390,000
1,200	-	-	-	-	174,688
-	-	-	-	100,090	-
<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>7,781,876</u>
<u>480,208</u>	<u>447,346</u>	<u>489,182</u>	<u>873,685</u>	<u>(845,850)</u>	<u>(2,354,562)</u>
-	-	-	-	-	-
-	-	-	-	7,000,000	-
-	-	-	-	100,090	-
5,303	-	(33,971)	-	-	-
16,985	-	-	-	-	-
<u>22,288</u>	<u>-</u>	<u>(33,971)</u>	<u>-</u>	<u>7,100,090</u>	<u>-</u>
<u>\$ 502,496</u>	<u>\$ 447,346</u>	<u>\$ 455,211</u>	<u>\$ 873,685</u>	<u>\$ 6,254,240</u>	<u>\$ (2,354,562)</u>
1.7%	0.0%	0.0%	0.0%	2.1%	11.9%

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
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
2016	3,566,285	562,501	527,109	19,437	4,675,332

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
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
2016	1,193,076,434	128,637,815	65,052,850	1,256,661,399	0.3073

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
2007	0.24150	1.620	0.326866	0.37000	0.315201	2.873567
2008	0.24610	1.330	0.326866	0.37000	0.317993	2.590959
2009	0.24150	1.330	0.326866	0.37000	0.308023	2.576389
2010	0.24610	1.330	0.326866	0.37000	0.312955	2.585921
2011	0.24150	1.314	0.326866	0.37000	0.334000	2.586366
2012	0.24610	1.314	0.326866	0.37000	0.350421	2.607387
2013	0.26630	1.294	0.326866	0.39500	0.305221	2.587387
2014	0.26630	1.294	0.326866	0.39400	0.278221	2.559387
2015	0.26630	1.294	0.314500	0.39400	0.292821	2.561621
2016	0.30730	1.294	0.314500	0.38670	0.292921	2.595421

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	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Greenland Ventures	\$ 2,936,950	1	0.23%			
Bilbrey, Pam	1,334,660	2	0.11%	\$ 1,272,356	5	0.22%
Darter, Chad & Jaime	1,229,270	3	0.10%			
Carson, John Jeffrey & Amy	1,217,940	4	0.10%			
Fair Oaks Club Corp	1,192,040	5	0.09%	7,242,470	1	1.00%
Barron, Edward & Deborah	1,092,500	6	0.09%			
Kaiser, Keith & Kristi	1,034,430	7	0.08%			
Carola De Los Angeles Garcia	1,008,200	8	0.08%			
Stokes Family Living Trust	982,980	9	0.08%			
Sharp, Donn & Malinda	978,100	10	0.08%			
Armstrong Family Trust				2,634,880	2	0.35%
Guadalupe Valley Telephone Corp.				2,190,850	3	0.33%
Time Warner Cable				1,601,500	4	0.26%
Coulter, Kent and Karen				1,186,640	6	0.19%
Rialta, LLC				1,113,300	7	0.18%
Arthur, Paul and Regina				999,640	8	0.15%
Shouse, Kenneth and Karon				965,050	9	0.14%
Meritz, Neal				915,720	10	0.11%
Total	<u>\$ 13,007,070</u>		<u>1.04%</u>	<u>\$ 20,122,406</u>		<u>2.93%</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
2007	\$ 1,807,107	\$ 1,789,693	99.04%	\$ 17,414	\$ 1,807,107	100.00%
2008	2,035,536	2,015,608	99.02%	18,217	2,033,825	99.92%
2009	2,259,896	2,226,351	98.52%	31,639	2,257,990	99.92%
2010	2,340,064	2,318,698	99.09%	19,706	2,338,404	99.93%
2011	2,357,767	2,340,869	99.28%	15,348	2,356,217	99.93%
2012	2,381,119	2,357,934	99.03%	17,153	2,375,087	99.75%
2013	2,604,255	2,577,855	98.99%	19,632	2,597,487	99.74%
2014	2,672,104	2,653,136	99.29%	11,610	2,664,746	99.72%
2015	2,877,185	2,859,530	99.39%	6,446	2,865,976	99.61%
2016	3,861,722	3,827,841	99.12%	-	3,827,841	99.12%

Source: Kendall County Appraisal District

* Includes discounts allowed for early payments. Discounts taken for the fiscal year ended September 30, 2016 were \$83,442.

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*
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
2016	6,610,000	-	3,128,356	405,000	10,143,356	1,467

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
 San Antonio
 Unemployment
 Rate

Year	Population	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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%
2016	6914	54,829	47.9	650	5.0%

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 NINE YEARS AGO

TABLE 12

Employer	2016		2007	
	Employees	Rank	Employees	Rank
Lackland Air Force Base	37,097	1		
Fort Sam Houston	32,000	2		
HEB Food Stores	20,000	3	14,588	1
USAA	17,000	4	13,800	2
Northside I.S.D.	12,751	5		
Randolph Air Force Base	11,068	6		
North East I.S.D.	10,052	7		
City of San Antonio	9,145	8		
Methodist Healthcare System	8,118	9		
San Antonio ISD	7,000	10		
AT&T			6,500	3
Cardell Kitchen & Bath			3,050	4
Valero			3,000	5
Citicorp			3,000	6
World Savings			2,742	7
West Telemarketing			2,366	8
Bill Miller BBQ			2,200	9
Toyota Motor Mfg			2,000	10
Total	<u>164,231</u>		<u>53,246</u>	

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

Source: San Antonio Economic Development Corporation

