

CITY OF FAIR OAKS RANCH, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2017



Prepared by:

Administration and Finance Department

Tobin Maples, City Manager

Sarah Buckelew, Finance Officer

(This page is intentionally left blank)

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2017

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
Principal Officials	v
Organizational Chart.....	vi
FINANCIAL SECTION	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis (unaudited).....	3-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16-17
Statement of Activities.....	18-19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Fund:	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Statement of Cash Flows	26
Notes to Financial Statements	29-49

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2017

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information (unaudited):	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	53-54
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual	55
Schedule of Changes in the Net Pension Liability and Texas Municipal Retirement System (TMRS) Related Ratios	56
Schedule of Contributions and Notes to Schedule of Contributions.....	57
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	60
Combing Schedule of Revenue, Expenditures and Changes in Fund Balance- Nonmajor Governmental Funds	61
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund.....	62
STATISTICAL SECTION (UNAUDITED):	
Financial Trends:	<u>TABLE</u>
Net Position by Component	1 66-67
Change in Net Position	2 68-71
Fund Balances of Governmental Funds	3 72-73
Changes in Fund Balance of Governmental Funds	4 74-75
Revenue Capacity:	
Tax Revenues by Source, Governmental Funds	5 76
Top 10 Sales Tax Providers	6 77
Property Tax Levies and Collections	7 78
Direct and Overlapping Property Tax Rates	8 79
Assessed Value and Actual Taxable Property.....	9 80
Principal Property Taxpayers	10 81
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	11 82
Ratios of Net General Bonded Debt Outstanding.....	12 83
Legal Debt Margin Information.....	13 84-85
Direct and Overlapping Governmental Activities Debt.....	14 86
Demographic and Economic Information:	
Principal Employers	15 87
Demographic and Economic Statistics.....	16 88
Operating Information:	
Operating Indicators by Function.....	17 89
Capital Asset Statistics by Function.....	18 90
Full-Time Equivalent City Government Employees by Function.....	19 91

INTRODUCTORY SECTION

(This page is intentionally left blank)



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

April 5, 2018

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

Dear Mayor and Members of City Council:

The City of Fair Oaks Ranch, Texas is required to publish each year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Fair Oaks Ranch (the City) for the fiscal year ended September 30, 2017.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The City also acknowledges all disclosures that are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by ABIP, PC, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ended September 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

Fair Oaks Ranch was created by a group of visionaries who had both the foresight and the political courage to dream of a special community and make it a reality. The ability to make the city a reality was enhanced by having a single development company for many years and working with a family that had a desire for their ranch to become a unique community. This commonality of vision was the glue that held the development process together and created such a unique city. Those of us who are much newer residents of “The Ranch” are now taking up the challenge of preserving and protecting the unique quality of life that makes The Ranch so special. We dedicate this year’s budget effort and the upcoming work it will define to honor the visionaries who came before us and to continue their rich legacy.

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

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

The City provides a full range of municipal services including public safety; water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities and general administrative services. Transportation, treatment and disposal of sewage are provided under separate contracts. The City provides water service to most of the area, with the San Antonio Water System providing water service to the remaining portion of the City.

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

An annual budget serves as the foundation for the City’s financial planning and control. All departments are required to submit requests for appropriations in May/June of each year. The City’s Finance Officer and City Manager use these requests as a starting point in developing a proposed budget. During the months of July and August, weekly workshops are held with City Council members present. Public hearings for the budget are held in late August and early September.

The budget must provide a complete financial plan for all city funds for the ensuing fiscal year showing:

- All outstanding obligations
- Cash on hand to each fund
- The funds received from all sources and funds available from all sources
- The estimated revenue to cover the proposed budget
- The estimated tax rate required
- Proposed capital additions and deletions along with methods of financing them
- The total proposed expenditure shall not exceed the total estimated income

At any time during the fiscal year, the manager may transfer part or all of any unencumbered appropriation balance among programs within a fund or department. Upon written request by the manager, the Council may transfer part of any unencumbered appropriation balance from one fund or department to another. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered.

LOCAL ECONOMY

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

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

Other economic indicators such as the unemployment rate and housing permits have remained positive in this area as compared to the national level. Sales tax receipts throughout the past fiscal year saw slightly higher levels than the previous fiscal year. At year end, sales tax revenue again came in above budget. A positive turn in the economy can also be seen on interest income, building permits (commercial) and sales tax revenue the past several years. Fiscal Year 2018 is anticipated to be another very positive year.

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

LONG-TERM FINANCIAL PLANNING

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

- Placed our senior staff in much more responsible roles for planning, justifying, and administering the budget process
- Created and provided resources for new funds on both the General Fund and Enterprise Fund sides to allow us to plan for replacements of assets instead of just reacting to these needs via "emergency" purchases
- Provided funding for foundational growth management tools the citizens have told us they desire like Master Land Use, Master Drainage Plan, Water/Wastewater Management, Subdivision & Zoning Regulations, Capital Recovery Fees, and Water/Wastewater Impact Fees
- Continued funding for other citizen led development efforts such as Home Rule Charter Commission, Wildlife Education Committee, Communications Committee, and Finance and Investment Committee
- Continued funding for the roadway improvements paid for by the \$7MM General Obligation Bonds
- Enhanced quality of life through investments in police, EMS, and fire services
- Continued our funding of competitive salaries for our employees while limiting headcount growth to only one new position

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Sarah Buckelew, City Finance Officer

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

September 30, 2017

MAYOR

GARRY MANITZAS

CITY COUNCIL MEMBERS

MARY ANNE HAVARD

ROY ELIZONDO

STEVE HARTPENCE

GREG MAXTON

SNEHAL R. PATEL

LAURA KOERNER

CITY MANAGER

TOBIN MAPLES

ATTORNEY

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

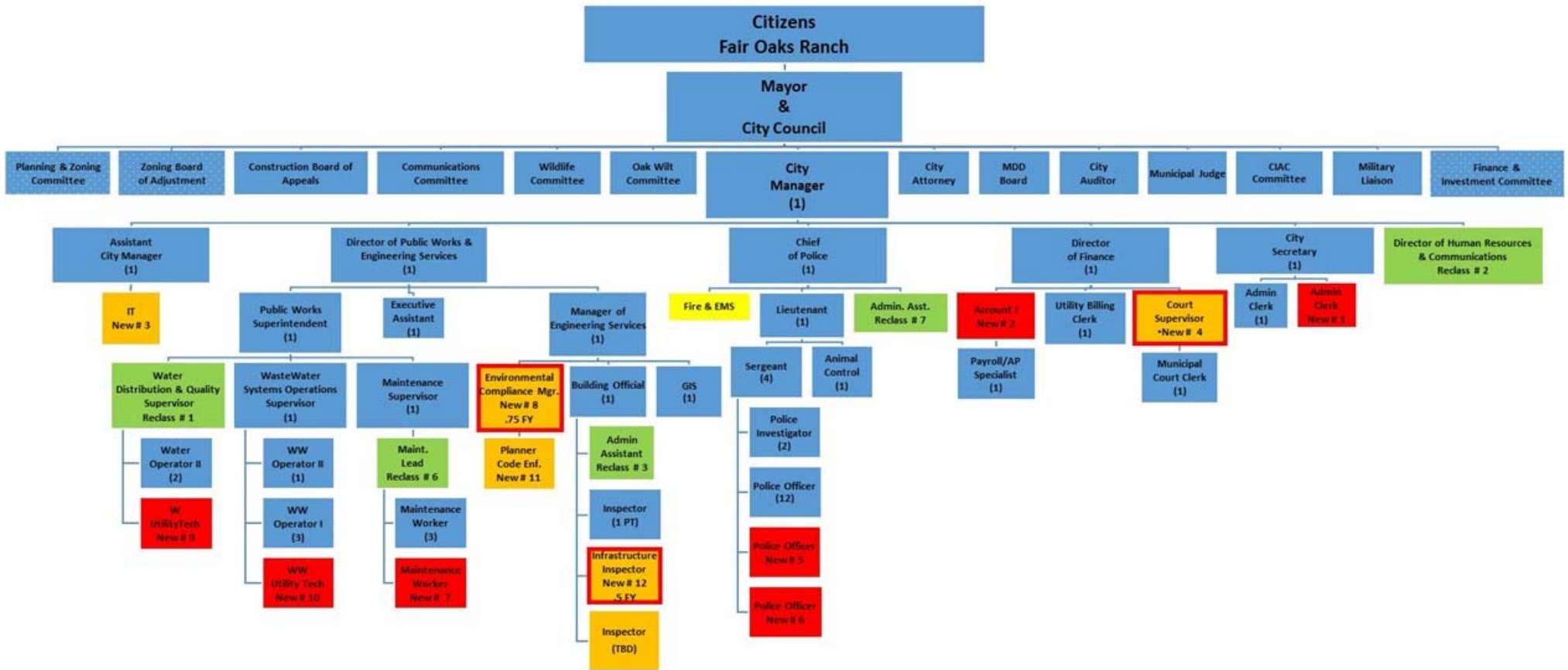
AUDITOR

ABIP, PC

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2017



FINANCIAL SECTION

(This page is intentionally left blank)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and the major funds of the City of Fair Oaks Ranch, Texas (the "City") as of and for the year ended September 30, 2017, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and the major funds of the City of Fair Oaks Ranch, Texas as of September 30, 2017, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic 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.

ABIP, PC

San Antonio, Texas

April 5, 2018

CITY OF FAIR OAKS RANCH, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Fair Oaks Ranch (the “City”) comprehensive annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

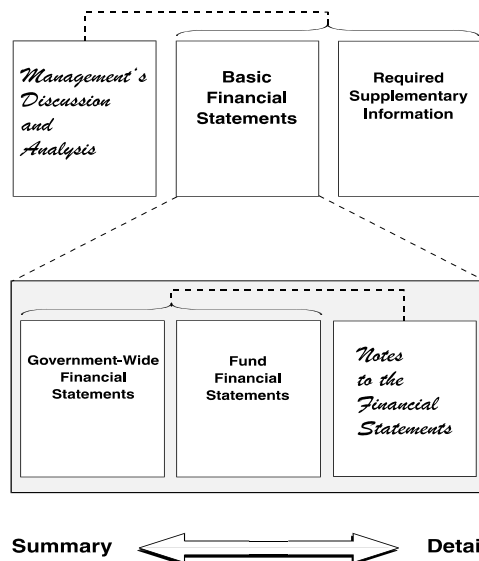
- The assets of the City exceeded its liabilities at September 30, 2017 by total combined net position of \$22,846,480. Of this amount \$7,189,165 (unrestricted net position), may be used to meet the government’s ongoing obligations to citizens and creditors.
- During the year, the City’s governmental activities net position increased by \$916,864. A majority of the increase was attributable to a programmed savings for equipment and vehicle replacement fund, and a programmed savings target set by Council to replenish the City’s reserves. The City’s reserve policy is to maintain at least 6 months worth of operating expenses in unrestricted reserves. The City currently has approximately 6.5 months of operating expenses in unrestricted reserves as of September 30, 2017.
- During the year, the City’s expenses were \$1,116,469 less than the \$4,963,247 generated from charges for services and investment earnings for business-type activities.
- The total cost of the City’s expenses increased by \$563,406 from last year; however, no new programs or services were added this year.
- Total general fund reported a balance this year of \$2,757,376, an increase of \$263,394. Other governmental funds reported a fund balance of \$361,166, an increase of \$352,704.
- The City’s outstanding principal on debt for governmental activities decreased by \$425,000. There is no bonded debt for business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like* businesses.

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

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

Notes to the Financial Statements

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

Other Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$22,846,480 (net position) at September 30, 2017 (see Table A-1). Of this amount, 61% represents net investment in capital assets, and 38% represents unrestricted resources available to fund the program of the City next year.

Changes in net position - The combined activities total revenues were \$11,152,976. The revenue from property taxes was \$4,264,687 or 38.24% (see Table A-2), 45% comes from utility, while only 5.48% relates to charges for services for governmental activities (Court, Public Works, Building Codes, etc.).

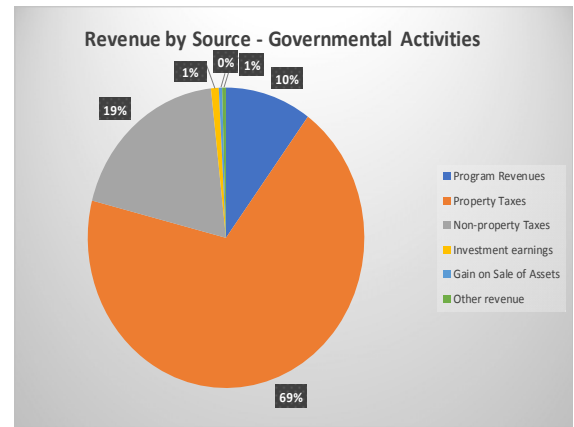
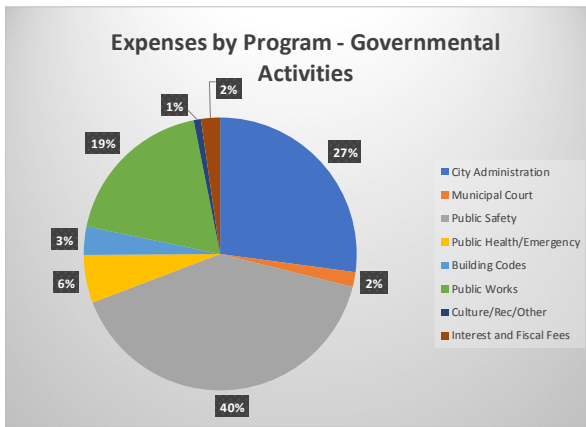
The total cost of all programs and services was \$9,119,643, 42.18% of these costs are Business-Type activities (see Table A-2).

Governmental Activities

Governmental activities increased the City's net position by \$916,864.

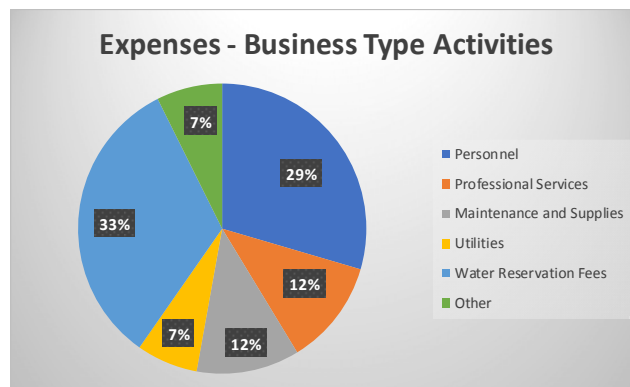
Key elements are as follows:

- General revenues increased by \$764,434 primarily due to the \$677,010 increase in property tax revenue.
- Investment earnings increased by \$17,595 primarily due to increases in interest rates over the period.
- Expenses for City Administration increased by \$480,554.
- Expenses for Public Safety increased by \$107,024.
- Expenses for Public Works increased by \$113,259.
- Expenses for interest and fiscal fees decreased by \$33,131.

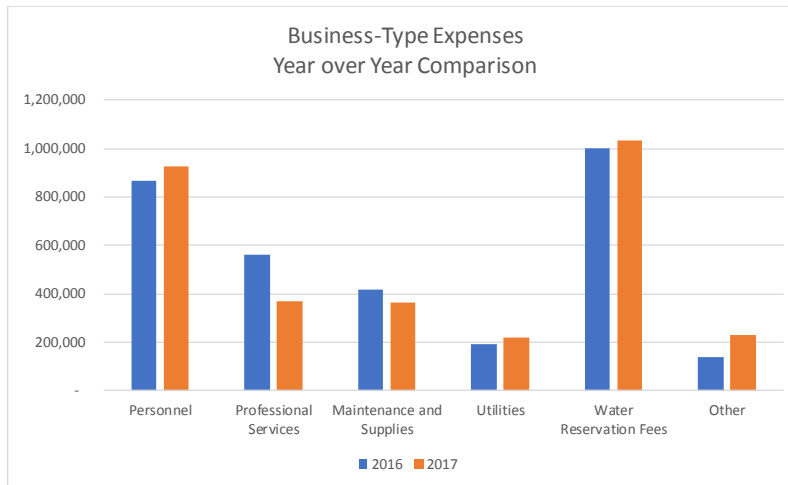


Business-type activities

The City's business-type activities consist solely of water and wastewater services. These activities have rates and spending plans established by the City Council. Revenues of the City's Water and Sewer business-type activities were \$4,963,247 and operating expenses were \$3,846,778, (see Table A-2). Business-type activities increased the City's net position by \$1,116,469. The increase was due primarily to an increase in operating revenues from charges for utility service and decrease in the cost of operating the water and wastewater systems, primarily in the personnel, professional fees, and supplies categories.



The revenues in the current fiscal year for the business-type activities increased by \$467,044 from 2016. The total expenditures for the business-type activities decreased by \$37,127. The primary reason for the increase in revenues is attributable to a drought surcharge that was implemented during the summer months. Despite an abnormally rainy season, water consumption remained stable year over year.



The decrease in expenditures is due primarily to the decrease in professional services from an engineering consulting project that was completed in the previous fiscal year. This decrease was partially offset by increases in water reservation fees, personnel costs and sludge disposal, which is categorized as an “other” cost.

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2017	2016	2017	2016	2017	2016	Change
							2017-2016
Current Assets:							
Cash and cash equivalents	\$ 5,594,464	\$ 8,892,718	\$ 4,461,054	5,426,195	\$ 10,055,518	\$ 14,318,913	-29.8%
Receivables	331,841	317,356	547,494	413,301	879,335	730,657	20.3%
Inventories and prepaids	19,281	14,563	140,919	129,897	160,200	144,460	10.9%
Total current assets	<u>5,945,586</u>	<u>9,224,637</u>	<u>5,149,467</u>	<u>5,969,393</u>	<u>11,095,053</u>	<u>15,194,030</u>	<u>-27.0%</u>
Non-Current Assets:							
Land and improvements	116,798	99,798	53,600	53,600	170,398	153,398	11.1%
Building and improvements	4,037,292	1,772,765	-	-	4,037,292	1,772,765	127.7%
Utility plant and easements	-	-	16,115,717	15,913,050	16,115,717	15,913,050	1.3%
Vehicles and equipment	1,341,967	1,143,453	662,429	628,460	2,004,396	1,771,913	13.1%
Infrastructure	3,200,813	3,200,813	-	-	3,200,813	3,200,813	0.0%
Construction in progress	4,727,618	3,130,968	1,770,816	-	6,498,434	3,130,968	107.6%
Less: accumulated depreciation	<u>(2,574,229)</u>	<u>(2,356,126)</u>	<u>(6,791,622)</u>	<u>(6,393,826)</u>	<u>(9,365,851)</u>	<u>(8,749,952)</u>	<u>7.0%</u>
Total non-current assets	<u>10,850,259</u>	<u>6,991,671</u>	<u>11,810,940</u>	<u>10,201,284</u>	<u>22,661,199</u>	<u>17,192,955</u>	<u>31.8%</u>
Total assets	<u>16,795,845</u>	<u>16,216,308</u>	<u>16,960,407</u>	<u>16,170,677</u>	<u>33,756,252</u>	<u>32,386,985</u>	<u>4.2%</u>
Deferred Outflows of Resources:							
Deferred charge on refunding	-	-	-	2,584	-	2,584	-100.0%
Deferred pension related outflows	394,091	376,948	133,846	131,358	527,937	508,306	3.9%
Total deferred outflows	<u>394,091</u>	<u>376,948</u>	<u>133,846</u>	<u>133,942</u>	<u>527,937</u>	<u>510,890</u>	<u>3.3%</u>
Liabilities:							
Current liabilities	567,371	545,946	590,536	348,205	1,157,907	894,151	29.5%
Non-Current Liabilities:							
Due within one year	436,673	425,000	57,558	405,000	494,231	830,000	-40.5%
Due in more than one year	5,835,071	6,278,417	3,070,798	3,128,356	8,905,869	9,406,773	-5.3%
Net pension liability	<u>626,949</u>	<u>559,011</u>	<u>205,870</u>	<u>195,301</u>	<u>832,819</u>	<u>754,312</u>	<u>10.4%</u>
Total liabilities	<u>7,466,064</u>	<u>7,808,374</u>	<u>3,924,762</u>	<u>4,076,862</u>	<u>11,390,826</u>	<u>11,885,236</u>	<u>-4.2%</u>
Deferred Inflows of Resources	<u>34,654</u>	<u>12,528</u>	<u>12,229</u>	<u>4,402</u>	<u>46,883</u>	<u>16,930</u>	<u>176.9%</u>
Net Position:							
Net investment in capital assets	6,898,385	6,606,072	8,682,584	6,667,928	15,580,969	13,274,000	17.4%
Restricted	76,346	77,162	-	-	76,346	77,162	-1.1%
Unrestricted	<u>2,714,487</u>	<u>2,089,120</u>	<u>4,474,678</u>	<u>5,372,865</u>	<u>7,189,165</u>	<u>7,461,985</u>	<u>-3.7%</u>
Total net position	<u>\$ 9,689,218</u>	<u>\$ 8,772,354</u>	<u>\$ 13,157,262</u>	<u>\$ 12,040,793</u>	<u>\$ 22,846,480</u>	<u>\$ 20,813,147</u>	<u>9.8%</u>

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2017	2016	2017	2016	2017	2016	Change
							2017-2016
Revenues:							
Program Revenues:							
Charges for services	\$ 610,888	\$ 668,765	\$ 4,930,347	\$ 4,463,303	\$ 5,541,235	\$ 5,132,068	8.0%
Operating grants and contributions	13,295	-	-	-	13,295	-	
General Revenues:							
Property taxes	4,264,687	3,587,677	-	-	4,264,687	3,587,677	18.9%
Non property taxes	1,192,774	1,109,048	-	-	1,192,774	1,109,048	7.5%
Investment earnings	56,545	38,950	32,900	5,748	89,445	44,698	100.1%
Gain on Sale of Capital Assets	23,874	-	-	-	23,874	-	
Miscellaneous	27,666	20,855	-	-	27,666	20,855	32.7%
Total revenues	<u>6,189,729</u>	<u>5,425,295</u>	<u>4,963,247</u>	<u>4,469,051</u>	<u>11,152,976</u>	<u>9,894,346</u>	<u>12.7%</u>
Expenses:							
City administration	1,431,472	950,918	-	-	1,431,472	950,918	50.5%
Municipal court	92,032	86,288	-	-	92,032	86,288	6.7%
Public safety	2,124,882	2,017,858	-	-	2,124,882	2,017,858	5.3%
Public health/emergency	299,734	307,665	-	-	299,734	307,665	-2.6%
Building codes	177,495	179,577	-	-	177,495	179,577	-1.2%
Public works	982,474	869,215	-	-	982,474	869,215	13.0%
Culture/recreation/other	44,896	57,833	-	-	44,896	57,833	-22.4%
Interest and fiscal fees	119,880	153,011	-	-	119,880	153,011	-21.7%
Utility	-	-	3,846,778	3,933,872	3,846,778	3,933,872	-2.2%
Total expenses	<u>5,272,865</u>	<u>4,622,365</u>	<u>3,846,778</u>	<u>3,933,872</u>	<u>9,119,643</u>	<u>8,556,237</u>	<u>6.6%</u>
Increases (decreases) in net position before transfers	916,864	802,930	1,116,469	535,179	2,033,333	1,338,109	52.0%
Change in net position	916,864	802,930	1,116,469	535,179	2,033,333	1,338,109	52.0%
Net position - beginning	<u>8,772,354</u>	<u>7,969,424</u>	<u>12,040,793</u>	<u>11,505,614</u>	<u>20,813,147</u>	<u>19,475,038</u>	<u>6.9%</u>
Net position - ending	<u>\$ 9,689,218</u>	<u>\$ 8,772,354</u>	<u>\$ 13,157,262</u>	<u>\$ 12,040,793</u>	<u>\$ 22,846,480</u>	<u>\$ 20,813,147</u>	<u>9.8%</u>

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

- The cost of all governmental activities this year was \$5,272,865.
- Total amount that our taxpayers paid for these activities through property taxes was \$4,264,687.
- Some of the cost, \$610,888 or 11.59% was paid by those who directly benefited from the programs and activities.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2017	2016		2017	2016	
City administration	\$ 1,431,472	\$ 950,918	50.54%	\$ 1,225,950	\$ 773,868	58.42%
Municipal court	92,032	86,288	6.66%	(37,228)	(75,530)	-50.71%
Public safety	2,124,882	2,017,858	5.30%	2,112,060	2,008,410	5.16%
Public health/emergency	299,734	307,665	-2.58%	297,234	301,954	-1.56%
Building codes	177,495	179,577	-1.16%	(96,584)	(135,161)	-28.54%
Public works	982,474	869,215	13.03%	982,474	869,215	13.03%
Culture/recreation/other	44,896	57,833	-22.37%	44,896	57,833	-22.37%
Water and sewer	3,846,778	3,933,872	-2.21%	(1,083,569)	(529,431)	104.67%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,438,412, as net decrease of (\$3,316,973). Revenues from governmental fund types totaled \$6,156,366 with an additional \$23,874 for sales of assets in fiscal year 2017 while expenditures from governmental fund types totaled \$9,497,213 for a reduction of total fund balance of (\$3,340,847).

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

General Fund	\$ 263,394
2015 Bond Fund	(3,933,071)
Other Government Funds	<u>352,704</u>
Combined Fund Balance Change	<u>\$(3,316,973)</u>

The increase in the General Fund is primarily attributable to savings in personnel costs related to employee turnover in the public safety department as well as increases in property tax revenue, primarily from increases in property appraisals.

The decrease in the 2015 Bond Fund is primarily due to the continued expenditures related to the bond projects. The bond projects consist of roadway reconstruction work that will continue through 2017-18.

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

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements. Total net position at the close of the fiscal year was \$13,157,262 of which \$8,682,584 represented net investment in capital assets and \$4,474,678 represented unrestricted net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget. Actual revenues were less than final budgeted amounts by \$20,248 while actual expenditures were \$483,337 below final budget amounts.

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

\$20,248 under budget in total revenues:

- Property Taxes – were less than budget by \$41,177 primarily due to early payment discounts provided.
- Sales Taxes – exceeded budget by \$120,069 due to a better than anticipated economic environment.
- Franchise Fees – exceeded budget by \$16,779 due to additional residences built or joining the City that are CPS customers.
- Interest Earned – exceeded budget by \$17,394 due to rising interest rates.
- Total Permits – were less than budget by \$116,321 due to less commercial and residential building permits being issued than forecasted.
- Fines and Fees – were less than budget by \$31,581 due to lower amount of citations being issued than anticipated.

\$483,337 under budget in total expenditures:

- Administration – did not undertake a document archiving project that was budgeted, incurred less mileage for travel than budgeted, and incurred less than budgeted for contractual professional services than anticipated.
- Public Safety – primarily due to personnel vacancies in Police.
- Maintenance – primarily due to personnel vacancies and street maintenance contract that come in under budget.
- Committees – primarily due to unspent funds for public relations and City campus beautification.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$32,027,050 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 \$9,365,851 results in a total Net Capital Asset value of \$22,661,199.

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

	Governmental		Business-Type		Total		Total Percentage Change 2017-2016
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
Land and improvements	\$ 116,798	\$ 99,798	\$ 53,600	\$ 53,600	\$ 170,398	\$ 153,398	11.1%
Buildings and improvements	4,037,292	1,772,765	-	-	4,037,292	1,772,765	127.7%
Vehicles and equipment	1,341,967	1,143,453	662,429	628,460	2,004,396	1,771,913	13.1%
Infrastructure	3,200,813	3,200,813	-	-	3,200,813	3,200,813	0.0%
Construction in progress	4,727,618	3,130,968	1,770,816	-	6,498,434	3,130,968	107.6%
Utility plant	-	-	16,115,717	15,913,050	16,115,717	15,913,050	1.3%
Totals at historical cost	13,424,488	9,347,797	18,602,562	16,595,110	32,027,050	25,942,907	23.5%
Total accumulated depreciation	<u>(2,574,229)</u>	<u>(2,356,126)</u>	<u>(6,791,622)</u>	<u>(6,393,826)</u>	<u>(9,365,851)</u>	<u>(8,749,952)</u>	<u>7.0%</u>
Net capital assets	<u>\$ 10,850,259</u>	<u>\$ 6,991,671</u>	<u>\$ 11,810,940</u>	<u>\$ 10,201,284</u>	<u>\$ 22,661,199</u>	<u>\$ 17,192,955</u>	<u>31.8%</u>

Capital Assets (Table A-4)

The City's investment in Capital assets for its governmental and business-type activities of September 30, 2017 amounted to \$22,661,199 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, facilities, the water and wastewater system plants and service lines, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 31.8%.

At the end of the fiscal year 2017, the City had invested in a broad range of equipment for both Governmental and Utility use. Most of the investment was for replacement of old equipment which was auctioned off. The replacement and/or new equipment included a new tractor, 4 trucks, a generator, backhoe, 3 police vehicles, an air compressor and pump. During fiscal year 2017, the City also placed in service the new Public Safety and Municipal Court Building and continued construction in progress on roadwork funded by the Roadway Reconstruction Bond.

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

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

	Governmental		Business-Type		Total		Total Percentage Change 2017-2016
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
Bonds payable	\$ 6,185,000	\$ 6,610,000		\$ 405,000	\$ 6,185,000	\$ 7,015,000	-11.8%
Capital lease	-	-	3,128,356	3,128,356	3,128,356	3,128,356	0.0%
Total bonds and leases	<u>\$ 6,185,000</u>	<u>\$ 6,610,000</u>	<u>\$ 3,128,356</u>	<u>\$ 3,533,356</u>	<u>\$ 9,313,356</u>	<u>\$ 10,143,356</u>	<u>-8.2%</u>

Long-Term Debt

At year end, the City had \$6,185,000 in Roadway Reconstruction bonds outstanding and \$3,128,356 in capital leases for the Water Utility Scada system. More detailed information about the City’s long-term liabilities is presented in the notes to the financial statements notes, note 10.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected officials considered many factors when settling the fiscal year 2017 budget, tax rates, and fees that will be charged for the business-type activities. The central focus of the City for the next several years will be implementing the strategic action plan developed by the City’s elected officials in 2016.

How the Budget reflects the Strategic Plan and Citizen Priorities

Staffing

Since the 2016-17 Fiscal Year, the City of Fair Oaks Ranch achieved home rule status. The new City Manager was given a year by Council to evaluate staffing needs and look for operational efficiencies before making staffing recommendations. The Fiscal Year 2017-18 Budget was the first opportunity for the City Manager to reorganize the City structure and provide staffing recommendations to meet resident’s service delivery expectations. Based on the City Manager’s recommendation, and direction from the City Council, 10 new full-time equivalents were funded, 4 of those being mid-year hires. The full-time equivalents include 2 Police Officers, an Accountant, Water Utility Technician, Wastewater Utility Technician, Administrative Customer Service Professional, Public Works Maintenance Worker, Public Works Environmental Compliance Manager, Infrastructure Inspector, and a Municipal Court Supervisor.

Proactive and Systematic Equipment and Vehicle Replacement Program

Additionally, in 2016-17 both the Governmental and Business-Type funds created a program for funding for future replacement of vehicles and equipment. Capital assets meeting a certain threshold were examined to determine their remaining useful lives, and anticipated replacement date. Funds will be set aside over the remaining useful lives of these assets so that replacement will be systematic and refunded when the time is necessary without resulting in tax increases.

Foundational Studies

Many residents participated in a series of foundational studies that involve working with consulting and engineering firms to address issues to be addressed in the strategic plan over the next several years such as:

- | | |
|---------------------------------|-----------------------------|
| Updating the Comprehensive Plan | Master Wastewater Plan |
| Zoning | MS 4 Planning |
| Master Drainage Plan | Subdivision Regulations |
| Land Use Plan | Water/Wastewater Rate Study |

Funding the Strategic Plan

The proposed fiscal year 2017-18 budget will raise more revenue from property taxes than last year’s budget by \$447,448. This increase is caused by a number of factors, including the increase in appraised value of existing properties, additions of new property to the City, and a modest 6/10th of a penny increase on the total tax rate, these factors are broken out in the tables to the right.

Comparison of FY16-17 to FY17-18 Budgeted Property Tax Revenue		
	2016-17 Budget	2017-18 Budget
Property Value	1,344,384,299	1,457,896,648
Tax rate per \$100 in value	0.0032336	0.003295
Collection rate 98%	98%	98%
	4,260,246	4,707,694
Year over Year increase		447,448

Additionally, investment revenue is expected to increase in the environment of rising interest rates, and sales tax has continued on an upward trend with the increase in volume of internet sales and improving economic environment around the San Antonio area.

Revenue Increase by Category	
New properties added	189,793
Tax Rate increase on new properties	3,604
Existing property value increase	169,930
Tax rate increase on existing properties	84,121
	447,448

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

For the year ended September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and investments	\$ 5,594,464	\$ 4,461,054	\$ 10,055,518	\$ 684,007
Receivables (net of allowance for uncollectibles:)				
Taxes	81,564	-	81,564	26,681
Accounts	250,277	547,494	797,771	-
Inventories	-	116,552	116,552	-
Prepays	19,281	24,367	43,648	-
Capital assets:				
Land and improvements	116,798	53,600	170,398	-
Buildings and improvements	4,037,292	-	4,037,292	-
Utility plant and easements	-	16,115,717	16,115,717	-
Vehicles and equipment	1,341,967	662,429	2,004,396	-
Infrastructure	3,200,813	-	3,200,813	-
Construction in progress	4,727,618	1,770,816	6,498,434	-
Less: accumulated depreciation	(2,574,229)	(6,791,622)	(9,365,851)	-
Total capital assets	<u>10,850,259</u>	<u>11,810,940</u>	<u>22,661,199</u>	<u>-</u>
Total assets	<u>16,795,845</u>	<u>16,960,407</u>	<u>33,756,252</u>	<u>710,688</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>394,091</u>	<u>133,846</u>	<u>527,937</u>	<u>-</u>
Total deferred outflows	<u>394,091</u>	<u>133,846</u>	<u>527,937</u>	<u>-</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION

For the year ended September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
Current liabilities:				
Accounts payable and other	\$ 274,407	\$ 154,177	\$ 428,584	\$ 687
Accrued liabilities	151,203	106,469	257,672	-
Accrued compensated absences	120,846	24,582	145,428	-
Accrued interest payable	20,915	124,575	145,490	-
Unearned revenue	-	180,733	180,733	-
Noncurrent liabilities:				
Due within one year	436,673	57,558	494,231	-
Due in more than one year	5,835,071	3,070,798	8,905,869	-
Net pension liability	<u>626,949</u>	<u>205,870</u>	<u>832,819</u>	-
Total liabilities	<u>7,466,064</u>	<u>3,924,762</u>	<u>11,390,826</u>	<u>687</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>34,654</u>	<u>12,229</u>	<u>46,883</u>	-
NET POSITION				
Net investment in capital assets	6,898,385	8,682,584	15,580,969	-
Restricted for:				
Court technology	11,535	-	11,535	
Court security building	51,473	-	51,473	
Court efficiency and felony forfeiture	670	-	670	
PEG fees	4,319	-	4,319	
Public Safety	1,104	-	1,104	
Debt service	7,245	-	7,245	
Unrestricted	<u>2,714,487</u>	<u>4,474,678</u>	<u>7,189,165</u>	<u>710,001</u>
Total net position	<u>\$ 9,689,218</u>	<u>\$ 13,157,262</u>	<u>\$ 22,846,480</u>	<u>\$ 710,001</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
City administration	\$ 1,431,472	\$ 201,334	\$ 4,188	\$ -
Municipal court	92,032	129,260	-	-
Public safety	2,124,882	3,715	9,107	-
Public health/emergency	299,734	2,500	-	-
Building codes	177,495	274,079	-	-
Public works	982,474	-	-	-
Culture/recreation/other	44,896	-	-	-
Interest and fiscal fees on long-term debt	119,880	-	-	-
Total governmental activities	5,272,865	610,888	13,295	-
Business-Type Activities:				
Water/sewer utility	3,846,778	4,930,347	-	-
Total business-type activities	3,846,778	4,930,347	-	-
Total primary government	\$ 9,119,643	\$ 5,541,235	\$ 13,295	\$ -
Component Unit				
Municipal Development District	\$ 11,786	\$ -	\$ -	\$ -

General Revenues

Taxes:

Property taxes

Non property taxes

Interest and investment earnings

Gain on Sale of Capital Assets

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Municipal Development District</u>
\$ (1,225,950)	\$ -	\$ (1,225,950)	
37,228	-	37,228	
(2,112,060)	-	(2,112,060)	
(297,234)	-	(297,234)	
96,584	-	96,584	
(982,474)	-	(982,474)	
(44,896)	-	(44,896)	
<u>(119,880)</u>	<u>-</u>	<u>(119,880)</u>	
<u>(4,648,682)</u>	<u>-</u>	<u>(4,648,682)</u>	
-	1,083,569	1,083,569	
-	1,083,569	1,083,569	
<u>(4,648,682)</u>	<u>1,083,569</u>	<u>(3,565,113)</u>	
			<u>\$ (11,786)</u>
4,264,687	-	4,264,687	-
1,192,774	-	1,192,774	188,715
56,545	32,900	89,445	-
23,874	-	23,874	-
<u>27,666</u>	<u>-</u>	<u>27,666</u>	<u>-</u>
<u>5,565,546</u>	<u>32,900</u>	<u>5,598,446</u>	<u>188,715</u>
916,864	1,116,469	2,033,333	176,929
<u>8,772,354</u>	<u>12,040,793</u>	<u>20,813,147</u>	<u>533,072</u>
<u>\$ 9,689,218</u>	<u>\$ 13,157,262</u>	<u>\$ 22,846,480</u>	<u>\$ 710,001</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	Major Fund		Other	Total
	General Fund	2015 Go Bond Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash and investments	\$ 2,697,361	\$ 2,418,716	\$ 478,387	\$ 5,594,464
Receivables (net of allowance for uncollectibles):				
Property taxes	74,704	-	6,860	81,564
Accounts	250,277	-	-	250,277
Prepaid items	<u>19,281</u>	<u>-</u>	<u>-</u>	<u>19,281</u>
 Total assets	 <u>\$ 3,041,623</u>	 <u>\$ 2,418,716</u>	 <u>\$ 485,247</u>	 <u>\$ 5,945,586</u>
LIABILITIES				
Accounts payable	\$ 96,426	\$ 98,846	\$ 79,135	\$ 274,407
Accrued expenditures	<u>113,117</u>	<u>-</u>	<u>38,086</u>	<u>151,203</u>
Total liabilities	<u>209,543</u>	<u>98,846</u>	<u>117,221</u>	<u>425,610</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>74,704</u>	<u>-</u>	<u>6,860</u>	<u>81,564</u>
Total deferred inflows of resources	<u>74,704</u>	<u>-</u>	<u>6,860</u>	<u>81,564</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	19,281	-	-	19,281
Restricted for:				
Court technology	11,535	-	-	11,535
Court security building	51,473	-	-	51,473
Court efficiency and felony forfeiture	670	-	-	670
PEG fees	4,319	-	-	4,319
Public Safety	1,104	-	-	1,104
Debt service	-	-	7,245	7,245
Capital projects	-	2,319,870	-	2,319,870
Assigned for:				
Capital projects	553,000	-	353,921	906,921
Legal issues	50,000	-	-	50,000
Unassigned	<u>2,065,994</u>	<u>-</u>	<u>-</u>	<u>2,065,994</u>
Total fund balances	<u>2,757,376</u>	<u>2,319,870</u>	<u>361,166</u>	<u>5,438,412</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,041,623</u>	 <u>\$ 2,418,716</u>	 <u>\$ 485,247</u>	 <u>\$ 5,945,586</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

September 30, 2017

Total fund balances - total governmental funds	\$	5,438,412
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.		10,850,259
Other long-term assets are not available to pay for current period expenditures and, not due and payable in the current period and therefore, are not reported in the funds.		81,564
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(120,846)
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		(6,185,000)
Unamortized bond premium		(86,744)
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		(626,949)
Pension related deferred inflows		(34,654)
Pension related deferred outflows		394,091
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the governmental funds.		<u>(20,915)</u>
Total net position of governmental activities	\$	<u>9,689,218</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2017

	Major Fund			Total Governmental Funds
	General Fund	2015 GO Bond Fund	Other Govt Funds	
REVENUES				
Taxes	\$ 4,898,350	\$ -	\$ 549,622	\$ 5,447,972
Licenses and permits	280,294	-	-	280,294
Fines and forfeits	129,260	-	-	129,260
Utility management fee	195,334	-	-	195,334
Interest	25,394	30,437	714	56,545
Miscellaneous	46,961	-	-	46,961
Total revenues	<u>5,575,593</u>	<u>30,437</u>	<u>550,336</u>	<u>6,156,366</u>
EXPENDITURES				
Current:				
City administration	917,897	-	462,579	1,380,476
Municipal court	90,428	-	-	90,428
Public safety	1,920,485	-	-	1,920,485
Public health/emergency	288,066	-	-	288,066
Building codes	172,849	-	-	172,849
Public works	833,736	-	18,579	852,315
Culture and recreation	44,896	-	-	44,896
Capital projects/outlay	17,400	3,963,508	215,237	4,196,145
Debt service:				
Principal	-	-	425,000	425,000
Interest and fiscal charges	-	-	126,553	126,553
Total expenditures	<u>4,285,757</u>	<u>3,963,508</u>	<u>1,247,948</u>	<u>9,497,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,289,836</u>	<u>(3,933,071)</u>	<u>(697,612)</u>	<u>(3,340,847)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	23,874	-	-	23,874
Transfers in (out)	(1,050,316)	-	1,050,316	-
Total other financing sources (uses)	<u>(1,026,442)</u>	<u>-</u>	<u>1,050,316</u>	<u>23,874</u>
Net change in fund balances	263,394	(3,933,071)	352,704	(3,316,973)
Fund balance - beginning	<u>2,493,982</u>	<u>6,252,941</u>	<u>8,462</u>	<u>8,755,385</u>
Fund balance - ending	<u>\$ 2,757,376</u>	<u>\$ 2,319,870</u>	<u>\$ 361,166</u>	<u>\$ 5,438,412</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2017

Net change in fund balances - total governmental funds \$ (3,316,973)

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

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

Current year additions	4,196,145
Current year depreciation	(337,557)

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

Ad Valorem revenue	9,489
--------------------	-------

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

Princial repayments	425,000
Amortization of bond premiums	6,673

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

(72,921)

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

Compensated absences	<u>7,008</u>
----------------------	--------------

Change in net position - governmental activities \$ 916,864

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF NET POSITION –
PROPRIETARY FUND**

For the year ended September 30, 2017

	Business-Type Activities
	<u>Water/Sewer Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 4,461,054
Receivables (net of allowances for uncollectibles):	
Accounts	547,494
Inventories	116,552
Prepays	<u>24,367</u>
Total current assets	<u>5,149,467</u>
Capital assets:	
Land and improvements	53,600
Construction in progress	1,770,816
Utility plant and easements	16,115,717
Vehicles and equipment	662,429
Accumulated depreciation	<u>(6,791,622)</u>
Total capital assets, net of accumulated depreciation	<u>11,810,940</u>
 Total assets	 <u>16,960,407</u>
 Deferred Outflows of Resources	
Deferred pension related outflows	133,846
Total deferred outflows of resources	<u>133,846</u>
 Liabilities	
Current liabilities:	
Accounts payable	154,177
Accrued liabilities	106,469
Accrued compensated absences	24,582
Accrued interest payable	124,575
Unearned revenue - water supply agreements	180,733
Current portion of long-term bonds	<u>57,558</u>
Total current liabilities	<u>648,094</u>
 Noncurrent liabilities:	
Long term debt	3,070,798
Net pension liability	<u>205,870</u>
Total noncurrent liabilities	<u>3,276,668</u>
 Deferred Inflows of Resources	
Deferred pension related inflows	<u>12,229</u>
 Net position	
Net investment in capital assets	8,682,584
Unrestricted	<u>4,474,678</u>
Total net position	<u>\$ 13,157,262</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2017

	Business-Type Activities <u>Water/Sewer Fund</u>
Operating Revenues	
Charges for utility service	\$ 4,930,347
Operating Expenses	
Personnel services	927,165
Contractual services	5,562
Maintenance	157,706
Equipment lease	5,945
Supplies	87,565
Office supplies	82,889
Postage	20,714
Utilities	216,461
Management fee	195,334
Professional fees	168,050
Permits and licenses	8,443
Water reservation fees	1,032,227
Insurance	20,881
Sludge disposal	149,853
Miscellaneous	61,071
Total operating expenses	<u>3,139,866</u>
Operating income (loss) before depreciation	<u>1,790,481</u>
Depreciation	<u>591,215</u>
Operating income (loss)	<u>1,199,266</u>
Nonoperating Revenues (Expenses)	
Interest income	32,900
Interest and fiscal charges	(113,113)
Amortization of deferred loss on refunding issue	(2,584)
Total nonoperating revenues (expenses)	<u>(82,797)</u>
Change in net position	1,116,469
Total net position - beginning	<u>12,040,793</u>
Total net position - ending	<u>\$ 13,157,262</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the year ended September 30, 2017

	Business-Type Activities
	Water/Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 4,794,510
Cash paid for employee wages and benefits	(844,627)
Cash paid for suppliers for goods and services	(2,048,607)
Cash paid to general fund for management fee	(195,334)
Net cash provided (used) in operating activities	1,705,942
Cash Flows from Capital and related Financing Activities	
Purchase/construction of capital assets	(2,200,871)
Principal payments on long-term debt	(405,000)
Interest and fiscal charges paid	(98,112)
Net cash provided (used) by capital and related financing activities	(2,703,983)
Cash Flows from Investing Activities	
Investment interest received	32,900
Net cash provided (used) by investing activities	32,900
Net increase (decrease) in cash and investments	(965,141)
Cash and investments at beginning of year	5,426,195
Cash and investments at end of year	\$ 4,461,054
Reconciliation of Net Operating Income to Net Cash provided to Net Cash (used) by Operating Activities	
Operating income (loss)	\$ 1,199,266
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	591,215
Change in net pension liability, deferred pension outflows and inflows	15,908
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(134,193)
(Increase) decrease in inventories	7,683
(Increase) decrease in prepaids	(18,705)
Increase (decrease) in accounts payable	(20,033)
Increase (decrease) in accrued liabilities	66,630
Increase (decrease) in unearned revenue	(1,829)
Net cash provided (used) by operating activities	\$ 1,705,942

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

NOTES TO BASIC FINANCIAL STATEMENTS

(This page is intentionally left blank)

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies

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

Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2017, the City had one component unit that is discretely presented in these financial statements:

City of Fair Oaks Ranch Municipal Development District

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

Government-wide and fund financial statements

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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 FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Measurement focus and basis of accounting and financial statement presentation

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

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

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

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

The government reports the following major governmental funds:

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

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

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

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

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

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

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

Cash and investments

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

Investments

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Accounts receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2016 and past due after January 31, 2017. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

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

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

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventories and prepaid items

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

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

Restricted assets

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include land, buildings and improvements, equipment, infrastructure, and construction in progress assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Construction in progress assets include infrastructure assets which are not yet complete and in use. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at 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
Building and improvements	20 to 40 years
Utility system in service	20 to 40 years
Infrastructure	5 to 40 years
Machinery and equipment	5 to 10 years

Deferred outflows/inflows of resources

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 applied 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 FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Compensated absences

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

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

Unearned revenue

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

Long-term obligations

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

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

Pensions

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

Fund equity

Fund balances in governmental funds are classified as follows:

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Fund equity (continued)

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

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

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

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

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

Net position

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

Interfund transactions

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

The City charges the Utility (Proprietary) fund a management fee for administrative costs associated with the Utility Fund. During the year ended September 30, 2017, management fees totaled \$195,334.

Operating revenues and expenses

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) Summary of significant accounting policies (continued)

Use of estimates

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

(2) Cash and investments

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

Cash and cash equivalents

At September 30, 2017, the carrying amount of the City's deposits in the bank (including certificates of deposits) was \$632,981 and the bank balance was \$1,159,165. 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 \$5,148,925 and market value of \$5,361,719 as collateral for the City's deposits. All of the City's cash was fully collateralized. The City maintains \$1,100 of cash-on-hand at September 30, 2017.

At September 30, 2017, the carrying amount of the Municipal Development District's deposits in the bank was \$684,007 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 \$551,547 as collateral for the District's deposits. All of the District's cash was fully collateralized.

Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statement disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act. Investment practices of the City were in accordance with local policies.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(2) Cash and investments (continued)

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, 2017 were as shown below:

	<u>Rating</u>	<u>Value</u>
TexPool	AAAm	\$ 9,421,437

Investment accounting policy

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

Public funds investment pools

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

September 30, 2017

(3) 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 2017, the assessed tax rate for the City was \$.32336 per \$100 on an assessed valuation of \$1,342,380,386. The tax rate is split \$.2815 for general maintenance and operations and \$.04186 for interest and sinking. Total tax levy for fiscal year 2017 is \$4,340,721. As of September 30, 2017, the delinquent current taxes for 2016 were \$35,179.

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, 2017, was \$.32336 per \$100 of assessed value, which means that the City has a tax margin of \$2.17664 for each \$100 value and could increase its annual tax levy by approximately \$29,218,788 based upon the present assessed valuation of \$1,342,380,386 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

(4) Interfund balances and transfers

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

Transfers between City funds during the year ended September 30, 2017 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Fund	\$ 462,579	Capital Improvement Plan
General Fund	Nonmajor Fund	<u>587,737</u>	Capital Replacement
Total		<u>\$ 1,050,316</u>	

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Disposals	Balance September 30, 2017
<u>Governmental Activities</u>				
Land and improvements	\$ 99,798	\$ 17,000	\$ -	\$ 116,798
Buildings and improvements	1,772,765	2,264,527	-	4,037,292
Vehicles and equipment	1,143,453	317,968	(119,454)	1,341,967
Infrastructure	3,200,813	-	-	3,200,813
Construction in progress	3,130,968	3,927,930	(2,331,280)	4,727,618
Total capital assets	9,347,797	6,527,425	(2,450,734)	13,424,488
Less accumulated depreciation:				
Land improvements	(18,753)	-	-	(18,753)
Buildings and improvements	(747,033)	(112,682)	-	(859,715)
Vehicles and equipment	(851,895)	(145,690)	119,454	(878,131)
Infrastructure	(738,445)	(79,185)	-	(817,630)
Total accumulated depreciation	(2,356,126)	(337,557)	119,454	(2,574,229)
Governmental capital assets, net	\$ 6,991,671	\$ 6,189,868	\$ (2,331,280)	\$ 10,850,259

Capital asset activity in the proprietary fund for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Disposals	Balance September 30, 2017
<u>Business-Type Activities</u>				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Utility plant and easements	15,913,050	212,279	(9,612)	16,115,717
Vehicles and equipment	628,460	217,775	(183,806)	662,429
Construction in progress	-	1,770,816	-	1,770,816
Totals at historical cost	16,595,110	2,200,870	(193,418)	16,831,746
Less accumulated depreciation:				
Utility plant and easements	(5,877,293)	(524,446)	9,612	(6,392,127)
Vehicles and equipment	(516,533)	(66,768)	183,806	(399,495)
Total accumulated depreciation	(6,393,826)	(591,214)	193,418	(6,791,622)
Business-Type capital assets, net	\$ 10,201,284	\$ 1,609,656	\$ -	\$ 10,040,124

Land and construction in progress are not depreciated.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(5) Capital assets (continued)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	36,127
Public safety		169,426
Public health		11,668
Public works		<u>120,336</u>
 Total depreciation expense - Governmental activities	 \$	 <u><u>337,557</u></u>

(6) Unearned revenue – water supply agreements

The City has entered into agreements with certain developers to provide water and sewer services to planned future developments. The City has agreed to provide treated water from the City’s water production, storage and distribution system and to provide sewer service from the City’s wastewater treatment plant, both of which may require expansion or modifications. The developers have agreed to extend utilities from their present locations to the boundaries of the developed properties and to provide for offsets and/or credits toward “Contributions in Aid of Construction”. The City will credit the contributions in aid provided by the developers against impact fees due upon development of the property. Impact fees are collected at the time a building permit is issued for a particular lot. Therefore, the contributions in aid are unearned until such time as the lots are permitted for construction. The City received \$0 contributions in aid during the year ended September 30, 2017. The City has received \$584,128 in contributions in aid to date and has earned a total of \$403,395 in fees. The remaining \$180,733 of contributions are reported as unearned revenue accordingly.

(7) Long-term debt

Primary Government

At September 30, 2017, the City’s long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
<u>Governmental Activities:</u>				
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 6,185,000	\$ 430,000	\$ 5,755,000
	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
<u>Business-Type Activities</u>				
Capital Lease	3.31%	\$ 3,128,356	\$ 57,558	\$ 3,070,798

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(7) Long-term debt (continued)

Changes in the City's long-term debt during the fiscal year ended September 30, 2017.

<u>Governmental Activities:</u>	Original Amount	Outstanding Oct. 1, 2016	(Retirements) Additions	Outstanding Sept. 30, 2017
GO Bonds, Series 2015	\$ 7,000,000	\$ 6,610,000	\$ (425,000)	\$ 6,185,000
Premium on Bonds		93,417	(6,673)	86,744
Compensated Absences		127,854	(7,008)	120,846
Total Governmental Activities		<u>\$ 6,831,271</u>	<u>\$ (438,681)</u>	<u>\$ 6,392,590</u>
<u>Business-Type Activities:</u>				
2008 Refunding Series	\$ 3,065,000	\$ 405,000	\$ (405,000)	\$ -
Capital Lease	3,128,356	3,128,356	-	3,128,356
Compensated Absences		13,662	10,920	24,582
Total Business-Type Activities		<u>3,547,018</u>	<u>(394,080)</u>	<u>3,152,938</u>
Total Changes in Long-Term Debt		<u>\$ 10,378,289</u>	<u>\$ (832,761)</u>	<u>\$ 9,545,528</u>

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2017, including principal and interest payments, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	450,000	99,185	549,185
2023 - 2027	2,400,000	357,293	2,757,293
2028 - 2030	<u>1,585,000</u>	<u>66,813</u>	<u>1,651,813</u>
	<u>\$ 6,185,000</u>	<u>\$ 979,393</u>	<u>\$ 7,164,393</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(7) Long-term debt (continued)

Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2018	\$ 222,253
2019	354,506
2020	354,506
2021	354,506
2022	354,506
2023 - 2027	1,772,530
2028 - 2029	443,132
	3,855,939
Less: Interest Amount	727,583
	\$ 3,128,356

The following is an analysis of the property under capital lease as of September 30, 2017:

Utility Plant and Easements	\$ 3,758,356
Less: Accumulated Depreciation	(303,372)
Net Leased Property	\$ 3,454,984

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Benefits provided

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

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

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

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>50</u>
Total	<u>91</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.46% and 11.75% in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017, were \$306,515, and were equal to the required contributions.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Net pension liability

The City's net pension liability (NPL) or asset was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5%, 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 Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2017 are summarized in the following tables:

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

Discount rate

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2015:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 5,429,611	\$ 4,675,299	\$ 754,312
Changes for the year:			
Service cost	415,604	-	415,604
Interest	377,577	-	377,577
Changes of benefit terms	-	-	-
Difference between expected and actual experience	47,016	-	47,016
Changes of assumptions	-	-	-
Contributions - employer	-	276,800	(276,800)
Contributions - employee	-	172,450	(172,450)
Net investment income	-	316,200	(316,200)
Benefit payments,			-
including refunds of employee contributions	(87,360)	(87,360)	-
Administrative expenses	-	(3,568)	3,568
Other changes	-	(192)	192
Net changes	<u>752,837</u>	<u>674,330</u>	<u>78,507</u>
Balance at 12/31/2016	<u>\$ 6,182,448</u>	<u>\$ 5,349,629</u>	<u>\$ 832,819</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset) \$	1,935,924	\$ 832,819	\$ (49,135)

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$394,652. Also as of September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 69,509	\$ 46,761
Changes in actuarial assumptions	32,852	-
Difference between projected and actual investment earnings	197,914	-
Contributions made subsequent to the measurement date	227,539	-
Total	\$ 527,814	\$ 46,761

Deferred outflows of resources in the amount of \$227,539 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2017	\$	85,744
2018		85,743
2019		72,089
2020		6,217
2021		3,721
	\$	253,514

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(9) 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 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 employee’s entire careers. The City’s contribution to the TMRS SDBF for the years September 30, 2017, 2016, and 2015 were \$3,368, \$3,405 and \$3,272, respectively, which equaled the required contributions for each year.

(10) 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, 2017 are as follows:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
Governmental Activities			
Roadway Bond Project	\$ 8,614,662	\$ 4,737,982	\$ 3,876,680

Litigation

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

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(11) Risk management

The City is exposed to various risks of loss related to torts; theft of and damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2017 were \$112,701 for property and casualty and workers compensation coverage.

(This page is intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

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

Such information includes:

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

(This page is intentionally left blank)

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

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

For the year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,805,678	\$ 4,805,678	\$ 4,898,350	\$ 92,672
Licenses and permits	396,950	396,950	280,294	(116,656)
Fines and forfeits	179,825	179,825	129,260	(50,565)
Utility management fee	176,188	176,188	195,334	19,146
Interest	8,000	8,000	25,394	17,394
Miscellaneous	29,200	29,200	46,961	17,761
Total revenues	5,595,841	5,595,841	5,575,593	(20,248)
Expenditures				
City Administration:				
Personnel	548,624	548,624	547,387	1,237
General	125,500	125,500	75,240	50,260
Maintenance	13,300	13,300	3,811	9,489
Contractual	307,438	307,438	287,370	20,068
Leases	4,000	4,000	4,089	(89)
Total city administration	998,862	998,862	917,897	80,965
Municipal Court:				
Personnel	60,095	60,095	58,455	1,640
General	8,275	8,275	5,586	2,689
Maintenance	400	400	144	256
Contractual	28,511	28,511	23,023	5,488
Leases	3,150	3,150	3,220	(70)
Total municipal court	100,431	100,431	90,428	10,003
Public Safety:				
Personnel	1,795,825	1,795,825	1,550,983	244,842
General	130,065	130,065	119,448	10,617
Maintenance	21,850	21,850	17,963	3,887
Contractual	220,220	220,220	218,132	2,088
Leases	12,740	12,740	13,959	(1,219)
Total public safety	2,180,700	2,180,700	1,920,485	260,215
Public Health/Emergency:				
General	7,750	7,750	5,618	2,132
Maintenance	2,500	2,500	2,184	316
Contractual	276,628	276,628	280,264	(3,636)
Total health/emergency	286,878	286,878	288,066	(1,188)

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

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

For the year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures (continued)				
Building Codes:				
Personnel	\$ 164,434	\$ 164,434	\$ 162,555	\$ 1,879
General	15,906	15,906	7,241	8,665
Maintenance	6,100	6,100	1,328	4,772
Contractual	1,725	1,725	1,725	-
Total building codes	<u>188,165</u>	<u>188,165</u>	<u>172,849</u>	<u>15,316</u>
Public Works:				
Personnel	421,218	421,218	378,601	42,617
General	32,740	32,740	24,327	8,413
Maintenance	42,650	42,650	64,039	(21,389)
Contractual	428,640	428,640	366,769	61,871
Total public works	<u>925,248</u>	<u>925,248</u>	<u>833,736</u>	<u>91,512</u>
Culture/Recreation/Other:				
General	<u>88,810</u>	<u>88,810</u>	<u>44,896</u>	<u>43,914</u>
Total culture/recreation/other	<u>88,810</u>	<u>88,810</u>	<u>44,896</u>	<u>43,914</u>
Capital Outlay:				
Personal property	<u>-</u>	<u>-</u>	<u>17,400</u>	<u>(17,400)</u>
Total capital outlay	<u>-</u>	<u>-</u>	<u>17,400</u>	<u>(17,400)</u>
Total expenditures	<u>4,769,094</u>	<u>4,769,094</u>	<u>4,285,757</u>	<u>483,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>826,747</u>	<u>826,747</u>	<u>1,289,836</u>	<u>(503,585)</u>
Other financing sources (uses)				
Sale of assets	6,000	6,000	23,874	17,874
Transfers in (out)	<u>(832,747)</u>	<u>(832,747)</u>	<u>(1,050,316)</u>	<u>(217,569)</u>
Total other financing sources (uses)	<u>(826,747)</u>	<u>(826,747)</u>	<u>(1,026,442)</u>	<u>(217,569)</u>
Net change in fund balance	-	-	263,394	(721,154)
Fund balance, beginning	<u>2,493,982</u>	<u>2,493,982</u>	<u>2,493,982</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,493,982</u>	<u>\$ 2,493,982</u>	<u>\$ 2,757,376</u>	<u>\$ 263,394</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2017

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

For the measurement year ended December 31,

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

GASB 69 requires 10 fiscal years of data to be provided this schedule. This is the third year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS AND NOTES TO SCHEDULE OF CONTRIBUTIONS**

For the year ended September 30, 2017

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

Valuation Date:

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

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Actuarial Assumption:	
Inflation	2.50%
Salary Increases	3.5% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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

(This page is intentionally left blank)

OTHER SUPPLEMENTARY INFORMATION

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

Such information includes:

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

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

September 30, 2017

	Non-Major Fund			Total Non-Major Funds
	Debt Service Fund	Capital Projects Fund	Equipment Replacement Fund	
ASSETS				
Cash and investments	\$ 7,245	\$ 117,221	\$ 353,921	\$ 478,387
Receivables (net of allowance for uncollectibles):				
Property taxes	<u>6,860</u>	<u>-</u>	<u>-</u>	<u>6,860</u>
Total assets	<u>\$ 14,105</u>	<u>\$ 117,221</u>	<u>\$ 353,921</u>	<u>\$ 485,247</u>
LIABILITIES				
Accounts payable	\$ -	\$ 79,135	\$ -	\$ 79,135
Accrued expenditures	<u>-</u>	<u>38,086</u>	<u>-</u>	<u>38,086</u>
Total liabilities	<u>-</u>	<u>117,221</u>	<u>-</u>	<u>117,221</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>6,860</u>	<u>-</u>	<u>-</u>	<u>6,860</u>
FUND BALANCES				
Restricted for:				
Debt service	7,245	-	-	7,245
Committed				
Capital projects	<u>-</u>	<u>-</u>	<u>353,921</u>	<u>353,921</u>
Total fund balances	<u>7,245</u>	<u>-</u>	<u>353,921</u>	<u>361,166</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 14,105</u>	 <u>\$ 117,221</u>	 <u>\$ 353,921</u>	 <u>\$ 485,247</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2017

	Non-Major Fund			Total Non-Major Funds
	Debt Service Fund	Capital Projects Fund	Equipment Replacement Fund	
REVENUES				
Taxes	\$ 549,622	\$ -	\$ -	\$ 549,622
Interest	714	-	-	714
Total revenues	<u>550,336</u>	<u>-</u>	<u>-</u>	<u>550,336</u>
EXPENDITURES				
Current:				
City administration	-	462,579	-	462,579
Public works	-	-	18,579	18,579
Capital projects/outlay	-	-	215,237	215,237
Debt service:				
Principal	425,000	-	-	425,000
Interest and fiscal charges	126,553	-	-	126,553
Total expenditures	<u>551,553</u>	<u>462,579</u>	<u>233,816</u>	<u>1,247,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217)</u>	<u>(462,579)</u>	<u>(233,816)</u>	<u>(697,612)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	462,579	587,737	1,050,316
Total other financing sources (uses)	<u>-</u>	<u>462,579</u>	<u>587,737</u>	<u>1,050,316</u>
Net change in fund balances	(1,217)	-	353,921	352,704
Fund balance - beginning	<u>8,462</u>	<u>-</u>	<u>-</u>	<u>8,462</u>
Fund balance - ending	<u>\$ 7,245</u>	<u>\$ -</u>	<u>\$ 353,921</u>	<u>\$ 361,166</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 557,277	\$ 557,277	549,622	\$ (7,655)
Interest	400	400	714	314
Miscellaneous	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>557,677</u>	<u>557,677</u>	<u>550,336</u>	<u>(7,341)</u>
Expenditures				
Debt Service:				
Principal	425,000	425,000	425,000	-
Interest and fiscal charges	<u>126,553</u>	<u>126,553</u>	<u>126,553</u>	<u>-</u>
Total debt service	<u>551,553</u>	<u>551,553</u>	<u>551,553</u>	<u>-</u>
Total expenditures	<u>551,553</u>	<u>551,553</u>	<u>551,553</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,124</u>	<u>6,124</u>	<u>(1,217)</u>	<u>(7,341)</u>
Net change in fund balance	6,124	6,124	(1,217)	(7,341)
Fund balance, beginning	<u>8,462</u>	<u>8,462</u>	<u>8,462</u>	<u>-</u>
Fund balance, ending	<u>\$ 14,586</u>	<u>\$ 14,586</u>	<u>\$ 7,245</u>	<u>\$ (7,341)</u>

STATISTICAL SECTION

(This page is intentionally left blank)

STATISTICAL SECTION

This part of the City of Fair Oaks Ranch, Texas annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Tables

Financial Trends

1 through 4

- Net Position by Component
- Change in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

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

Revenue Capacity

5 through 10

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

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

Debt Capacity

11 through 14

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

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

15 through 16

- Principal Employers
- Demographic and Economic Statistics

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

Operating Information

17 through 19

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

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

CITY OF FAIR OAKS RANCH, TEXAS

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 3,316,645	\$ 3,216,848	\$ 4,940,584	\$ 4,802,338
Restricted	-	-	39,266	46,229
Unrestricted	<u>2,746,778</u>	<u>3,149,374</u>	<u>2,483,604</u>	<u>3,002,828</u>
TOTAL GOVERNMENTAL ACTIVITIES				
NET POSITION	<u>\$ 6,063,423</u>	<u>\$ 6,366,222</u>	<u>\$ 7,463,454</u>	<u>\$ 7,851,395</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 4,935,977	\$ 5,003,477	\$ 5,767,825	\$ 5,733,694
Unrestricted	<u>2,037,141</u>	<u>2,424,188</u>	<u>2,004,430</u>	<u>2,603,460</u>
TOTAL BUSINESS-TYPE ACTIVITIES				
NET POSITION	<u>\$ 6,973,118</u>	<u>\$ 7,427,665</u>	<u>\$ 7,772,255</u>	<u>\$ 8,337,154</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 8,252,622	\$ 8,220,325	\$ 10,708,409	\$ 10,536,032
Restricted	-	-	39,266	46,229
Unrestricted	<u>4,783,919</u>	<u>5,573,562</u>	<u>4,488,034</u>	<u>5,606,288</u>
TOTAL PRIMARY GOVERNMENT				
NET POSITION	<u>\$ 13,036,541</u>	<u>\$ 13,793,887</u>	<u>\$ 15,235,709</u>	<u>\$ 16,188,549</u>

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

TABLE 1

2012	2013	2014	2015*	2016	2017
\$ 4,675,461	\$ 4,658,498	\$ 3,886,740	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385
48,355	64,787	68,071	66,909	77,162	76,346
<u>3,452,484</u>	<u>3,887,116</u>	<u>4,580,595</u>	<u>3,798,804</u>	<u>2,089,120</u>	<u>2,714,487</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>	<u>\$ 9,689,218</u>
\$ 5,842,767	\$ 6,255,433	\$ 7,847,915	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584
<u>2,972,799</u>	<u>3,331,135</u>	<u>2,551,317</u>	<u>4,753,811</u>	<u>5,372,865</u>	<u>4,474,678</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>	<u>\$ 13,157,262</u>
\$ 10,518,228	\$ 10,913,931	\$ 11,734,655	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969
48,355	64,787	68,071	66,909	77,162	76,346
<u>6,425,283</u>	<u>7,218,251</u>	<u>7,131,912</u>	<u>8,552,615</u>	<u>7,461,985</u>	<u>7,189,165</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>	<u>\$ 22,846,480</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

	2008	2009	2010	2011
EXPENSES				
Governmental Activities				
City administration	\$ 462,165	\$ 535,765	\$ 692,233	\$ 578,516
Municipal court	71,893	74,356	70,340	79,208
Public safety	1,020,014	1,113,684	1,232,747	1,295,748
Public health/emergency	285,994	220,713	319,465	231,337
Building codes	84,258	89,412	84,319	86,316
Public works	727,013	765,066	727,527	776,437
Culture/recreation/other	88,634	58,273	32,352	47,335
Interest on long term debt	8,579	2,548	4,225	1,200
Total governmental activities expenses	<u>2,748,550</u>	<u>2,859,817</u>	<u>3,163,208</u>	<u>3,096,097</u>
Business-Type Activities				
Water/sewer utility	<u>2,551,516</u>	<u>2,720,050</u>	<u>2,879,504</u>	<u>2,785,881</u>
Total business-type activities expenses	<u>2,551,516</u>	<u>2,720,050</u>	<u>2,879,504</u>	<u>2,785,881</u>
Total primary government expenses	<u>5,300,066</u>	<u>5,579,867</u>	<u>6,042,712</u>	<u>5,881,978</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	131,693	147,729	126,612	237,810
Municipal court	114,122	72,771	114,981	131,279
Public safety	-	5,733	5,960	7,736
Public health/emergency	4,920	6,795	7,521	6,720
Building codes	119,542	77,293	85,493	73,595
Operating grants and contributions	5,141	-	3,855	-
Capital grants and contributions	-	-	998,250	869,215
Total governmental activities program revenues	<u>375,418</u>	<u>310,321</u>	<u>1,342,672</u>	<u>1,326,355</u>
Business-Type Activities				
Charges for services:				
Water/sewer utility	2,695,394	3,167,197	2,434,913	3,352,080
Capital grants and contributions	-	-	796,054	3,933,872
Total primary government program revenues	<u>\$ 3,070,812</u>	<u>\$ 3,477,518</u>	<u>\$ 4,573,639</u>	<u>\$ 8,612,307</u>

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

TABLE 2

	2012	2013	2014	2015*	2016	2017
\$	588,562	\$ 638,151	\$ 921,009	\$ 1,796,709	\$ 950,918	\$ 1,431,472
	77,131	79,538	81,522	81,316	86,288	92,032
	1,342,773	1,521,426	1,588,137	1,735,259	2,017,858	2,124,882
	255,789	282,238	286,999	293,092	307,665	299,734
	88,521	98,196	119,338	161,821	179,577	177,495
	815,467	933,879	1,074,375	869,328	869,215	982,474
	125,537	139,671	63,517	33,233	57,833	44,896
	-	-	-	136,008	153,011	119,880
	<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>5,272,865</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>3,846,778</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>3,846,778</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>	<u>9,119,643</u>
	241,201	249,506	198,992	171,929	177,050	201,334
	126,633	156,452	158,407	158,352	161,818	129,260
	6,824	7,079	8,664	9,034	9,448	3,715
	6,580	7,245	5,325	5,245	5,711	2,500
	127,522	196,062	281,831	298,806	314,738	274,079
	-	605	1,715	2,149	-	13,295
	-	-	-	-	-	-
	<u>508,760</u>	<u>616,949</u>	<u>654,934</u>	<u>645,515</u>	<u>668,765</u>	<u>624,183</u>
	3,427,533	3,744,856	4,107,471	4,454,644	4,463,303	4,930,347
	<u>4,463,303</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>	<u>5,554,530</u>

(CONTINUED)

CITY OF FAIR OAKS RANCH, TEXAS

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

	2008	2009	2010	2011
<u>Net (Expense) Revenues</u>				
Governmental Activities	\$ (2,373,132)	\$ (2,549,496)	\$ (1,820,536)	\$ (1,769,742)
Business-Type Activities	<u>143,878</u>	<u>447,147</u>	<u>351,463</u>	<u>4,500,071</u>
Total Primary Government				
Net Expenses	<u>(2,229,254)</u>	<u>(2,102,349)</u>	<u>(1,469,073)</u>	<u>2,730,329</u>
 <u>GOVERNMENTAL REVENUES AND OTHER</u>				
<u>CHANGES IN NET POSITION</u>				
<u>Governmental Activities</u>				
Taxes				
Property Taxes	2,000,492	2,230,070	2,322,501	2,327,361
Non-Property Taxes	283,543	555,500	598,699	634,021
Interest and Investment Earnings	110,430	29,017	10,691	7,324
Gain on Sale of Capital Assets				
Miscellaneous	22,518	27,102	14,537	13,623
Transfers	<u>5,303</u>	<u>10,606</u>	<u>10,606</u>	<u>5,303</u>
Total Governmental Activities	<u>2,422,286</u>	<u>2,852,295</u>	<u>2,957,034</u>	<u>2,987,632</u>
 <u>Business-Type Activities</u>				
Interest and Investment Earnings	52,009	18,006	3,733	4,003
Transfers	<u>(5,303)</u>	<u>(10,606)</u>	<u>(10,606)</u>	<u>(5,303)</u>
Total Business-Type Activities	<u>46,706</u>	<u>7,400</u>	<u>(6,873)</u>	<u>(1,300)</u>
Total Primary Government	<u>2,468,992</u>	<u>2,859,695</u>	<u>2,950,161</u>	<u>2,986,332</u>
 <u>CHANGES IN NET POSITION</u>				
Governmental Activities	49,154	302,799	1,136,498	1,217,890
Business-Type Activities	<u>190,584</u>	<u>454,547</u>	<u>344,590</u>	<u>4,498,771</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 239,738</u>	<u>\$ 757,346</u>	<u>\$ 1,481,088</u>	<u>\$ 5,716,661</u>

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

TABLE 2 (Continued)

2012	2013	2014	2015*	2016	2017
\$ (2,785,020)	\$ (3,076,150)	\$ (3,479,963)	\$ (4,461,251)	\$ (3,953,600)	\$ (4,648,682)
<u>4,936,815</u>	<u>730,997</u>	<u>864,664</u>	<u>1,102,205</u>	<u>529,431</u>	<u>1,083,569</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>	<u>(3,565,113)</u>
2,345,006	2,561,039	2,634,353	2,823,221	3,587,677	4,264,687
662,271	750,966	903,592	1,028,559	1,109,048	1,192,774
7,213	7,094	1,633	25,359	38,950	56,545
					23,874
95,435	225,123	24,100	18,130	20,855	27,666
-	(33,971)	-	-	-	-
<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>	<u>5,565,546</u>
4,900	6,034	4,447	4,177	5,748	32,900
-	33,971	-	-	-	-
<u>4,900</u>	<u>40,005</u>	<u>4,447</u>	<u>4,177</u>	<u>5,748</u>	<u>32,900</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>	<u>5,598,446</u>
324,905	434,101	83,715	(565,982)	802,930	916,864
<u>4,941,715</u>	<u>771,002</u>	<u>869,111</u>	<u>1,106,382</u>	<u>535,179</u>	<u>1,116,469</u>
<u>\$ 5,266,620</u>	<u>\$ 1,205,103</u>	<u>\$ 952,826</u>	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 2,033,333</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

	Fiscal Year			
	2008	2009	2010	2011
Nonspendable Fund Balance:				
Prepaid items	\$ 17,761	\$ 25,339	\$ 23,524	\$ 24,628
Restricted Fund Balance:				
Court technology	1,740	2,171	7,298	10,177
Court security	25,398	27,728	31,574	35,640
Court efficiency	10	5	16	34
Felony forfeiture	-	-	378	378
PEG fees	-	-	-	-
Public Safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total restricted fund balance	<u>27,148</u>	<u>29,904</u>	<u>39,266</u>	<u>46,229</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>2,702,746</u>	<u>3,077,462</u>	<u>2,514,179</u>	<u>3,008,608</u>
Total government funds	<u>\$ 2,747,655</u>	<u>\$ 3,132,705</u>	<u>\$ 2,576,969</u>	<u>\$ 3,079,465</u>

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

TABLE 3

Fiscal Year						
2012*	2013	2014	2015	2016	2017	
\$ 24,104	\$ 25,631	\$ 24,220	\$ 43,625	\$ 14,563	\$ 19,281	
9,477	15,845	15,285	14,802	14,047	11,535	
38,436	44,497	44,420	47,270	49,816	51,473	
64	16	110	140	140	292	
378	3,937	3,937	378	378	378	
-	3,492	4,319	4,319	4,319	4,319	
-	-	-	-	-	1,104	
-	-	-	-	8,462	7,245	
-	-	-	6,919,193	6,252,941	2,319,870	
<u>48,355</u>	<u>67,787</u>	<u>68,071</u>	<u>6,986,102</u>	<u>6,330,103</u>	<u>2,396,216</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	906,921	
-	50,000	50,000	50,000	50,000	50,000	
-	1,050,000	770,000	2,498,838	603,000	956,921	
<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>2,065,994</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>	<u>\$ 5,438,412</u>	

CITY OF FAIR OAKS RANCH, TEXAS

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

	2008	2009	2010	2011
REVENUES				
Taxes	\$ 2,277,623	\$ 2,766,918	\$ 2,951,739	\$ 2,968,775
Licenses and permits	125,162	86,388	94,654	82,070
Fines and forfeits	119,263	78,503	120,941	131,279
Utility management fee	130,993	145,430	113,889	159,071
Interest	110,430	29,017	10,691	7,324
Miscellaneous	22,518	27,102	36,847	100,284
Total Revenues	<u>2,785,989</u>	<u>3,133,358</u>	<u>3,328,761</u>	<u>3,448,803</u>
EXPENDITURES				
Current:				
City administration	452,963	463,894	632,220	533,332
Municipal court	71,893	74,356	70,340	77,203
Public safety	962,543	1,058,030	1,184,137	1,250,707
Public health/emergency	267,360	205,765	304,614	216,613
Building codes	84,258	89,412	84,319	86,864
Public works	644,430	667,404	605,504	658,761
Culture and recreation	88,634	58,273	32,352	47,335
Capital projects/outlays	163,070	92,434	900,732	48,399
Debt Service				
Principal payments	65,237	90,312	76,660	48,181
Interest	8,579	2,548	4,225	1,200
Bond issuance costs	-	-	-	-
Total Expenditures	<u>2,808,967</u>	<u>2,802,428</u>	<u>3,895,103</u>	<u>2,968,595</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,978)</u>	<u>330,930</u>	<u>(566,342)</u>	<u>480,208</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease financing	\$ 153,430	\$ 43,514	\$ -	\$ -
Proceeds of bond issuance	-	-	-	-
Premiums on bond issuance	-	-	-	-
Transfer from other funds	5,303	10,606	10,606	5,303
Proceeds from disposal of equipment	-	-	-	16,985
Total Other Financing Sources (Uses)	<u>158,733</u>	<u>54,120</u>	<u>10,606</u>	<u>22,288</u>
NET CHANGE IN FUND BALANCES	<u>\$ 135,755</u>	<u>\$ 385,050</u>	<u>\$ (555,736)</u>	<u>\$ 502,496</u>
Debt Service as a Percentage of Noncapital Expenditures	2.8%	3.4%	2.7%	1.7%

TABLE 4

	2012	2013	2014	2015	2016	2017
\$	2,988,981	\$ 3,306,451	\$ 3,537,635	\$ 3,854,859	\$ 4,675,333	\$ 5,447,972
	135,992	203,307	287,156	304,051	320,449	280,294
	126,633	156,452	158,407	158,352	161,818	129,260
	159,435	169,357	166,093	171,929	177,050	195,334
	7,213	7,094	1,633	25,359	38,950	56,545
	182,135	316,504	622,574	30,789	53,714	46,961
	<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>	<u>6,156,366</u>
	548,635	609,674	717,511	1,749,973	931,255	1,380,476
	75,754	83,854	80,509	81,918	84,869	90,428
	1,282,550	1,402,730	1,463,524	1,653,785	1,811,200	1,920,485
	242,174	271,023	275,784	281,876	296,450	288,066
	88,663	95,948	119,507	162,100	176,077	172,849
	700,305	747,165	962,447	759,233	748,454	852,315
	125,537	139,671	63,517	33,233	57,833	44,896
	89,425	319,918	217,014	568,981	3,111,050	4,196,145
	-	-	-	-	390,000	425,000
	-	-	-	-	174,688	126,553
	-	-	-	100,090	-	-
	<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>9,497,213</u>
	<u>447,346</u>	<u>489,182</u>	<u>873,685</u>	<u>(845,850)</u>	<u>(2,354,562)</u>	<u>(3,340,847)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	7,000,000	-	-
	-	-	-	100,090	-	-
	-	(33,971)	-	-	-	-
	-	-	-	-	-	23,874
	-	<u>(33,971)</u>	-	<u>7,100,090</u>	-	<u>23,874</u>
\$	<u>447,346</u>	<u>\$ 455,211</u>	<u>\$ 873,685</u>	<u>\$ 6,254,240</u>	<u>\$ (2,354,562)</u>	<u>\$ (3,316,973)</u>
	0.0%	0.0%	0.0%	2.1%	11.9%	10.4%

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 5

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Mixed Beverage Tax</u>	<u>TOTAL</u>
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
2017	4,255,198	632,030	540,605	20,139	5,447,972

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 6

<u>Business Class</u>	<u>2016-2017</u>	
	Rank	% of Total
Full-Service Restaurant	1	19.0%
Electronic Shopping	2	5.1%
Security Guard and Patrol	3	4.3%
Pharmacies and Drugstores	4	3.2%
Wireless Telecommunication	5	3.2%
Wired Telecommunication	6	3.9%
Limited-Service Restaurant	7	2.5%
Cable and Other Subscription Programming	8	2.3%
Gasoline Stations with Convenience Store	9	2.0%
New Single-Family Housing Construction	10	1.8%

Source: Texas Comptroller

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

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

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 7

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 2,035,536	\$ 2,015,608	99.02%	\$ 18,222	\$ 2,033,830	99.92%
2009	2,259,896	2,226,351	98.52%	31,640	2,257,991	99.92%
2010	2,340,064	2,318,698	99.09%	19,707	2,338,405	99.93%
2011	2,357,767	2,340,869	99.28%	15,350	2,356,219	99.93%
2012	2,381,119	2,357,934	99.03%	17,946	2,375,880	99.78%
2013	2,604,255	2,577,855	98.99%	20,530	2,598,385	99.77%
2014	2,672,104	2,653,136	99.29%	12,348	2,665,484	99.75%
2015	2,877,185	2,859,530	99.39%	9,719	2,869,249	99.72%
2016	3,861,722	3,827,841	99.12%	19,983	3,847,824	99.64%
2017	4,332,469	4,297,290	99.19%	-	4,297,290	99.19%

Source: Kendall County Appraisal District

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 8

Fiscal Period	City	Boerne School District	Bexar County	Kendall County	Comal County	Total
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
2017	0.32336	1.316	0.293250	0.41270	0.292821	2.638131

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

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 9

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

Source: Kendall County Appraisal Districts.

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

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 10

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fair Oaks Club Corp	\$ 7,288,950	1	0.54%	\$ 6,966,999	1	0.80%
T&J Fair Oaks LLC	4,743,000	2	0.35%	-		
Frost Bank	3,618,730	3	0.27%	1,274,120	8	0.15%
Elkhorn Ridge SA LLC	3,377,300	4	0.25%	-		
SA Front Gate LLC	2,920,800	5	0.22%	-		
Highland Homes-San Antonio LLC	2,765,100	6	0.21%	-		
Ashton San Antonio LLC	2,683,550	7	0.20%	-		
Green Land Ventures	2,646,230	8	0.20%	2,893,860	3	0.33%
SA Fair Oaks Development LLC	2,633,360	9	0.20%	-		
Fair Oaks Parkway Associates LLC	2,432,250	10	0.18%	-		
Armstrong Family Trust	-		-	3,559,093	2	0.41%
B&M Fair Oaks, LTD	-		-	2,018,848	4	0.23%
Pam Billbrey	-		-	1,400,092	5	0.16%
Paul Steldt	-		-	1,396,980	6	0.16%
Kim Moore	-		-	1,367,960	7	0.16%
Time Warner Cable	-		-	1,099,020	9	0.13%
Fountains Dev Group	-		-	1,059,200	10	0.12%
TOTAL	<u>\$ 35,109,270</u>		<u>2.62%</u>	<u>\$ 23,036,172</u>		<u>2.65%</u>

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 11

Fiscal Year	Governmental Activities		Business-Type Activities		Total Government	Per Capita*
	GO Bonds	Capital Leases	Capital Leases	Certificates of Obligation		
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
2017	6,271,744	-	3,128,356	-	9,400,100	1,087

Notes:

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

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

TABLE 12

Fiscal Year Ended September 30,	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	Total Primary Government	Less: Amounts Available in Debt Service Fund	Net Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds					
2008	-	\$ 3,065,000	\$ 3,065,000	-	\$ 3,065,000	0.37%	520
2009	-	2,780,000	2,780,000	-	2,780,000	0.30%	466
2010	-	2,485,000	2,485,000	-	2,485,000	0.26%	415
2011	-	2,175,000	2,175,000	-	2,175,000	0.22%	358
2012	-	1,855,000	1,855,000	-	1,855,000	0.19%	305
2013	-	1,515,000	1,515,000	-	1,515,000	0.15%	239
2014	-	1,160,000	1,160,000	-	1,160,000	0.12%	177
2015	7,000,000	790,000	7,790,000	-	7,790,000	0.72%	1,186
2016	6,610,000	405,000	7,015,000	(8,462)	7,006,538	0.56%	1,013
2017	6,271,744	-	6,271,744	(7,245)	6,264,499	0.47%	725

CITY OF FAIR OAKS RANCH, TEXAS

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

Total assessed value	\$ 1,342,380,386
Debt limit (\$1.50 of total assessed value)	\$ 20,135,706
Debt applicable to limit:	
General bonded debt outstanding	\$ 6,271,744
general bonded debt	-
Total net debt applicable to limit	6,271,744
Legal debt margin	\$ 13,863,962

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 12,513,538	\$ 14,032,803	\$ 14,534,559	\$ 14,674,786
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 12,513,538	\$ 14,032,803	\$ 14,534,559	\$ 14,674,786

TABLE 13

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>\$ 14,533,054</u>	<u>\$ 14,675,649</u>	<u>\$ 15,051,276</u>	<u>\$ 16,206,450</u>	<u>\$ 18,849,921</u>	<u>\$ 20,135,706</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>6,610,000</u>	<u>6,271,744</u>
<u>\$ 14,533,054</u>	<u>\$ 14,675,649</u>	<u>\$ 15,051,276</u>	<u>\$ 9,206,450</u>	<u>\$ 12,239,921</u>	<u>\$ 13,863,962</u>

CITY OF FAIR OAKS RANCH, TEXAS

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2017**

TABLE 14

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	ESTIMATED SHARE OF OVERLAPPING DEBT
<i>Debt Repaid with Property Taxes:</i>			
Alamo CCD	\$ 645,620,000	0.56%	\$ 3,615,500
Bexar Co	1,692,000,000	0.56%	9,475,200
Bexar Co Hosp Dist	643,960,000	0.56%	3,606,176
Boerne ISD	334,328,344	16.44%	54,963,580
Comal Co	142,425,000	0.84%	1,196,370
Comal ISD	795,410,107	0.73%	5,806,494
Kendall Co	30,015,000	5.01%	1,503,752
Subtotal - Overlapping Debt			\$ 80,167,072
City of Fair Oaks Ranch - Direct Debt			\$ 6,271,744
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 86,438,816

Source: Municipal Advisory Council of Texas

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

CITY OF FAIR OAKS RANCH, TEXAS

**PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

TABLE 15

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

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.

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

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

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

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>San Antonio Unemployment Rate</u>
2008	5895	\$ 45,293	45.9	658	4.9%
2009	5966	45,293	45.9	660	7.3%
2010	5986	58,576	50.9	678	7.2%
2011	6068	58,576	50.9	683	7.3%
2012	6084	60,195	50.9	776	5.9%
2013	6326	57,945	50.9	697	5.7%
2014	6569	57,306	50.9	650	4.5%
2015	6569	55,586	51.2	650	3.8%
2016	6914	54,829	47.9	650	3.9%
2017	8645	52,917	46.7	916	3.2%

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

**OPERATING INDICATORS BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE 17

FUNCTION	2017
Police	
Stations	1
Patrol Units	15
Streets	
Paved streets (in miles)	81.6
Paved streets maintained by the City	68.1
Facilities Maintenance	
Vehicles	7
Other Equipment	9
Water	
Water mains (in miles)	76
Wells	40
Treatment plants	4
Sewer	
Lift stations	6
Sewer lines (in miles)	33
Treatment plants	1

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

CITY OF FAIR OAKS RANCH, TEXAS

**CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE 18

FUNCTION	2017
Police	
Stations	1
Patrol Units	15
Streets	
Paved streets (in miles)	81.6
Paved streets maintained by the City	68.1
Facilities Maintenance	
Vehicles	7
Other Equipment	9
Water	
Water mains (in miles)	76
Wells	40
Treatment plants	4
Sewer	
Lift stations	6
Sewer lines (in miles)	33
Treatment plants	1

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

CITY OF FAIR OAKS RANCH, TEXAS

**FULL-TIME EQUIVALENTS CITY GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE 19

<u>FUNCTION</u>	<u>2017</u>	<u>2016</u>
General Government	8	7
Public Safety		
Police	21	19
Animal Control	1	1
Municipal Court	1	1
Code Enforcement	1.5	1.5
Administration	2	2
Public Works	9	9.5
Water & Sewer	<u>10</u>	<u>10</u>
	<u>53.5</u>	<u>51</u>

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

(This page is intentionally left blank)