



CITY OF
Fair Oaks Ranch

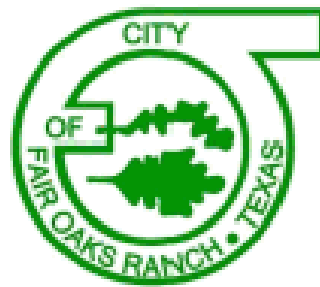
Annual Comprehensive Financial Report

For Fiscal Year Ended
September 30, 2024

Prepared By:

City of Fair Oaks Ranch
Finance Department





***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

of the

City of Fair Oaks Ranch, Texas

**For the Year Ended
September 30, 2024**

Prepared by

Finance
Department



City of Fair Oaks Ranch, Texas

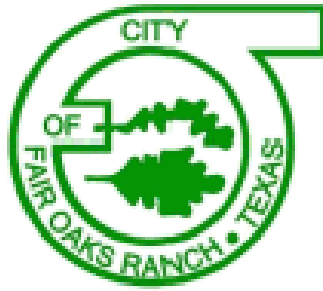
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INTRODUCTORY SECTION





March 11, 2025

City of Fair Oaks Ranch, Texas

Honorable Mayor, Members of City Council and Citizens of the City of Fair Oaks Ranch:

The Finance Department and the City Manager's Office are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of Fair Oaks Ranch, Texas for the fiscal year ending September 30, 2024.

The City 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. This report consists of management's representations concerning the finances of the City. Management deems the enclosed data is 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 controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The City also acknowledges all disclosures that are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by BrooksWatson and Company, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2024, 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 has concluded, based on the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the financial statements for the year ended September 30, 2024, 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 statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

Fair Oaks Ranch was created by a group of visionaries who had both the foresight and the political courage to dream of a special community and make it a reality. The ability to make the city a reality was enhanced by having a single development company for many years and working with a family that had a desire for their ranch to become a unique community. This commonality of vision was the glue that held the development process together and created such a unique city.

The City was incorporated in 1988 and became a home rule city in 2017. The City is located 27 miles northwest of downtown San Antonio, has a land area of approximately 8.5 square miles and an estimated population of 11,406. 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 composed of a Mayor and six Council Members. The Mayor and Council Members are all elected at large for three-year terms. Elections are staggered with the Mayor and one Council Member elected together, three Council Members the following year, and the remaining two Council Members the year after that. The City Manager is appointed by the Council and is responsible for implementing council policy and day-to-day operations of the City.

The City provides a full range of municipal services including public safety, water and wastewater services, public improvements, repair and maintenance of infrastructure, and general administrative services. The City provides water service to most of the area, with the San Antonio Water System providing water service to the remaining portion of the City.

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

LOCAL ECONOMY

The information presented in the financial statements is 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 and seventh largest city in the nation. The City has

proximity to major airports and major military bases. The City is also close to one of the busiest intersections in the San Antonio area, the Interstate 10 and Loop 1604 intersection. Because the City is adjacent to the City of San Antonio, the local economy is heavily influenced by 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, military institutions, tourism, telecommunications, insurance, finance, and manufacturing.

Property taxes and sales taxes constitute most of the general fund revenues. The City's economic outlook remains positive as evidenced by a significant increase in tax appraisal values and continued sales tax growth. Other economic indicators such as the unemployment rate and housing permits have remained positive in this area.

Data from the U.S. Census Bureau shows the City's median household income is \$150,237, which is noticeably higher than the \$76,292 median income for the State of Texas. According to this same data, the City's residents are well-educated with 67.6% of adults aged 25 years and older having a bachelor's degree or higher level of education, compared to 33.1% for Texas.

The quality of life found in Fair Oaks Ranch is especially attractive to retirees with its golf courses, walking trails and quiet hometown atmosphere, while the top-ranked school district draws families to the City. Many other cultural and recreational facilities are within a short drive south to the San Antonio area, and a 90-minute drive north will take you to Austin, the capital city and cultural hub of Texas. The City is also close to New Braunfels, Canyon Lake and the Guadalupe River, all popular recreational areas. As continued growth is expected, the City will continue managing that growth and work toward enhancing the quality of life for its residents.

FINANCIAL INFORMATION

Financial Policies

The City adopted a comprehensive set of financial policies to ensure that the City's resources are managed in a prudent manner and to provide a foundation for financial sustainability. An important element of the policies dictates that current revenue will be sufficient to support current expenditures (defined as "structural balance.")

The City maintains a goal of a structurally balanced budget to achieve long-term financial stability for the City. Additionally, the City has a fund balance policy to maintain an operating reserve equal to six months of operating expenditures. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 75% of total general fund operating expenditures. This amount represents an operating reserve of 50% per policy guidelines, and an additional 25% available for future budgetary uses.

Long-term Financial Planning

Long term financial planning is essential to the stability and sustainability of every city. As part

of its strategic plan, the Council has approved five-year Capital Improvement Plans for Drainage, Roadways, and Utility Improvements to enable the City to forecast and prioritize maintenance and construction needs of the City's infrastructure. In March 2024 staff presented to Council an updated five-year financial plan that was developed to provide outcomes given certain sets of assumptions. The financial plan is a "living document" and is intended to be enhanced consistently with updated assumptions based on policy direction and new information. The plan provides residents, City Council, and staff the analysis and direction to make informed decisions regarding long-term financial policies for operations and capital improvements.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. Annual budgets are legally required for the General Fund and debt service funds. While not legally required, annual budgets are also adopted for the enterprise funds, and annual updates to the Capital Improvements Program budgets follow a similar process.

The budget process includes multiple phases, each of which requires a joint effort by the City Council and staff. The City Manager provides the City Council the proposed budget before filing with the City Secretary and making it available for public inspection. Upon receipt of the budget, the City Council sets a date for a public hearing at which time citizens may express their opinions regarding the proposed budget. The City Council considers and adopts the budget in accordance with Texas Local Government Code and Truth-in-Taxation Laws.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense and revenue rests with the finance department in conjunction with the department operating the program. The level of budgetary control is at the department level in the General Fund. The City Manager is authorized to transfer appropriation balances among departments within a fund, and the City Council must approve amendments to the budget and transfers of appropriations from one fund to another.

STRATEGIC INITIATIVES

The City continued to focus on initiatives that will best help accomplish the vision and mission of Fair Oaks Ranch.

Vision: To offer the ideal place to call home in the hill country, guided by strong community values and responsible growth that provides residents of all ages a place to relax and reconnect.

Mission: To deliver exceptional public services, preserve the natural beauty of our City, protect and promote quality of life, and foster community engagement.

Citizen Focus

After a review of multiple competitive bids, the City successfully negotiated a solid waste contract with a new vendor, Frontier Waste Services, that enhances service levels while maintaining a lower cost compared to simply renewing the previous contract. By leveraging market competition and engaging in careful negotiations, the City demonstrated its commitment to maximizing value and ensuring cost-effective public services.

The City Council reduced the property tax rate for the fourth consecutive year, from \$0.3005 to \$0.2853 per \$100 valuation, resulting in a \$0.0152 reduction for tax year 2024. Over those years the tax rate has been reduced a total of \$.0882 per \$100 valuation. The age-65 or older and disabled exemption was raised from \$20,000 to \$50,000 in 2022 further highlighting the City Council's commitment to responsible financial management and prioritization of community well-being. The increase in appraisal values combined with prudent budgeting has allowed for the recent tax rate decreases in an environment of rising costs and inflation. This approach not only supports homeowners but also ensures the continued delivery of essential services without compromising long-term fiscal sustainability.

Additionally, the City held a successful special election on May 4, 2024, reauthorizing the collection of a local sales and use tax of one-fourth of one percent to provide revenue for maintenance and repair of municipal streets. This sales tax provides funding that would otherwise be funded from property taxes.

2024-2029 Bond Program

On May 4, 2024, Fair Oaks Ranch residents approved one proposition for the City's 2024-2029 Bond Program totaling \$16 million and including four roadway projects. The bond program was developed with an extensive public input process. From October 2023 to May 2024, nine residents comprising the Bond Advisory Committee appointed by City Council met to review and discuss recommended projects from the approved Capital Improvements Plan (CIP). The meetings provided citizens an opportunity to provide input on the CIP and resulted in a committee recommendation for project timing and sources of financing. With voter approval, Public Works is ready to get to work with the design and construction of these four roadway projects.

Drainage and Utility Projects

Drainage and aging infrastructure issues have been one of the City's top long-range priorities. The City issued Certificates of Obligation in September 2024 to fund utility capital projects including expansion and improvements to Water Plant 5 and the City's Wastewater Treatment Plant. The FY 2025 Budget also includes funding for water line replacements, electrical upgrades to Water Plant 3, sewer upgrade at Cojak Circle, and drainage projects on Rolling Acres Trail and Pimlico Lane.

Tree City USA and Oak Wilt Grant Programs

The City has made significant strides in environmental conservation by becoming a member of the Tree City USA program and declaring April 26, 2024, as Arbor Day in the City. To further its

commitment to protecting and enhancing green spaces, the City established a tree mitigation fund aimed at preserving existing trees, supporting reforestation, and beautifying the area. Additionally, an oak wilt remediation grant program was introduced to incentivize and assist residents in treating oak wilt, demonstrating a proactive approach to preserving the community's natural resources.

CERTIFICATE OF ACHIEVEMENT AND AWARDS

For the seventh consecutive year the City of Fair Oaks Ranch was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2023. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) for its PAFR for the fiscal year ended September 30, 2023, for a third consecutive time.

The GFOA also presented a Distinguished Budget Presentation Award to the City of Fair Oaks Ranch for its annual budget for the fiscal year beginning October 1, 2024 (FY 2025). This reflects the sixth consecutive time the City has achieved this prestigious award. To receive this award a government must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. Budget documents must be rated "proficient" in all four categories, and in the fourteen mandatory criteria within those categories, to receive the award.

The culmination of achieving all three awards represents a significant achievement by the finance department earning the City "Triple Crown" status with GFOA.

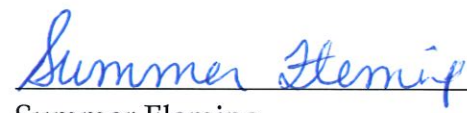
ACKNOWLEDGEMENTS

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,



Scott M. Huizenga
City Manager



Summer Fleming
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fair Oaks Ranch
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

September 30, 2024

MAYOR

GREG MAXTON

MAYOR PRO TEM – PLACE 4

LAURA KOERNER

CITY COUNCIL MEMBERS

PLACE 1

EMILY STROUP

PLACE 2

KEITH RHODEN

PLACE 3

RUBEN OLVERA

PLACE 5

SCOTT PARKER

PLACE 6

CHESLEY MUENCHOW

CITY MANAGER

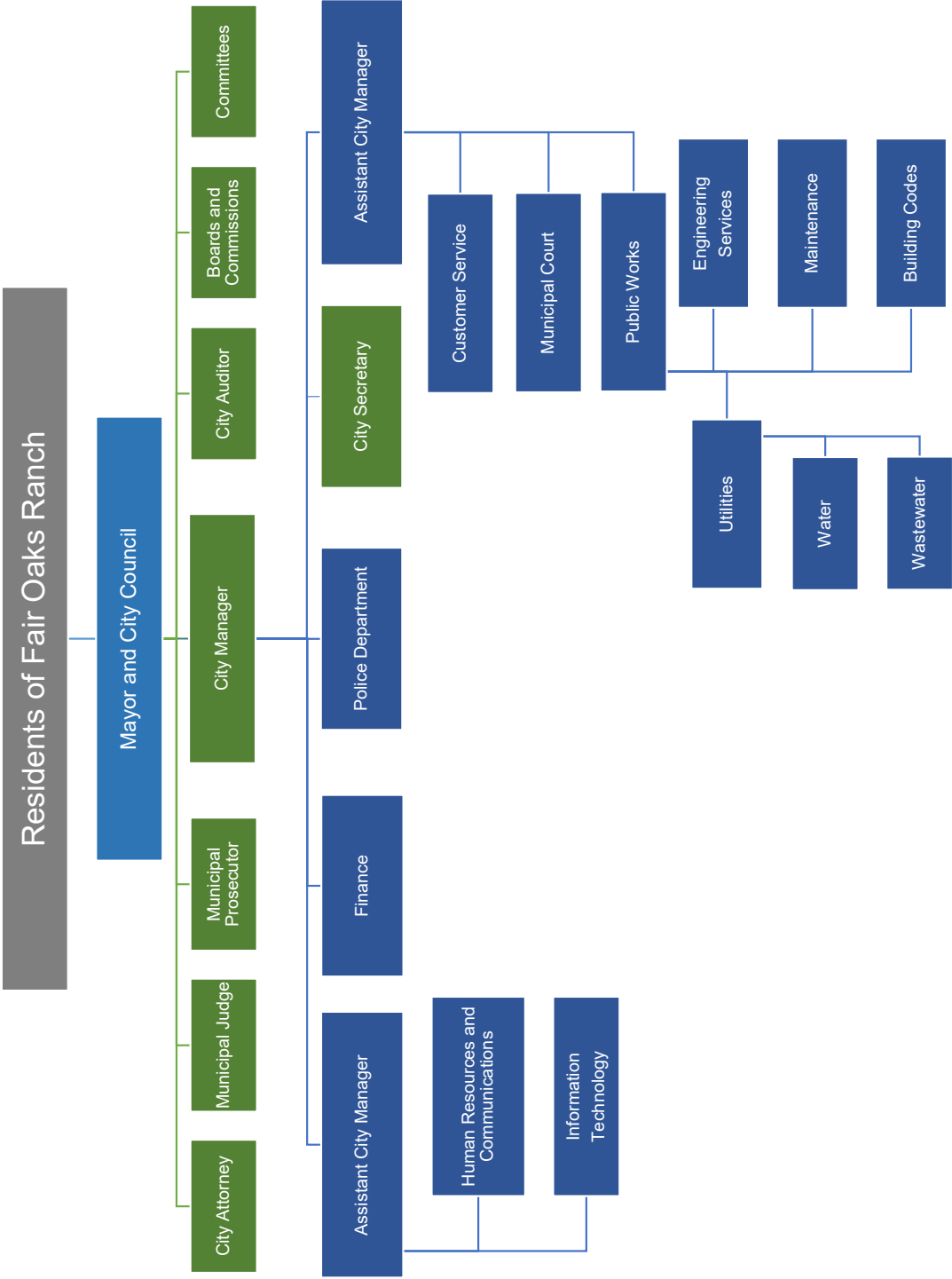
SCOTT HUIZENGA

ATTORNEY

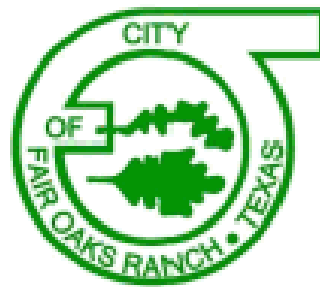
DENTON, NAVARRO, RODRIGUEZ,
BERNAL, SANTEE, & ZECH, P.C.

AUDITOR

BROOKSWATSON & CO., PLLC



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fair Oaks Ranch, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.G. to the financial statements, due to various accounting corrections and the implementation of GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and the water and sewer fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 11, 2025

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***



City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2024

As management of the City of Fair Oaks Ranch, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The City's total combined net position is \$39,986,906 at September 30, 2024.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$14,888,042, an increase of \$3,771,412.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,565,160 or 27% of total general fund expenditures.
- The City had an overall increase in net position of \$3,100,094, which is primarily due to the surplus in revenues over expenses during the year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, human resources/communication, finance, and engineering. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Fair Oaks Ranch Municipal Development District, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Fair Oaks Ranch. They are usually segregated for specific activities or objectives. The City of Fair Oaks Ranch uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Fair Oaks Ranch maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, capital projects, and nonmajor governmental funds. The general, strategic projects, bond capital, and equipment replacement funds are considered to be major funds.

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

The City of Fair Oaks Ranch adopts an annual appropriated budget for all governmental funds, with the exception of the bond capital fund. A budgetary comparison schedule has been provided to demonstrate compliance with all governmental funds with an adopted budget.

Proprietary Funds

The City maintains one proprietary fund. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its public utilities. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. *Fiduciary fund* is used to account for resources held in trust for employees to pay for employee medical expenses. Contributions into the fund come from the employees.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Fair Oaks Ranch Municipal Development District is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

budgetary comparison schedule for the general fund and schedules for the City's Defined Pension Plan and Other Post Employment Benefit Plans. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Fair Oaks Ranch, assets and deferred outflows exceeded liabilities and deferred inflows by \$39,986,906 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$19,638,016, reflects its investments in capital assets (e.g., land, city hall, streets, and utility systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of the primary government increased by \$8,231,027 or 38%. The increase was primarily due to greater cash on hand resulting from unspent bond proceeds as of yearend.

Capital assets for governmental activities increased by \$1,658,261 or 14% primarily due to new roadway infrastructure improvements over the course of the year.

Total other liabilities of the primary government increased by \$1,644,831 or 59% primarily due to nonrecurring payables for capital improvements.

Total long-term liabilities of the primary government increased by \$4,844,213 or 68% due to new bond issuances outweighing principal payments made in the current year.

Total deferred outflows of the primary government decreased by \$712,963 or 40%. This variance was directly related to the significant decrease in City's net pension liability and actuarial changes in the City's pension inputs over the course of the year.

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 16,700,149	\$ 13,056,178	\$ 29,756,327	\$ 12,480,005	\$ 9,045,295	\$ 21,525,300
Capital assets, net	13,901,383	11,776,802	25,678,185	12,243,122	11,360,088	23,603,210
Total Assets	30,601,532	24,832,980	55,434,512	24,723,127	20,405,383	45,128,510
Total Deferred Outflows	910,253	156,054	1,066,307	1,316,638	462,632	1,779,270
Other liabilities	2,612,791	1,836,856	4,449,647	1,620,169	1,184,647	2,804,816
Long-term liabilities	7,547,953	4,428,751	11,976,704	5,061,080	2,071,411	7,132,491
Total Liabilities	10,160,744	6,265,607	16,426,351	6,681,249	3,256,058	9,937,307
Total Deferred Inflows	74,747	12,815	87,562	63,127	20,534	83,661
Net Position:						
Net investment in capital assets	9,594,671	10,043,345	19,638,016	8,589,537	9,524,748	18,114,285
Restricted	235,514	-	235,514	192,536	-	192,536
Unrestricted	11,446,109	8,667,267	20,113,376	10,513,316	8,066,675	18,579,991
Total Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 19,295,389	\$ 17,591,423	\$ 36,886,812

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 961,983	\$ 6,974,514	\$ 7,936,497	\$ 829,500	\$ 6,165,245	\$ 6,994,745
Operating grants	141,826	-	141,826	379,340	-	379,340
General revenues:						
Property taxes	7,390,813	-	7,390,813	7,062,241	-	7,062,241
Sales taxes	1,817,285	-	1,817,285	1,656,135	-	1,656,135
Franchise and local taxes	743,231	-	743,231	776,385	-	776,385
Investment income	712,804	427,654	1,140,458	581,995	348,789	930,784
Other revenue	138,785	58,094	196,879	150,838	-	150,838
Total Revenues	11,906,727	7,460,262	19,366,989	11,436,434	6,514,034	17,950,468
Expenses						
Mayor & council	2,899	-	2,899	7,643	-	7,643
City administration	893,391	-	893,391	1,189,239	-	1,189,239
City secretary	273,114	-	273,114	277,612	-	277,612
HR & communication	258,298	-	258,298	228,388	-	228,388
Finance	342,958	-	342,958	341,093	-	341,093
Information technology	371,430	-	371,430	391,185	-	391,185
Municipal court	270,852	-	270,852	256,851	-	256,851
Public safety	4,179,786	-	4,179,786	4,147,473	-	4,147,473
Public works	1,433,859	-	1,433,859	2,366,969	-	2,366,969
Bldg codes & permits	270,819	-	270,819	280,890	-	280,890
Engineering & planning	1,369,461	-	1,369,461	1,529,149	-	1,529,149
Interest & fiscal chrgs.	258,955	-	258,955	113,242	-	113,242
Water and sewer	-	6,341,073	6,341,073	-	6,235,130	6,235,130
Total Expenses	9,925,822	6,341,073	16,266,895	11,129,734	6,235,130	17,364,864
Change in Net Position	1,980,905	1,119,189	3,100,094	306,700	278,904	585,604
Beg. Net Position (as previously presented)	19,202,296	17,749,207	36,951,503	18,988,689	17,312,519	36,301,208
Prior year corrections	93,093	(157,784)	(64,691)	-	-	-
Beg. Net Position (as adjusted)	19,295,389	17,591,423	36,886,812	18,988,689	17,312,519	36,301,208
Ending Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 19,295,389	\$ 17,591,423	\$ 36,886,812

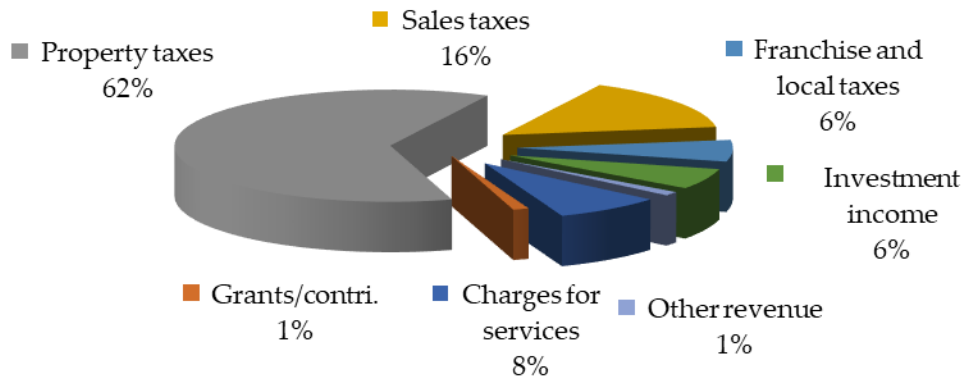
City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

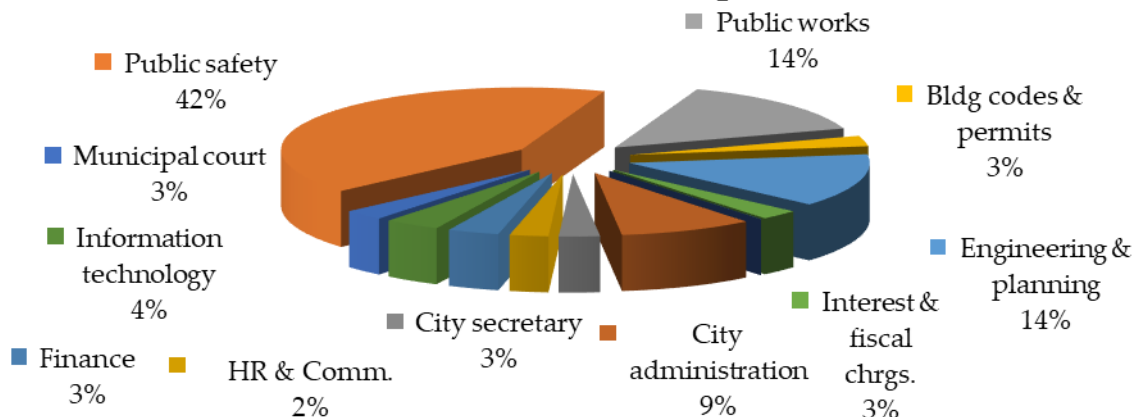
Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$11,906,727. Property tax and sales tax are the City's largest revenue sources. Charges for services increased by \$132,483 or 16% primarily due to an increase in tree mitigation fees earned in the current year. Grants and contributions decreased by \$237,514 or 63% due to nonrecurring FEMA disaster recovery grant funds received in the prior year. Sales taxes increased by \$161,150 or 10% due to economic growth fueled by local purchases. Investment income increased by \$130,809 or 22% primarily due to greater interest-bearing accounts and the realization of higher interest rates in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2024, expenses for governmental activities totaled \$9,925,822. This represents a decrease of \$1,203,912 or 11% from the prior year. The City's largest functional expense is public safety of \$4,179,786, which includes administrative and operating costs for the City's police department. Public safety expenses remained consistent with the prior year. City administration

City of Fair Oaks Ranch, Texas

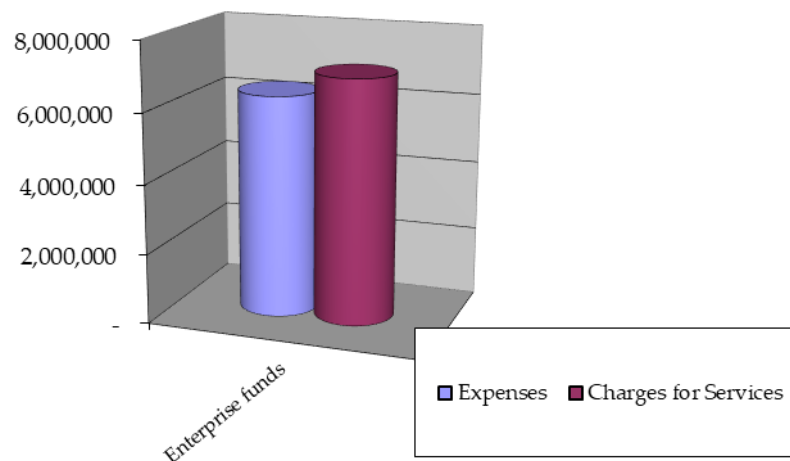
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

expenses decreased by \$295,848 or 25% primarily due to nonrecurring costs to remove roadway debris in the aftermath of a winter storm disaster in the prior year. Public works expenses decreased by \$933,110 or 39% primarily due to planning costs for projects that the City decided not to pursue. In addition, the City incurred more significant repairs/maintenance expenses in the prior year. Engineering and planning expenses decreased by \$159,688 or 10% primarily due to nonrecurring street maintenance projects in the prior year. Interest and fiscal charges increased by \$145,713 or over 100% due to nonrecurring bond issuance costs recognized in the current year. All other expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$6,974,514. Charges for services increased by \$809,269 or 13% primarily due to greater sewer service rates and active customer accounts in the current year. Investment income increased by \$78,865 or 23% due to greater interest-bearing accounts and the realization of higher interest rates in the current year.

Total business-type expenses increased \$105,943 or 2% compared to the prior year, which is considered consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the year.

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

As of the end of the year the general fund reflected a total fund balance of \$7,668,789, \$2,565,160 of which was unassigned. The general fund increased by \$1,040,182 primarily due to greater than anticipated revenues and less than anticipated expenditures.

As of the end of the year the strategic projects fund reflected a total fund balance of \$2,297,490, a decrease of \$972,083. The decrease was primarily due to capital outlay expenditures exceeding transfers in from other funds during the year.

The bond capital fund reflected a fund balance of \$3,596,650, an increase of \$3,596,650. Fiscal year 2024 was the initial year of this fund. The increase was solely a result of the bond issuance in the current year.

The equipment replacement fund reflected a fund balance of \$1,220,166, an increase of \$79,691 from the previous year. The increase was solely a result of transfers in from other funds during the year.

There was an increase in total governmental fund balance of \$3,771,412 over the prior year. The increase was primarily due to the bond issuance in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,910,120 in the general fund. This was a combination of a positive revenue variance of \$890,403, a positive expenditure variance of \$850,104, and a positive variance of \$169,613 in other financing sources and uses. The most significant revenue variances were for property tax, sales tax, other fees & services, and investment income. Expenditures did not exceed appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$13,901,383 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$11,776,802 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Tivoli Way construction costs for \$748,863.
- City hall renovations totaling \$183,336.

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

- Community center design for \$140,875.
- Dietz Elkhorn roadway and sidewalk reconstruction project investments totaling \$324,001.
- Purchased new fuel tanks/pumps for \$97,150.
- Purchase new vehicles and equipment for governmental activities totaling \$721,582.
- Purchase new vehicles and equipment for business-type activities totaling \$451,619.
- New software asset subscription agreements totaling \$343,691.
- Wastewater treatment plant improvements totaling \$142,937.
- Well improvements totaling \$120,000.
- Purchased new generator at water plant for \$93,599.
- Purchase new well pump equipment for \$167,040.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$11,785,000 (excluding premiums). The City issued new General Obligation Bonds and Certificates of Obligation for \$3,550,000 and \$3,705,000, respectively. During the year, the City made principal payments on these bonds of \$790,000. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Fair Oaks Ranch and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming fiscal year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Fair Oaks Ranch's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the contact City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 (210-698-0900) or (866-258-2505).

FINANCIAL STATEMENTS

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2024

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 11,616,832	\$ 12,676,952	\$ 24,293,784
Restricted cash	3,587,475	-	3,587,475
Receivables, net	865,087	670,099	1,535,186
Due from component unit	868	-	868
Inventory	-	197,983	197,983
Prepays	85,344	53,728	139,072
Due from the fiduciary fund	1,959	-	1,959
Internal balances	542,584	(542,584)	-
Total Current Assets	16,700,149	13,056,178	29,756,327
Capital assets:			
Non-depreciable	2,282,072	949,844	3,231,916
Net depreciable capital assets	11,619,311	10,826,958	22,446,269
Total Noncurrent Assets	13,901,383	11,776,802	25,678,185
Total Assets	30,601,532	24,832,980	55,434,512
<u>Deferred Outflows of Resources</u>			
Pension outflows	908,802	155,805	1,064,607
OPEB outflows	1,451	249	1,700
Total Deferred Outflows of Resources	910,253	156,054	1,066,307

See Notes to Financial Statements.

Component Unit
<u>Municipal</u>
<u>Dev. District</u>

\$	3,256,981
	-
	75,342
	-
	-
	-
	-
	-
	-
	3,332,323
	-
	-
	-
	3,332,323
	-
	-
	-
	-

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2024

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	\$ 1,403,728	\$ 287,032	\$ 1,690,760
Accrued interest	24,978	20,998	45,976
Unearned revenue	-	145,712	145,712
Due to primary government	-	-	-
Compensated absences, current	278,888	111,681	390,569
Long term debt due within one year	905,197	1,271,433	2,176,630
Total Current Liabilities	2,612,791	1,836,856	4,449,647
Noncurrent liabilities:			
Debt due in more than one year	6,103,431	4,174,006	10,277,437
Compensated absences, noncurrent	30,988	12,409	43,397
OPEB liability- TMRS	109,228	18,726	127,954
Net pension liability	1,304,306	223,610	1,527,916
Total Noncurrent Liabilities	7,547,953	4,428,751	11,976,704
Total Liabilities	10,160,744	6,265,607	16,426,351
<u>Deferred Inflows of Resources</u>			
Pension inflows	49,077	8,414	57,491
OPEB inflows	25,670	4,401	30,071
Total Deferred Inflows of Resources	74,747	12,815	87,562
<u>Net Position</u>			
Net investment in capital assets	9,594,671	10,043,345	19,638,016
Restricted for:			
Municipal court and felony forfeiture	106,009	-	106,009
PEG fees	4,319	-	4,319
Public safety	20,239	-	20,239
Debt service	104,947	-	104,947
Unrestricted	11,446,109	8,667,267	20,113,376
Total Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906

See Notes to Financial Statements.

Component Unit
<u>Municipal</u>
<u>Dev. District</u>

\$	-
	-
	-
	868
	-
	-
	<u>868</u>
	-
	-
	-
	-
	<u>-</u>
	-
	<u>868</u>
	-
	-
	<u>-</u>
	-
	<u>-</u>
	-
	-
	-
	-
	-
	<u>3,331,455</u>
\$	<u><u>3,331,455</u></u>

City of Fair Oaks Ranch, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Mayor & council	\$ 2,899	\$ -	\$ -
City administration	893,391	519,220	141,826
City secretary	273,114	-	-
Human resources & communication	258,298	-	-
Finance	342,958	-	-
Information technology	371,430	-	-
Municipal court	270,852	208,241	-
Public safety	4,179,786	2,384	-
Public works	1,433,859	-	-
Building codes and permits	270,819	232,138	-
Engineering & planning	1,369,461	-	-
Interest and fiscal charges	258,955	-	-
Total Governmental Activities	9,925,822	961,983	141,826
Business-Type Activities			
Water and sewer	6,341,073	6,974,514	-
Total Business-Type Activities	6,341,073	6,974,514	-
Total Primary Government	\$ 16,266,895	\$ 7,936,497	\$ 141,826
Component Units			
Municipal Development District	38,534	-	-
	\$ 38,534	\$ -	\$ -

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position (as previously presented)

Correction to capital assets

Correction to payables

GASB 87 restatement

GASB 96 restatement

Beginning Net Position (as adjusted)

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Municipal Dev. District
\$ (2,899)	\$ -	\$ (2,899)	\$ -
(232,345)	-	(232,345)	-
(273,114)	-	(273,114)	-
(258,298)	-	(258,298)	-
(342,958)	-	(342,958)	-
(371,430)	-	(371,430)	-
(62,611)	-	(62,611)	-
(4,177,402)	-	(4,177,402)	-
(1,433,859)	-	(1,433,859)	-
(38,681)	-	(38,681)	-
(1,369,461)	-	(1,369,461)	-
(258,955)	-	(258,955)	-
(8,822,013)	-	(8,822,013)	-
-	633,441	633,441	-
-	633,441	633,441	-
(8,822,013)	633,441	(8,188,572)	-
			(38,534)
			(38,534)
7,390,813	-	7,390,813	-
1,817,285	-	1,817,285	510,915
743,231	-	743,231	-
712,804	427,654	1,140,458	157,987
138,785	58,094	196,879	-
10,802,918	485,748	11,288,666	668,902
1,980,905	1,119,189	3,100,094	630,368
19,202,296	17,749,207	36,951,503	2,701,087
113,746	-	113,746	-
-	(131,610)	(131,610)	-
749	(453)	296	-
(21,402)	(25,721)	(47,123)	-
19,295,389	17,591,423	36,886,812	2,701,087
\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 3,331,455

City of Fair Oaks Ranch, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
<u>Assets</u>				
Cash and cash equivalents	\$ 10,293,759	\$ -	\$ 9,175	\$ 1,209,496
Restricted cash	-	-	3,587,475	-
Prepays	85,344	-	-	-
Receivables, net	850,549	-	-	-
Due from component unit	868	-	-	-
Due from other funds	-	3,228,072	-	10,670
Due from fiduciary fund	1,959	-	-	-
Total Assets	\$ 11,232,479	\$ 3,228,072	\$ 3,596,650	\$ 1,220,166
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 473,146	\$ 930,582	\$ -	\$ -
Due to other funds	2,696,158	-	-	-
Total Liabilities	3,169,304	930,582	-	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue				
Property taxes	169,627	-	-	-
Court fines	224,759	-	-	-
Total Deferred Inflows of Resources	394,386	-	-	-
<u>Fund Balances</u>				
<u>Nonspendable:</u>				
Prepays	85,344	-	-	-
Restricted for:				
Municipal court and felony forfeiture	106,009	-	-	-
PEG fees	4,319	-	-	-
Public safety	20,239	-	-	-
Capital projects	-	-	3,596,650	-
Debt service	-	-	-	-
Assigned for:				
Strategic expenditures	-	2,297,490	-	-
Capital equipment	-	-	-	1,220,166
Legal and tree mitigation reserve	199,600	-	-	-
Six month operating reserve	4,688,118	-	-	-
Unassigned reported in:				
General fund	2,565,160	-	-	-
Total Fund Balances	7,668,789	2,297,490	3,596,650	1,220,166
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 11,232,479	\$ 3,228,072	\$ 3,596,650	\$ 1,220,166

See Notes to Financial Statements.

<u>Nonmajor</u> <u>Debt service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 104,402	\$ 11,616,832
-	3,587,475
-	85,344
14,538	865,087
-	868
-	3,238,742
-	1,959
<u>\$ 118,940</u>	<u>\$ 19,396,307</u>
\$ -	\$ 1,403,728
-	2,696,158
<u>-</u>	<u>4,099,886</u>
13,993	183,620
-	224,759
<u>13,993</u>	<u>408,379</u>
-	85,344
-	106,009
-	4,319
-	20,239
-	3,596,650
104,947	104,947
-	2,297,490
-	1,220,166
-	199,600
-	4,688,118
-	2,565,160
<u>104,947</u>	<u>14,888,042</u>
<u>\$ 118,940</u>	<u>\$ 19,396,307</u>

City of Fair Oaks Ranch, Texas

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

September 30, 2024

Fund Balances - Total Governmental Funds

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable

Capital assets - net depreciable

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable

Court receivables

Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure)/(revenue) until then.

Pension outflows

Pension inflows

OPEB outflows

OPEB inflows

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest

Compensated absences

Bond premiums

Long-term debt obligations, excluding premiums

Net pension liability

OPEB liability - TMRS

Net Position of Governmental Activities

See Notes to Financial Statements.

\$ 14,888,042

2,282,072
11,619,311

183,620
224,759

908,802
(49,077)
1,451
(25,670)

(24,978)
(309,876)
(221,702)
(6,786,926)
(1,304,306)
(109,228)

\$ 21,276,294

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
<u>Revenues</u>				
Property tax	\$ 6,813,962	\$ -	\$ -	\$ -
Sales tax	1,817,285	-	-	-
Franchise and local taxes	743,231	-	-	-
License and permits	232,138	-	-	-
Animal control	2,384	-	-	-
Utility management fee	289,039	-	-	-
Contributions and donations	141,826	-	-	-
Other fees and services	230,181	-	-	-
Fines and forfeitures	191,584	-	-	-
Investment income	683,555	-	11,650	-
Other revenue	138,785	-	-	-
Total Revenues	11,283,970	-	11,650	-
<u>Expenditures</u>				
Current:				
Mayor & council	6,500	-	-	-
City administration	630,873	-	-	-
City secretary	270,071	-	-	-
Human resources & communication	255,147	-	-	-
Finance	338,347	-	-	-
Information technology	298,154	-	-	-
Municipal court	268,049	-	-	-
Public safety	3,909,349	-	-	-
Public works	881,595	-	-	-
Building codes and permits	267,900	-	-	-
Engineering & planning	1,360,991	-	-	-
Nondepartmental	162,682	-	-	-
Debt service:				
Principal	119,812	-	-	-
Interest and fiscal charges	10,418	-	-	-
Bond issuance costs	-	-	146,669	-
Capital outlay	790,542	1,785,609	-	-
Total Expenditures	9,570,430	1,785,609	146,669	-
Excess of Revenues Over (Under) Expenditures	1,713,540	(1,785,609)	(135,019)	-

<u>Nonmajor</u> <u>Debt service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 562,936	\$ 7,376,898
-	1,817,285
-	743,231
-	232,138
-	2,384
-	289,039
-	141,826
-	230,181
-	191,584
17,599	712,804
-	138,785
<u>580,535</u>	<u>11,876,155</u>

-	6,500
-	630,873
-	270,071
-	255,147
-	338,347
-	298,154
-	268,049
-	3,909,349
-	881,595
-	267,900
-	1,360,991
-	162,682
470,000	589,812
83,563	93,981
-	146,669
-	2,576,151
<u>553,563</u>	<u>12,056,271</u>

26,972 (180,116)

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 813,526	\$ -	\$ 79,691
Transfers (out)	(893,217)	-	-	-
Issuances of debt	219,859	-	-	-
Bond issuance	-	-	3,550,000	-
Premium on bond issuance	-	-	181,669	-
Total Other Financing Sources				
(Uses)	(673,358)	813,526	3,731,669	79,691
Net Change in Fund Balances	1,040,182	(972,083)	3,596,650	79,691
Beginning Fund Balance	6,628,607	3,269,573	-	1,140,475
Ending Fund Balances	\$ 7,668,789	\$ 2,297,490	\$ 3,596,650	\$ 1,220,166

See Notes to Financial Statements.

<u>Nonmajor</u> <u>Debt service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 893,217
-	(893,217)
-	219,859
-	3,550,000
-	181,669
-	3,951,528
26,972	3,771,412
77,975	11,116,630
<u>\$ 104,947</u>	<u>\$ 14,888,042</u>

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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, 2024

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

Net changes in fund balances - total governmental funds	\$ 3,771,412
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,435,667
Depreciation expense	(777,406)

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

Court receivables	16,657
Property tax receivable	13,915

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	31,379
Accrued interest	(24,978)
Pension expense	(103,954)
OPEB - TMRS expense	(26,744)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

SBITA/Lease issuances	(219,859)
Bond issuance	(3,550,000)
Premium on bond issuance	(181,669)
Current year amortization of bond premiums	6,673
Principal payments	589,812

Change in Net Position of Governmental Activities	\$ 1,980,905
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See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2024

	Water & Sewer Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 12,676,952
Receivables, net	670,099
Inventory	197,983
Prepays	53,728
Total Current Assets	13,598,762
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	949,844
Net depreciable capital assets	10,826,958
Total Noncurrent Assets	11,776,802
Total Assets	25,375,564
<u>Deferred Outflows of Resources</u>	
Pension outflows	155,805
OPEB outflows	249
Total Deferred Outflows of Resources	156,054

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2024

	Water & Sewer Fund
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	\$ 287,032
Accrued interest	20,998
Unearned revenue	145,712
Due to other funds	542,584
Compensated absences - current	111,681
Long-term debt-current	1,271,433
Total Current Liabilities	2,379,440
<u>Noncurrent Liabilities</u>	
Compensated absences, noncurrent	12,409
Net pension liability	223,610
OPEB liability - TMRS	18,726
Long term debt-noncurrent	4,174,006
Total Liabilities	6,808,191
<u>Deferred Inflows of Resources</u>	
Pension inflows	8,414
OPEB inflows	4,401
Total Deferred Inflow of Resources	12,815
<u>Net Position</u>	
Net investment in capital assets	10,043,345
Unrestricted	8,667,267
Total Net Position	\$ 18,710,612

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2024

	Water & Sewer Fund
<u>Operating Revenues</u>	
Charges for services	\$ 6,974,514
Other revenue	58,094
Total Operating Revenues	7,032,608
<u>Operating Expenses</u>	
Personnel	1,970,151
Professional fees	182,007
Repairs/maintenance	598,259
Administration	436,061
Utilities	216,757
Management fees	289,039
Water reservation fees	1,522,466
Depreciation	972,902
Total Operating Expenses	6,187,642
Operating Income (Loss)	844,966
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	427,654
Bond issuance costs	(115,876)
Interest and amortization expense	(37,555)
Total Nonoperating Revenues (Expenses)	274,223
Change in Net Position	1,119,189
Beginning net position (as previously presented)	17,749,207
Restatement for GASB 87	(453)
Restatement for GASB 96	(25,721)
Correction to payables	(131,610)
Beginning net position (as adjusted)	17,591,423
Ending Net Position	\$ 18,710,612

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2024

	Water & Sewer Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 7,150,048
Payments to suppliers	(3,540,432)
Payments to employees	(1,957,087)
Net Cash Provided by (Used) by Operating Activities	1,652,529
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating transfers in	542,584
Net Cash Provided by (Used) by Noncapital Financing Activities	542,584
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(1,248,692)
Proceeds from capital debt	3,850,876
Principal paid on debt	(381,701)
Bond issuance costs paid	(115,876)
Interest paid on debt	(28,546)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,076,061
<u>Cash Flows from Investing Activities</u>	
Interest on investments	427,654
Net Cash Provided by Investing Activities	427,654
Net Increase (Decrease) in Cash and Cash Equivalents	4,698,828
Beginning cash and cash equivalents	7,978,124
Ending Cash and Cash Equivalents	\$ 12,676,952

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2024

	Water & Sewer Fund
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income / (Loss)	\$ 844,966
Adjustments to reconcile operating income / (loss) to net cash provided / (used):	
Depreciation	972,902
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	117,440
Inventory	21,226
Prepays	6,695
Deferred outflows of resources - pension	298,145
Deferred outflows of resources - OPEB	8,433
Deferred inflows of resources - OPEB	(11,687)
Deferred inflows of resources - pension	3,968
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(323,764)
Compensated absences	6,036
Net pension liability	(283,192)
OPEB liabilities	(8,639)
Net Cash Provided (Used) by Operating Activities	\$ 1,652,529
<u>Schedule of Noncash Capital and Related Financing Activities</u>	
SBITA debt issuance	\$ 140,924

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2024

	Employee Benefit Trust Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 10,611
Other receivables	1,959
Total Assets	12,570
<u>Liabilities</u>	
Accounts payable	
accrued liabilities	
Due to the general fund	1,959
Total Liabilities	1,959
<u>Net Position</u>	
Net position held in trust for employees	10,611
Total Net Position	10,611
Total Liabilities and Net Position	\$ 12,570

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2024

		Employee Benefit Trust Fund
<u>Additions:</u>		
Contributions from employees		\$ 35,929
Total Additions		\$ 35,929
<u>Deductions:</u>		
Benefit payments		30,877
Total Deductions		30,877
Increase (decrease) in net position		5,052
Net position, beginning of year		5,559
Net position, end of year		\$ 10,611

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Fair Oaks Ranch, Texas (the "City") was incorporated on January 27, 1988, and operates under a Council-Manager form of government.

The City Council is the principal legislative and administrative body of the City.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: general government, streets, public safety, municipal court, public works, and water and wastewater services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Fair Oaks Municipal Development District ("MDD"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Fair Oaks Ranch Municipal Development District ("MDD")

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.

C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The City presents the following major governmental funds.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public safety, public works, public health, capital acquisition, and municipal court. The general fund is always considered a major fund for reporting purposes.

Strategic Projects Fund

The City's strategic projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Equipment Replacement Fund

The City's equipment replacement fund accounts for funds assigned for capital equipment additions.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Bond Capital Fund

The City's bond capital fund is a fund established to account for capital outlays financed by general obligation bond proceeds. Capital projects funded by general obligation bonds generally include large-scale infrastructure projects, such as building new or reconstructing existing roads.

The government reports the following nonmajor governmental funds:

Debt Service Fund

The debt service fund is used to account for debt service activities for governmental fund types.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB). The City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the operations that provide water and sewer services to the citizens of the City. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The government reports the following fiduciary fund types:

Fiduciary Fund

The City's fiduciary fund used to account for resources held in trust for employees to pay for employee medical expenses. Contributions into the fund come from the employees.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements, proprietary, and fiduciary statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Machinery & equipment	5 - 10 years
Utility system in service	20 - 40 years
Infrastructure	5 - 40 years
Land improvements	5 - 10 years
Buildings and improvements	20 - 40 years

7. 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. An example is a deferred charge on refunding reported in the government-wide statement of net 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.

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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

(revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and EMS revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes 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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. 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.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental and proprietary funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and lease liabilities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing

City of Fair Oaks Ranch, Texas
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sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Unearned revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue is carried as a liability until the revenue recognition criteria are met and the liability is relieved to revenue.

14. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense,

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDBF) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

17. Leases

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

18. Subscription Based Information Technology Arrangements ("SBITA")

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). When implementing GASB 96, the City records right to use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets will be included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities will accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and enterprise fund. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The general fund, debt service fund, strategic project fund, and equipment replacement fund maintain legally adopted budgets.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. All annual budget appropriations lapse at fiscal year end.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2024, the primary government had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	\$ 10,774,517	0.08
External investment pool - TexasCLASS	\$ 15,878,095	0.10
Total	<u>\$ 26,652,612</u>	
Portfolio weighted average maturity		0.09

As of September 30, 2024, the component unit had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	\$ 1,012,848	0.07
External investment pool - TexasCLASS	2,180,457	0.10
Total	<u>\$ 3,193,305</u>	
Portfolio weighted average maturity		0.08

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its operating investment portfolio to less than 13 months. The City’s investment portfolio policy limits the final stated maturity of any security to no more than two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

City of Fair Oaks Ranch, Texas

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Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

TexasCLASS

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS Government seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Texas CLASS Government is rated 'AAAm' by S&P Global Ratings. There were no limitations or restrictions on withdrawals.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water & Sewer	Total
Property taxes	\$ 176,284	\$ 14,538	\$ -	\$ 190,822
Sales tax	273,906	-	-	273,906
Franchise & local taxes	174,521	-	-	174,521
Court	449,517	-	-	449,517
Other	939	-	-	939
Accounts	141	-	690,647	690,788
Allowance	(224,759)	-	(20,548)	(245,307)
	<u>\$ 850,549</u>	<u>\$ 14,538</u>	<u>\$ 670,099</u>	<u>\$ 1,535,186</u>

C. Inventory

The following comprise the inventory balances of the primary government at year end:

Inventory type	Cost
Water Department	\$ 197,983
Total	<u>\$ 197,983</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land and improvements	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	768,198	1,397,076	-	2,165,274
Total capital assets not being depreciated	<u>884,996</u>	<u>1,397,076</u>	<u>-</u>	<u>2,282,072</u>
Capital assets, being depreciated:				
Buildings and improvements	4,037,291	-	-	4,037,291
Vehicles and equipment	2,563,109	721,582	(38,229)	3,246,462
Infrastructure	10,148,595	97,151	-	10,245,746
Right-of-use assets - leases	96,555	17,092	-	113,647
Right-of-use assets - SBITA	44,394	202,766	-	247,160
Total capital assets being depreciated	<u>16,889,944</u>	<u>1,038,591</u>	<u>(38,229)</u>	<u>17,890,306</u>
Less accumulated depreciation				
Buildings and improvements	(1,554,036)	(102,942)	-	(1,656,978)
Vehicles and equipment	(1,731,015)	(309,410)	38,229	(2,002,196)
Infrastructure	(2,189,589)	(252,868)	-	(2,442,457)
Right-of-use assets - leases	(46,910)	(25,080)	-	(71,990)
Right-of-use assets - SBITA	(10,268)	(87,106)	-	(97,374)
Total accumulated depreciation	<u>(5,531,818)</u>	<u>(777,406)</u>	<u>38,229</u>	<u>(6,270,995)</u>
Net capital assets being depreciated	<u>11,358,126</u>	<u>261,185</u>	<u>-</u>	<u>11,619,311</u>
Total Capital Assets	<u><u>\$ 12,243,122</u></u>	<u><u>\$ 1,658,261</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,901,383</u></u>

Depreciation was charged to governmental functions as follows:

Administration	\$ 91,962
Public safety	233,824
Information technology	71,165
Public works	380,455
Total Governmental Activities Depreciation Expense	<u><u>\$ 777,406</u></u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	1,649,487	527,861	(1,281,104)	896,244
Total capital assets not being depreciated	<u>1,703,087</u>	<u>527,861</u>	<u>(1,281,104)</u>	<u>949,844</u>
Capital assets, being depreciated:				
Infrastructure	19,453,243	287,352	1,262,963	21,003,558
Vehicles and equipment	1,306,453	451,619	-	1,758,072
Right-of-use assets - leases	15,463	-	-	15,463
Right-of-use assets - SBITA	44,394	140,925	-	185,319
Total capital assets being depreciated	<u>20,819,553</u>	<u>879,896</u>	<u>1,262,963</u>	<u>22,962,412</u>
Less accumulated depreciation				
Infrastructure	(10,334,985)	(773,640)	-	(11,108,625)
Vehicles and equipment	(811,600)	(134,177)	-	(945,777)
Right-of-use assets - leases	(5,699)	(3,073)	-	(8,772)
Right-of-use assets - SBITA	(10,268)	(62,012)	-	(72,280)
Total accumulated depreciation	<u>(11,162,552)</u>	<u>(972,902)</u>	<u>-</u>	<u>(12,135,454)</u>
Net capital assets being depreciated	9,657,001	(93,006)	1,262,963	10,826,958
Total Capital Assets	<u><u>\$ 11,360,088</u></u>	<u><u>\$ 434,855</u></u>	<u><u>\$ (18,141)</u></u>	<u><u>\$ 11,776,802</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 631,889
Wastewater	<u>341,013</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 972,902</u></u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. The City uses the enterprise fund to liquidate business-type activities debts.

	Beginning Balance	Additions	Amortization/ Payments	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 3,525,000	\$ 3,550,000	\$ (470,000)	\$ 6,605,000	\$ 785,000
Less deferred amounts:					
For issuance premiums	46,706	181,669	(6,673)	221,702	-
Other liabilities:					
SBITA liabilities	30,122	202,767	(95,160)	137,729	96,551
Lease liabilities	51,757	17,092	(24,652)	44,197	23,646
Total Governmental Activities	<u>\$ 3,653,585</u>	<u>\$ 3,951,528</u>	<u>\$ (596,485)</u>	<u>\$ 7,008,628</u>	<u>\$ 905,197</u>
Long-term liabilities due in more than one year				<u>\$ 6,103,431</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
Certificates of obligation	\$ 1,795,000	\$ 3,705,000	\$ (320,000)	\$ 5,180,000	\$ 1,205,000
Less deferred amounts:					
For issuance premiums	-	145,876	-	145,876	-
Other liabilities:					
SBITA liabilities	30,122	140,924	(58,663)	112,383	63,231
Lease liabilities	10,218	-	(3,038)	7,180	3,202
Total Business-Type Activities	<u>\$ 1,835,340</u>	<u>\$ 3,991,800</u>	<u>\$ (381,701)</u>	<u>\$ 5,445,439</u>	<u>\$ 1,271,433</u>
Long-term liabilities due in more than one year				<u>\$ 4,174,006</u>	

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities
General Obligation Bonds:		
\$7,000,000 General Obligation, Series 2015, due in annual installments through 2030, interest at 1% to 3%	\$ 3,055,000	\$ -
\$3,550,000 General Obligation, Series 2024, due in installments through 2044, interest at 4% to 5%	3,550,000	-
Total General Obligation Bonds	\$ 6,605,000	\$ -
Certificates of Obligation:		
\$2,660,000 Certificates of Obligation, Series 2020, due in annual installments through 2029, interest at 1.01%	\$ -	\$ 1,475,000
\$3,705,000 Certificates of Obligation, Series 2023, due in installments through 2044, interest at 4% to 5%	-	3,705,000
Total Certificates of Obligation	\$ -	\$ 5,180,000
Plus Deferred Amounts:		
Issuance premium	\$ 221,702	\$ 145,876
Total Deferred Amounts	\$ 221,702	\$ 145,876
SBITA Liabilities:		
\$247,161 software subscriptions (10 in total), due in installments through 2028, interest at 3.98% to 4.92%	\$ 137,729	\$ -
\$185,318 software subscriptions (7 in total), due in installments through 2028, interest at 3.98% to 4.92%	-	112,383
Total SBITA Liabilities	\$ 137,729	\$ 112,383
Lease Liabilities:		
\$104,630 lease payables for office equipment, due in annual installments through 2027, interest at 4.92% to 5.25%	44,197	7,180
Total Lease Liabilities	\$ 44,197	\$ 7,180
Total Long-term Liabilities	\$ 7,008,628	\$ 5,445,439

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Lease & SBITA Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 785,000	\$ 207,391	\$ 120,197	\$ 8,243
2026	600,000	198,450	35,128	2,511
2027	615,000	180,450	15,488	997
2028	635,000	167,887	11,113	479
2029	655,000	142,700	-	-
2030-2034	1,275,000	504,025	-	-
2035-2039	920,000	319,000	-	-
2040-2044	1,120,000	115,600	-	-
	<u>\$ 6,605,000</u>	<u>\$ 1,835,503</u>	<u>\$ 181,926</u>	<u>\$ 12,230</u>

The City entered into General Obligation Bonds, Series 2024 in the current year. The bonds will be paid annually through February 1, 2044 and bear an interest rate ranging from 4% to 5%. The unpaid balance as of September 30, 2024 is \$3,550,000.

The City entered into multiple equipment lease agreements (GASB 87 and 96) under governmental activities in the current year. The lease agreements were for office equipment and software licenses. The lease agreements will be fully paid off in 2028. The current book value of the leases were \$191,443 as of September 30, 2024.

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		Lease & SBIA Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 1,205,000	\$ 144,110	\$ 66,433	\$ 5,194
2026	510,000	128,099	17,775	2,102
2027	520,000	115,416	16,285	1,287
2028	390,000	105,933	19,070	661
2029	215,000	100,683	-	-
2030-2034	625,000	417,550	-	-
2035-2039	770,000	269,000	-	-
2040-2044	945,000	97,700	-	-
	<u>\$ 5,180,000</u>	<u>\$ 1,378,491</u>	<u>\$ 119,563</u>	<u>\$ 9,244</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The City entered into multiple lease agreements (GASB 87 and 96) under business-type activities in the current year. The lease agreements were for office equipment and software licenses. The lease agreements will be fully paid off in 2028. The current book value of the leases were \$119,730 as of September 30, 2024.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended September 30, 2024. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 341,255	\$ 275,751	\$ (307,130)	\$ 309,876	\$ 278,888
Total Governmental Activities	<u>\$ 341,255</u>	<u>\$ 275,751</u>	<u>\$ (307,130)</u>	<u>\$ 309,876</u>	<u>\$ 278,888</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 30,988</u>	
Business-Type Activities:					
Compensated Absences	\$ 118,054	\$ 112,285	\$ (106,249)	\$ 124,090	\$ 111,681
Total Business-Type Activities	<u>\$ 118,054</u>	<u>\$ 112,285</u>	<u>\$ (106,249)</u>	<u>\$ 124,090</u>	<u>\$ 111,681</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 12,409</u>	

G. Unearned revenue

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

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NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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, 2024. The City has received \$622,528 in contributions in aid to date and has earned a total of \$476,816 in fees. The remaining \$145,712 of contributions are reported as unearned revenue accordingly.

H. Interfund Transactions

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and reallocation of pension expenses.

Transfer Out:	Transfer In:		
	Strategic Projects	Equip. Replacement	Total
General	\$ 813,526	\$ 79,691	\$ 893,217
	<u>\$ 813,526</u>	<u>\$ 79,691</u>	<u>\$ 893,217</u>

The composition of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

Due to (payable fund):	Due from (receivable fund):		
	Strategic Projects	Equip. Replacement	Total
General	\$ 2,696,158	\$ -	\$ 2,696,158
Water & sewer	531,914	10,670	542,584
	<u>\$ 3,228,072</u>	<u>\$ 10,670</u>	<u>\$ 3,238,742</u>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

The composition of amounts owed to/from the primary government to the component unit as of September 30, 2024 were as follows:

Payable fund:	Receivable fund:
	General Fund
Fair Oaks Ranch MDD	\$ 868
	<u>\$ 868</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The composition of amounts owed to/from the primary government to the fiduciary fund as of September 30, 2024 were as follows:

<u>Payable fund:</u>	<u>Receivable fund:</u>
<u>Employee Benefit Trust</u>	<u>General Fund</u>
\$	1,959
\$	1,959

I. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restrictions and assignments of fund balances for the City:

	<u>Restricted</u>	<u>Assigned</u>
Special revenue:		-
Municipal court & forfeitures	\$ 106,009 *	\$ -
PEG fees	4,319 *	-
Public safety	20,239 *	-
Bond capital	3,596,650	-
Debt service	104,947	-
Strategic expenditures	-	2,297,490
Capital equipment	-	1,220,166
Legal and tree mitigation reserve	-	199,600
Six month operating reserve	-	4,688,118
Total	<u>\$ 3,832,164</u>	<u>\$ 8,405,374</u>

* Restricted by enabling legislation.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The City corrects billing errors when identified. The City then assesses the impact of prior billings to determine whether any refunds or further billings are appropriate. Liabilities for any prior billing errors are recorded if and when known and probable, and calculable.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Defined Benefit Pension Plans

1. Plan Description

The City of Fair Oaks Ranch, Texas participates as one of 919 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's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	60
Active employees	74
Total	159

3. Contributions

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

Employees for the City of Fair Oaks Ranch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Fair Oaks Ranch were 11.72% and 12.23% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$665,807, and were equal to the required contributions.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Real Return	12.0%	8.0%
Real Estate	12.0%	7.6%
Absolute Return	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

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, Continued
September 30, 2024

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/22	\$ 13,312,437	\$ 11,188,510	\$ 2,123,927
Changes for the year:			
Service Cost	915,043	-	915,043
Interest (on the Total Pension Liab.)	914,291	-	914,291
Change in assumptions	(75,520)	-	(75,520)
Difference between expected and actual experience	(50,180)	-	(50,180)
Contributions – employer	-	630,101	(630,101)
Contributions – employee	-	376,340	(376,340)
Net investment income	-	1,301,500	(1,301,500)
Benefit payments, including refunds of emp. contributions	(449,807)	(449,807)	-
Administrative expense	-	(8,238)	8,238
Other changes	-	(58)	58
Net changes	1,253,827	1,849,838	(596,011)
Balance at 12/31/23	<u>\$ 14,566,264</u>	<u>\$ 13,038,348</u>	<u>\$ 1,527,916</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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,040,854	\$ 1,527,916	\$ (481,486)

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 on the internet at www.tmrs.com.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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

For the year ended September 30, 2024, the City recognized pension expense of \$788,687.

At September 30, 2024, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 277,823	\$ -
Changes in assumptions	-	(57,491)
Difference between projected and investment earnings	267,066	-
Contributions subsequent to the measurement date	519,718	-
Total	\$ 1,064,607	\$ (57,491)

The City reported \$519,718 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2024	\$ 197,899
2025	188,622
2026	227,696
2027	(126,819)
2028	-
Thereafter	-
	\$ 487,398

E. Postemployment Benefits Other Than Pensions

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System

City of Fair Oaks Ranch, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

(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 postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	10
Active employees	74
Total	101

The City's retiree contribution rates to the TMRS SDBF for the years ended 2024, 2023 and 2022 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.04%	0.04%	100.0%
2023	0.04%	0.04%	100.0%
2024	0.04%	0.04%	100.0%

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The City's contributions to the TMRS SDBF for retirees for the years ended 2024 and 2023, were \$2,198 and \$2,148, respectively, which equaled the required contributions each year.

Total OPEB Liability – Supplemental Death Benefits Insurance Fund

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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 males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease (2.77%)	Current Single Rate Assumption 3.77%	1% Increase (4.77%)
\$ 153,996	\$ 127,954	\$ 107,634

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/22	\$ 111,081
Changes for the year:	
Service Cost	11,828
Interest	4,695
Difference between expected and actual experience	(3,754)
Changes of assumptions	6,255
Benefit payments	(2,151)
Net changes	16,873
Balance at 12/31/23	\$ 127,954

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$12,803.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

At September 30, 2024, the City reported deferred outflows and inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (8,077)
Changes in assumptions	-	(21,994)
Contributions subsequent to measurement date	1,700	-
Total	\$ 1,700	\$ (30,071)

The City reported \$1,700 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2024	\$	(4,288)
2025		(4,275)
2026		(5,304)
2027		(7,867)
2028		(8,697)
Thereafter		360
	\$	(30,071)

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

G. Restatement

Due to accounting corrections and the full implementation of GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and the water and sewer fund. The restatements were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water & Sewer Fund</u>
Prior year ending net position/fund balance, as reported	\$ 19,202,296	17,749,207	\$ 17,749,207
Corrections to capital assets	113,746	-	-
Adoption of GASB 87 (lessee)	749	(453)	(453)
Adoption of GASB 96	(21,402)	(25,721)	(25,721)
Corrections to payables	-	(131,610)	(131,610)
Restated beginning net position/fund balance	<u>\$ 19,295,389</u>	<u>\$ 17,591,423</u>	<u>\$ 17,591,423</u>

H. Subsequent Events

There were no material subsequent events through March 11, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fair Oaks Ranch, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Property tax	\$ 6,600,557	\$ 6,600,557	\$ 6,813,962	\$ 213,405
Sales tax	1,700,071	1,700,071	1,817,285	117,214
Franchise and local taxes	740,685	740,685	743,231	2,546
License and permits	209,075	209,075	232,138	23,063
Animal control	1,135	1,135	2,384	1,249
Utility management fee	210,003	210,003	289,039	79,036
Contributions and donations	103,600	103,600	141,826	38,226
Other fees and services	68,050	68,050	230,181	162,131
Fines and forfeitures	176,465	176,465	191,584	15,119
Investment income	450,000	450,000	683,555	233,555
Other revenue	133,926	133,926	138,785	4,859
Total Revenues	10,393,567	10,393,567	11,283,970	890,403
<u>Expenditures</u>				
Current:				
Mayor & council	30,100	30,100	6,500	23,600
City administration	718,468	718,657	630,873	87,784
City secretary	282,088	282,852	270,071	12,781
Human resources & communication	268,107	268,107	255,147	12,960
Finance	380,333	380,333	338,347	41,986
Information technology	417,648	434,894	298,154	136,740
Municipal court	251,974	297,690	268,049	29,641
Public safety	4,081,518	4,101,551	3,909,349	192,202
Public works	927,712	957,656	881,595	76,061
Building codes and permits	330,152	331,285	267,900	63,385
Engineering & planning	1,501,604	1,552,602	1,360,991	191,611
Nondepartmental	277,819	225,066	162,682	62,384
Debt service:				
Principal	119,812	119,812	119,812	-
Interest and fiscal charges	7,671	7,671	10,418	(2,747)
Capital outlay	514,111	712,258	790,542	(78,284)
Total Expenditures	10,109,117	10,420,534	9,570,430	850,104
Revenues Over (Under)				
Expenditures	284,450	\$ (26,967)	\$ 1,713,540	\$ 1,740,507

City of Fair Oaks Ranch, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	\$ (842,971)	\$ (842,971)	\$ (893,217)	\$ (50,246)
Issuances of debt	-	-	219,859	219,859
Total Other Financing Sources				
(Uses)	<u>(842,971)</u>	<u>(842,971)</u>	<u>(673,358)</u>	<u>169,613</u>
Net Change in Fund Balance	<u>(558,521)</u>	<u>\$ (869,938)</u>	1,040,182	<u>\$ 1,910,120</u>
Beginning fund balance			6,628,607	
Ending Fund Balance			<u>\$ 7,668,789</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
For the Year Ended September 30, 2024

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	41,945	79,691	37,746
Total Other Financing Sources (Uses)	<u>41,945</u>	<u>79,691</u>	<u>37,746</u>
Net Change in Fund Balance	<u><u>\$ 41,945</u></u>	<u>79,691</u>	<u><u>\$ 37,746</u></u>
Beginning fund balance		<u>1,140,475</u>	
Ending Fund Balance		<u><u>\$ 1,220,166</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 915,043	\$ 836,697	\$ 747,891	\$ 687,662
Interest (on the Total Pension Liability)	914,291	796,374	700,139	618,696
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(50,180)	433,116	186,130	100,676
Changes of assumptions	(75,520)	-	-	-
Benefit payments, including refunds of participant contributions	(449,807)	(267,066)	(238,666)	(222,498)
Net change in total pension liability	<u>1,253,827</u>	<u>1,799,121</u>	<u>1,395,494</u>	<u>1,184,536</u>
Total pension liability - beginning	<u>13,312,437</u>	<u>11,513,316</u>	<u>10,117,822</u>	<u>8,933,286</u>
Total pension liability - ending (a)	<u>\$ 14,566,264</u>	<u>\$ 13,312,437</u>	<u>\$ 11,513,316</u>	<u>\$ 10,117,822</u>
Plan fiduciary net position				
Contributions - employer	630,101	571,343	499,891	464,390
Contributions - members	376,340	342,708	302,440	277,603
Net investment income	1,301,500	(833,252)	1,250,635	640,072
Benefit payments, including refunds of participant contributions	(449,807)	(267,066)	(238,666)	(222,498)
Administrative expenses	(8,238)	(7,184)	(5,769)	(4,131)
Other	(58)	8,572	40	(161)
Net change in plan fiduciary net position	<u>1,849,838</u>	<u>(184,879)</u>	<u>1,808,571</u>	<u>1,155,275</u>
Plan fiduciary net position - beginning	<u>11,188,510</u>	<u>11,373,389</u>	<u>9,564,818</u>	<u>8,409,543</u>
Plan fiduciary net position - ending (b)	<u>\$ 13,038,348</u>	<u>\$ 11,188,510</u>	<u>\$ 11,373,389</u>	<u>\$ 9,564,818</u>
Fund's net pension liability - ending (a) - (b)	<u><u>\$ 1,527,916</u></u>	<u><u>\$ 2,123,927</u></u>	<u><u>\$ 139,927</u></u>	<u><u>\$ 553,004</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 89.51%	 84.05%	 98.78%	 94.53%
Covered payroll	\$ 5,376,281	\$ 4,895,830	\$ 4,320,572	\$ 3,965,754
 Fund's net position as a percentage of covered payroll	 28.42%	 43.38%	 3.24%	 13.94%

Notes to schedule:

2019	2018	2017	2016	2015	2014
\$ 648,430	\$ 577,241	\$ 483,263	\$ 415,604	\$ 372,932	\$ 314,855
550,195	478,426	428,795	377,577	347,674	303,986
-	-	-	-	-	-
(79,808)	86,113	(101,894)	47,016	(72,739)	66,156
51,465	-	-	-	51,102	-
(127,623)	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
1,042,659	1,041,125	667,054	752,837	599,642	604,486
7,890,627	6,849,502	6,182,448	5,429,611	4,829,969	4,225,483
\$ 8,933,286	\$ 7,890,627	\$ 6,849,502	\$ 6,182,448	\$ 5,429,611	\$ 4,829,969
437,261	400,446	\$ 318,292	\$ 276,800	\$ 265,412	\$ 234,399
261,163	232,624	194,528	172,450	158,118	143,051
1,052,635	(193,745)	742,178	316,200	6,418	219,419
(127,623)	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
(5,933)	(3,738)	(3,841)	(3,568)	(3,909)	(2,290)
(178)	(195)	(195)	(192)	(193)	(188)
1,617,325	334,737	1,107,852	674,330	326,519	513,880
6,792,218	6,457,481	5,349,629	4,675,299	4,348,780	3,834,900
\$ 8,409,543	\$ 6,792,218	\$ 6,457,481	\$ 5,349,629	\$ 4,675,299	\$ 4,348,780
\$ 523,743	\$ 1,098,409	\$ 392,021	\$ 832,819	\$ 754,312	\$ 481,189
94.14%	86.08%	94.28%	86.53%	86.11%	90.04%
\$ 3,730,898	\$ 3,323,206	\$ 2,778,969	\$ 2,463,571	\$ 2,258,825	\$ 2,043,586
14.04%	33.05%	14.11%	33.81%	33.39%	23.55%

¹

City of Fair Oaks Ranch, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Actuarially determined employer contributions	\$ 665,807	\$ 628,870	\$ 568,318	\$ 490,444
Contributions in relation to the actuarially determined contribution	\$ 665,807	\$ 628,870	\$ 568,318	\$ 490,444
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,496,024	\$ 5,371,078	\$ 4,880,414	\$ 4,045,825
Employer contributions as a percentage of covered payroll	12.11%	11.71%	11.64%	12.12%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes Adopted restricted prior service credit.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 479,231	\$ 427,169	\$ 375,269	\$ 306,515	\$ 272,041	\$ 238,287
<u>\$ 479,231</u>	<u>\$ 427,169</u>	<u>\$ 375,269</u>	<u>\$ 306,515</u>	<u>\$ 272,041</u>	<u>\$ 238,287</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,091,573	\$ 3,616,851	\$ 3,150,696	\$ 2,689,459	\$ 2,387,202	\$ 2,103,123
11.71%	11.81%	11.91%	11.40%	11.40%	11.33%

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years ended December 31,

	2023	2022	2021
Total OPEB liability			
Service cost	\$ 11,828	\$ 13,219	\$ 13,826
Interest (on the OPEB Liability)	4,695	3,106	2,913
Differences between expected and actual experience	(3,754)	(3,252)	2,905
Changes of assumptions	6,255	(63,202)	5,642
Benefit payments, including refunds of participant contributions	(2,151)	(1,958)	(1,728)
Net changes	<u>16,873</u>	<u>(52,087)</u>	<u>23,558</u>
Total OPEB liability - beginning	<u>111,081</u>	<u>163,168</u>	<u>139,610</u>
Total OPEB liability - ending	<u><u>\$ 127,954</u></u>	<u><u>\$ 111,081</u></u>	<u><u>\$ 163,168</u></u>
 Covered payroll	 \$ 5,376,281	 \$ 4,895,830	 \$ 4,320,572
Total OPEB Liability as a percentage of	2.38%	2.27%	3.78%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	¹
\$ 10,311	\$ 7,462	\$ 7,311	\$ 5,280	
3,233	3,385	2,830	2,653	
(6,486)	(5,875)	2,643	-	
20,334	20,311	(6,763)	6,688	
(397)	(373)	(332)	(278)	
26,995	24,910	5,689	14,343	
112,615	87,705	82,016	67,673	
<u>\$ 139,610</u>	<u>\$ 112,615</u>	<u>\$ 87,705</u>	<u>\$ 82,016</u>	²
\$ 3,965,754	\$ 3,730,898	\$ 3,323,206	\$ 2,778,969	
3.52%	3.02%	2.64%	2.95%	

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 545,997	\$ 562,936	\$ 16,939
Investment income	3,500	17,599	14,099
Total Revenues	<u>549,497</u>	<u>580,535</u>	<u>31,038</u>
<u>Expenditures</u>			
Debt service:			
Principal	470,000	470,000	-
Interest and fiscal charges	83,563	83,563	-
Total Expenditures	<u>553,563</u>	<u>553,563</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ (4,066)</u>	<u>\$ 26,972</u>	<u>\$ 31,038</u>
Net Change in Fund Balance	<u>\$ (4,066)</u>	<u>26,972</u>	<u>\$ 31,038</u>
Beginning fund balance		<u>77,975</u>	
Ending Fund Balance		<u>\$ 104,947</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STRATEGIC PROJECTS FUND
For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures</u>				
Capital outlay	\$ 1,069,064	\$ 4,068,601	\$ 1,785,609	\$ 2,282,992
Total Expenditures	<u>1,069,064</u>	<u>4,068,601</u>	<u>1,785,609</u>	<u>2,282,992</u>
Revenues Over (Under)				
Expenditures	<u>\$ (1,069,064)</u>	<u>\$ (4,068,601)</u>	<u>\$ (1,785,609)</u>	<u>\$ 2,282,992</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	813,526	813,526	813,526	-
Total Other Financing Sources	<u>813,526</u>	<u>813,526</u>	<u>813,526</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (255,538)</u>	<u>\$ (3,255,075)</u>	<u>(972,083)</u>	<u>\$ 2,282,992</u>
Beginning fund balance			3,269,573	
Ending Fund Balance			<u>\$ 2,297,490</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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STATISTICAL SECTION

This part of the City's annual comprehensive financial report presents 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	Page
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Financial Trends	94
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	106
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	114
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These schedules 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	122
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	126
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Fair Oaks Ranch, Texas

NET POSITIONS BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2015*	2016	2017	2018**
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385	\$ 7,334,582
Restricted	66,909	77,162	76,346	95,553
Unrestricted	3,798,804	2,089,120	2,714,487	3,277,879
Total governmental activities net position	<u>\$ 7,969,424</u>	<u>\$ 8,772,354</u>	<u>\$ 9,689,218</u>	<u>\$ 10,708,014</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584	\$ 8,464,020
Unrestricted	475,381	5,372,865	4,474,678	5,448,975
Total business-type activities net position	<u>\$ 11,505,614</u>	<u>\$ 12,040,793</u>	<u>\$ 13,157,262</u>	<u>\$ 13,912,995</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969	\$ 15,798,602
Restricted	66,909	77,162	76,346	95,553
Unrestricted	8,552,615	7,461,985	7,189,165	8,726,854
Total primary government net position	<u>\$ 19,475,038</u>	<u>\$ 20,813,147</u>	<u>\$ 22,846,480</u>	<u>\$ 24,621,009</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

*Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 7,576,143	\$ 7,523,360	\$ 7,647,912	\$ 8,025,653	\$ 8,589,537	\$ 9,594,671
108,461	132,938	153,339	166,961	192,536	235,514
<u>5,128,445</u>	<u>6,712,007</u>	<u>8,669,250</u>	<u>10,823,373</u>	<u>10,513,316</u>	<u>11,446,109</u>
<u><u>\$ 12,813,049</u></u>	<u><u>\$ 14,368,305</u></u>	<u><u>\$ 16,470,501</u></u>	<u><u>\$ 19,015,987</u></u>	<u><u>\$ 19,295,389</u></u>	<u><u>\$ 21,276,294</u></u>
\$ 8,466,058	\$ 8,307,519	\$ 8,081,383	\$ 8,572,922	\$ 9,524,748	\$ 10,043,345
<u>5,686,797</u>	<u>6,316,241</u>	<u>7,353,325</u>	<u>8,754,416</u>	<u>8,066,675</u>	<u>8,667,267</u>
<u><u>\$ 14,152,855</u></u>	<u><u>\$ 14,623,760</u></u>	<u><u>\$ 15,434,708</u></u>	<u><u>\$ 17,327,338</u></u>	<u><u>\$ 17,591,423</u></u>	<u><u>\$ 18,710,612</u></u>
\$ 16,042,201	\$ 15,830,879	\$ 15,729,295	\$ 16,598,575	\$ 18,114,285	\$ 19,638,016
108,461	132,938	153,339	166,961	192,536	235,514
<u>10,815,242</u>	<u>13,028,248</u>	<u>16,022,575</u>	<u>19,577,789</u>	<u>18,579,991</u>	<u>20,113,376</u>
<u><u>\$ 26,965,904</u></u>	<u><u>\$ 28,992,065</u></u>	<u><u>\$ 31,905,209</u></u>	<u><u>\$ 36,343,325</u></u>	<u><u>\$ 36,886,812</u></u>	<u><u>\$ 39,986,906</u></u>

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 1 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

EXPENSES	2015*	2016	2017	2018**
Governmental Activities				
City administration	\$ 1,796,709	\$ 950,918	\$ 1,431,472	\$ 1,499,717
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal Court	81,316	86,288	92,032	131,153
Public safety	1,735,259	2,017,858	2,124,882	2,394,097
Public health/emergency	293,092	307,665	299,734	322,918
Engineering and planning	-	-	-	-
Building codes	161,821	179,577	177,495	198,266
Public works	869,328	869,215	982,474	992,400
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture/recreation/other	33,233	57,833	44,896	89,710
Interest on long term debt	136,008	153,011	119,880	114,211
Total governmental activities expenses	5,106,766	4,622,365	5,272,865	5,742,472
Business-Type Activities				
Water/sewer utility	3,352,439	3,933,872	3,846,778	4,215,641
Total business-type activities expenses	3,352,439	3,933,872	3,846,778	4,215,641
Total primary government expenses	8,459,205	8,556,237	9,119,643	9,958,113
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	171,929	177,050	201,334	215,959
Municipal court	158,352	161,818	129,260	126,152
Public safety	9,034	9,448	3,715	10,026
Public health/emergency	5,245	5,711	2,500	2,415
Building codes	298,806	314,738	274,079	228,715
Operating grants and contributions	2,149	-	13,295	51,102
Capital grants and contributions	-	-	-	15,908
Total governmental activities program revenues	645,515	668,765	624,183	650,277
Business-Type Activities				
Charges for services:				
Water/sewer utility	4,454,644	4,463,303	4,930,347	4,908,925
Total primary government program revenues	\$ 5,100,159	\$ 5,132,068	\$ 5,554,530	\$ 5,559,202

Source: The data in this schedule is extracted from the City's audited financial statements.

*Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

2019	2020	2021	2022	2023	2024
\$ 682,316	\$ 1,235,258	\$ 711,344	\$ 1,121,778	\$ 617,620	\$ 893,391
11,381	23,568	4,774	7,268	7,643	2,899
153,944	159,376	230,348	197,308	277,612	273,114
114,659	168,794	220,869	168,913	228,388	258,298
271,247	339,295	322,851	292,851	341,093	342,958
161,422	184,553	192,956	206,843	256,851	270,852
2,915,589	3,001,619	3,161,031	3,456,846	4,147,473	4,179,786
-	-	-	-	-	-
270,309	718,380	976,254	1,493,654	1,529,149	1,369,461
241,097	248,414	253,665	273,015	280,890	270,819
740,477	870,398	922,990	920,678	2,366,969	1,433,859
-	-	394,288	403,168	391,185	371,430
301,984	459,298	251,462	252,706	571,619	-
-	-	-	-	-	-
109,849	-	-	-	113,242	258,955
5,974,274	7,408,953	7,642,832	8,795,028	11,129,734	9,925,822
4,746,849	5,418,730	4,873,487	5,904,286	6,235,130	6,341,073
4,746,849	5,418,730	4,873,487	5,904,286	6,235,130	6,341,073
10,721,123	12,827,683	12,516,319	14,699,314	17,364,864	16,266,895
237,193	297,808	274,550	317,083	297,356	519,220
137,176	101,409	139,753	301,655	289,055	208,241
6,845	5,410	1,350	930	1,415	2,384
-	-	-	-	-	-
253,815	405,231	499,547	348,333	241,674	232,138
15,579	3,728	190,841	1,283,952	379,340	141,826
-	-	-	-	-	-
650,608	813,586	1,106,041	2,251,953	1,208,840	1,103,809
4,875,781	5,839,886	5,681,369	6,497,720	6,165,245	6,974,514
\$ 5,526,389	\$ 6,653,472	\$ 6,787,410	\$ 8,749,673	\$ 7,374,085	\$ 8,078,323

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 2 of 2)

Last Ten Fiscal Years (Accrual Basis of Accounting)

	2015*	2016	2017	2018**
Net (Expense) Revenues				
Governmental Activities	\$ (4,461,251)	\$ (3,953,600)	\$ (4,648,682)	\$ (5,092,195)
Business-type activities	1,102,205	529,431	1,083,569	693,284
Total primary government net expenses	(3,359,046)	(3,424,169)	(3,565,113)	(4,398,911)
Government Revenues and Other				
Changes in net position				
Governmental Activities				
Taxes				
Property Taxes	2,823,221	3,587,677	4,264,687	4,712,247
Non-property taxes	1,028,559	1,109,048	1,192,774	1,328,220
Investment income	25,359	38,950	56,545	94,557
Gain on sale of capital assets	-	-	23,874	16,452
Miscellaneous	18,130	20,855	27,666	11,402
Transfers	-	-	-	-
Total governmental activities	3,895,269	4,756,530	5,565,546	6,162,878
Business Type Activities				
Investment income	4,177	5,748	32,900	78,236
Transfers	-	-	-	-
Other income (loss)	-	-	-	-
Total business-type activities	4,177	5,748	32,900	78,236
Total primary government	3,899,446	4,762,278	5,598,446	6,241,114
Changes in Net Position				
Government activities	(565,982)	802,930	916,864	1,070,683
Business-type activities	1,106,382	535,179	1,116,469	771,520
Total primary government	\$ 540,400	\$ 1,338,109	\$ 2,033,333	\$ 1,842,203

Source: The data in this schedule is extracted from the City's audited financial statements.

*Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

2019	2020	2021	2022	2023	2024
\$ (5,323,666)	\$ (6,595,367)	\$ (6,536,791)	\$ (6,543,075)	\$ (9,920,894)	\$ (8,822,013)
128,932	421,156	807,882	1,837,567	(69,885)	633,441
(5,194,734)	(6,174,211)	(5,728,909)	(4,705,508)	(9,990,779)	(8,188,572)
5,742,831	6,202,561	6,482,238	6,614,489	7,062,241	7,390,813
1,496,073	1,796,558	2,112,076	2,365,342	2,432,520	2,560,516
150,030	72,151	4,345	80,336	581,995	712,804
20,206	12,534	19,848	674	16,931	-
9,711	66,819	20,480	27,720	133,907	138,785
9,850	-	-	-	-	-
7,428,701	8,150,623	8,638,987	9,088,561	10,227,594	10,802,918
120,778	49,749	3,066	55,063	358,595	427,654
(9,850)	-	-	-	-	-
-	-	-	-	(9,806)	58,094
110,928	49,749	3,066	55,063	348,789	485,748
7,539,629	8,200,372	8,642,053	9,143,624	10,576,383	11,288,666
2,105,035	1,555,256	2,102,196	2,545,486	306,700	1,980,905
239,860	470,905	810,948	1,892,630	278,904	1,119,189
\$ 2,344,895	\$ 2,026,161	\$ 2,913,144	\$ 4,438,116	\$ 585,604	\$ 3,100,094

City of Fair Oaks Ranch, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Nonspendable Fund Balance:				
Prepaid items	\$ 43,625	\$ 14,563	\$ 19,281	\$ 54,260
Restricted Fund Balance:				
Court technology	14,802	14,047	11,535	15,700
Court security	47,270	49,816	51,473	52,996
Court efficiency	140	140	292	333
Felony forfeiture	378	378	378	5,514
Other court restrictions	-	-	-	-
PEG fees	4,319	4,319	4,319	4,319
Public safety	-	-	1,104	8,087
Debt service	-	8,462	7,245	8,604
Capital projects	6,919,193	6,252,941	2,319,870	456,345
Total restricted fund balance	<u>6,986,102</u>	<u>6,330,103</u>	<u>2,396,216</u>	<u>551,898</u>
Assigned Fund Balance:				
Capital projects	2,448,838	553,000	906,921	223,508
Capital equipment	-	-	-	760,599
Other reserves	50,000	50,000	50,000	50,000
Six month operating reserve	-	-	-	2,566,167
Total assigned fund balance	<u>2,498,838</u>	<u>603,000</u>	<u>956,921</u>	<u>3,600,274</u>
Unassigned	<u>1,581,382</u>	<u>1,807,719</u>	<u>2,065,994</u>	<u>-</u>
Total government funds	<u>\$ 11,109,947</u>	<u>\$ 8,755,385</u>	<u>\$ 5,438,412</u>	<u>\$ 4,206,432</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

2019	2020	2021	2022	2023	2024
\$ 53,275	\$ 82,635	\$ 96,070	\$ 25,328	\$ 77,024	\$ 85,344
11,386	14,520	17,819	13,873	18,587	21,707
54,849	57,330	57,924	59,243	15,322	17,531
401	438	439	439	439	1,681
8,954	10,774	10,901	11,783	43,914	43,275
-	1,428	4,753	10,216	15,975	21,815
4,319	4,319	4,319	4,319	4,319	4,319
9,912	11,819	12,847	14,429	16,005	20,239
18,640	32,310	44,337	52,659	77,975	104,947
128,162	-	-	-	-	3,596,650
236,623	132,938	153,339	166,961	192,536	3,832,164
1,110,229	1,154,394	1,073,184	1,407,555	3,269,573	2,297,490
816,395	869,615	872,769	1,089,047	1,140,475	1,220,166
50,000	50,000	50,000	50,000	50,000	199,600
3,517,472	3,678,069	3,835,321	4,225,321	4,505,321	4,688,118
5,494,096	5,752,078	5,831,274	6,771,923	8,965,369	8,405,374
-	1,309,011	3,265,169	4,365,225	1,881,701	2,565,160
\$ 5,783,994	\$ 7,276,662	\$ 9,345,852	\$ 11,329,437	\$ 11,116,630	\$ 14,888,042

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 1 of 2)

Last Ten Fiscal Years (Accrual Basis of Accounting)

REVENUES	2015	2016	2017	2018
Taxes	\$ 3,358,145	\$ 4,148,224	\$ 4,907,367	\$ 5,472,987
Franchise fees	496,714	527,109	540,605	576,181
Licenses and permits	304,051	320,449	280,294	236,020
Animal control	-	-	-	-
Fines and forfeits	158,352	161,818	129,260	126,152
Utility management fee and other	171,929	177,050	195,334	205,959
Other fees and services	-	-	-	-
Investment income	25,359	38,950	56,545	94,557
Donations	-	-	-	48,828
Grant revenue	-	-	-	-
Miscellaneous	30,789	53,714	46,961	44,721
Total revenues	<u>4,545,339</u>	<u>5,427,314</u>	<u>6,156,366</u>	<u>6,805,405</u>
EXPENDITURES				
Current:				
City administration	1,749,973	931,255	1,380,476	1,461,708
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	81,918	84,869	90,428	131,267
Public safety	1,653,785	1,811,200	1,920,485	2,234,431
Public health/emergency	281,876	296,450	288,066	311,250
Engineering and planning	-	-	-	-
Building codes	162,100	176,077	172,849	198,648
Public works	759,233	748,454	852,315	871,371
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture and recreation	33,233	57,833	44,896	89,710
Capital projects/outlays	568,981	3,111,050	4,196,145	2,214,919
Debt service				
Principal payments	-	390,000	425,000	430,000
Interest and fiscal charges	-	174,688	126,553	122,278
Bond issuance costs	100,090	-	-	-
Total Expenditures	<u>5,391,189</u>	<u>7,781,876</u>	<u>9,497,213</u>	<u>8,065,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(845,850)</u>	<u>(2,354,562)</u>	<u>(3,340,847)</u>	<u>(1,260,177)</u>

2019	2020	2021	2022	2023	2024
\$ 6,570,863	\$ 7,387,684	\$ 7,904,760	\$ 8,244,424	\$ 8,717,151	\$ 9,194,183
618,758	605,103	651,534	761,408	748,401	743,231
257,220	410,641	499,777	348,333	241,674	232,138
-	-	1,120	930	1,415	2,384
137,176	101,409	139,753	174,573	208,035	191,584
192,808	214,908	206,955	257,566	257,499	289,039
-	-	59,735	59,517	51,745	230,181
150,030	72,151	4,345	80,336	581,995	712,804
5,915	59,925	-	-	-	-
-	-	-	1,283,952	310,696	141,826
67,200	93,522	219,181	29,226	190,663	138,785
7,999,970	8,945,343	9,687,160	11,240,265	11,309,274	11,876,155
644,481	1,188,519	663,012	1,101,253	692,188	630,873
11,381	23,568	4,774	7,268	7,643	6,500
150,845	158,624	230,348	203,099	266,799	270,071
112,797	168,057	220,869	172,822	220,709	255,147
266,445	337,815	322,851	299,194	329,737	338,347
158,322	183,851	192,956	210,560	250,804	268,049
2,696,334	2,781,577	2,800,098	3,238,832	3,786,061	3,909,349
-	-	-	-	-	-
264,128	717,010	976,254	1,503,785	1,516,776	1,360,991
235,603	247,209	253,665	281,032	279,180	267,900
413,041	521,395	582,532	594,514	2,002,915	881,595
-	-	394,288	381,535	321,470	298,154
301,985	372,665	152,060	159,793	591,897	162,682
-	-	-	-	-	-
644,693	312,344	316,341	554,081	827,236	2,576,151
435,000	440,000	445,000	450,000	539,788	589,812
117,409	111,940	106,075	99,585	98,821	93,981
-	-	-	-	-	146,669
6,452,464	7,564,574	7,661,123	9,257,353	11,732,024	12,056,271
1,547,506	1,380,769	2,026,037	1,982,912	(422,750)	(180,116)

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 2 of 2)

Last Ten Fiscal Years (Accrual Basis of Accounting)

	2015	2016	2017	2018
OTHER FINANCING SOURCES (USES)				
Sales of assets	\$ -	\$ -	\$ -	\$ -
Lease issuances	-	-	-	-
Bond issuance	7,000,000	-	-	-
Premium on bond issuance	100,090	-	-	-
Transfer (to) from other funds	-	-	-	-
Proceeds from disposal of equipment	-	-	23,874	28,197
Total other financing sources (uses)	<u>7,100,090</u>	<u>-</u>	<u>23,874</u>	<u>28,197</u>
Net change in fund balances	<u>\$ 6,254,240</u>	<u>\$ (2,354,562)</u>	<u>\$ (3,316,973)</u>	<u>\$ (1,231,980)</u>
Debt service as a percentage of noncapital expenditures	2.1%	11.9%	10.4%	9.4%

2019	2020	2021	2022	2023	2024
\$ -	\$ 128,721	\$ 26,330	\$ 673	\$ 16,931	\$ -
-	-	-	-	193,012	219,859
-	-	-	-	-	3,550,000
-	-	-	-	-	181,669
9,850	-	-	-	-	-
20,206	-	-	-	-	-
30,056	128,721	26,330	673	209,943	3,951,528
<u>\$ 1,577,562</u>	<u>\$ 1,509,490</u>	<u>\$ 2,052,367</u>	<u>\$ 1,983,585</u>	<u>\$ (212,807)</u>	<u>\$ 3,771,412</u>
9.5%	7.6%	7.5%	6.3%	5.8%	8.6%

City of Fair Oaks Ranch, Texas
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

Year	Property	Sales Tax	Franchise	Mixed Beverage	Total
2015	\$ 2,826,300	\$ 513,040	496,714	\$ 18,805	\$ 3,854,859
2016	3,566,285	562,501	527,109	19,437	4,675,332
2017	4,255,198	632,030	540,605	20,139	5,447,972
2018	4,720,949	728,224	576,181	23,814	6,049,168
2019	5,693,547	854,582	618,758	22,734	7,189,621
2020	6,196,229	1,174,547	605,103	16,908	7,992,787
2021	6,444,218	1,435,763	651,534	24,779	8,556,294
2022	6,640,490	1,576,151	761,408	27,783	9,005,832
2023	7,033,032	1,656,136	748,401	27,983	9,465,552
2024	7,390,813	1,788,324	743,231	28,961	9,951,329

Source: Annual Financial Reports.

City of Fair Oaks Ranch, Texas

TOP TEN SALES TAX PROVIDERS

Current and Eight Years Ago
(Unaudited)

	2024		2017	
		Percentage of Total City Taxable		Percentage of Total City Taxable
<u>Taxpayer</u>	<u>Rank</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Assessed Value</u>
Full-service restaurant	1	12.5%	1	19.0%
Electronic shopping and mail-order houses	2	11.9%	2	5.1%
Electronic shopping and mail-order houses	3	7.1%	-	-
Electronic shopping and mail-order houses	4	3.1%	-	-
Gasoline stations with convenience stores	5	1.9%	9	2.0%
Pharmacies and drug stores	6	1.6%	4	3.2%
Gasoline stations with convenience stores	7	1.4%		
Wired telecommunications carriers	8	1.1%	6	3.9%
Limited-service restaurant	9	1.0%	7	2.5%
Electronic shopping and mail-order houses	10	1.0%	-	-
New single-family housing construction	-	-	10	1.8%
Wireless telecommunications carriers	-	-	5	3.2%
Cable and other subscription programming	-	-	8	2.3%
Security guard and patrol	-	-	3	4.3%

Source: Texas Comptroller

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

Texas Tax Code 321.3022 (c) 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
(Unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount *	Percentage of Levy	Collections in Subsequent Years	Amount *	Percentage of Levy	
2015	\$ 2,877,185	\$ 2,859,530	99.39%	\$ 12,917	\$ 2,872,447	99.84%	
2016	3,861,722	3,827,841	99.12%	26,696	3,854,537	99.81%	
2017	4,332,469	4,297,290	99.19%	29,011	4,326,302	99.86%	
2018	4,813,737	4,788,010	99.47%	12,806	4,800,816	99.73%	
2019	5,718,331	5,652,427	98.85%	53,686	5,706,114	99.79%	
2020	6,182,363	6,126,458	99.10%	38,825	6,165,283	99.72%	
2021	6,453,874	6,389,402	99.00%	49,715	6,439,117	99.77%	
2022	6,547,412	6,504,177	99.34%	22,899	6,527,076	99.69%	
2023	7,036,602	6,978,473	99.17%	34,761	7,013,234	99.67%	
2024	7,358,389	7,300,443	99.21%	-	7,300,443	99.21%	

Source: Bexar County Appraisal District

* Includes discounts allowed for early payments and adjustments.

City of Fair Oaks Ranch, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City	Boerne School District	Comal School District	Bexar County	Kendall County	Comal Country
2015	0.2663	1.2940	1.4300	0.2687	0.3940	0.3429
2016	0.3073	1.2940	1.3900	0.3145	0.3867	0.3429
2017	0.3234	1.3160	1.3900	0.2933	0.4127	0.3579
2018	0.3295	1.3540	1.3900	0.2912	0.4127	0.3579
2019	0.3668	1.3540	1.3900	0.2774	0.4127	0.3779
2020	0.3735	1.2840	1.3200	0.2774	0.4127	0.3926
2021	0.3735	1.2519	1.2800	0.2763	0.4127	0.3585
2022	0.3518	1.2046	1.2900	0.2763	0.4127	0.3140
2023	0.3291	1.1786	1.2750	0.2763	0.3877	0.2489
2024	0.3005	0.9932	1.0892	0.2763	0.3827	0.2262

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.

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City of Fair Oaks Ranch, Texas
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
Last Ten Fiscal Years

Tax Year	Fiscal Year	Residential Property	Commercial Property	Less: Tax-exempt Property	Estimated Actual Value	Total Direct Tax Rate
2015	2016	\$ 1,193,076,434	\$ 128,637,815	\$ 65,052,850	\$ 1,256,661,399	\$ 0.307300
2016	2017	1,265,114,959	150,509,495	73,244,068	1,342,380,386	0.323360
2017	2018	1,487,818,815	185,977,352	123,984,901	1,549,811,266	0.329500
2018	2019	1,472,341,175	187,839,320	101,155,026	1,559,025,469	0.366780
2019	2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.373500
2020	2021	1,698,442,549	181,448,336	151,985,811	1,727,905,074	0.373500
2021	2022	2,061,749,363	216,788,137	417,511,646	1,861,025,853	0.351800
2022	2023	2,368,440,927	249,036,039	479,617,789	2,137,859,177	0.329100
2023	2024	2,799,735,924	331,416,028	681,203,508	2,449,948,444	0.300500

Source: Bexar County Appraisal District, Kendall County Appraisal District, and Comal County Appraisal District.

City of Fair Oaks Ranch, Texas

PRINCIPAL PROPERTY TAX PAYERS

Current and Nine Years Ago

2024

	Percentage of Total City Taxable Assessed	
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>
Spirit Realty LP	\$ 9,105,100	1
HPI Fair Oaks Storage LLC	7,975,000	2
Scott Felder Homes LLC	5,924,170	3
Jerry and Esther Hicks	5,845,190	4
T&J Fair Oaks LLC	5,200,000	5
Bella Vista CMI Ltd	4,247,740	6
Bright Minds Montessori LLC	4,192,220	7
Frost Bank	3,887,450	8
Taylor Living Trust	3,857,214	9
Fair Oaks Country Store LLC	3,689,720	10
Fair Oaks Club Corp	-	-
Fair Oaks Village II Ltd	-	-
Ashton San Antonio LLC	-	-
Greenland Ventures	-	-
Elkhorn Ridge SA LLC	-	-
Highland Homes-San Antonio Ltd	-	-
Fair Oaks Parkway Associates LLC	-	-
B & M Fair Oaks Ltd	-	-
Guadalupe Valley Tele Co Inc	-	-
	<u>\$ 53,923,804</u>	<u>2.20%</u>

Sources: Kendall Appraisal District, Bexar Appraisal District, and Comal Appraisal District.

2015		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ 3,388,380	4	0.31%
-	-	-
-	-	-
6,672,810	1	0.62%
4,900,000	2	0.45%
3,668,890	3	0.34%
3,105,510	5	0.29%
2,931,250	6	0.27%
2,435,470	7	0.23%
2,398,279	8	0.22%
2,324,060	9	0.22%
1,818,800	10	0.17%
<u>\$ 33,643,449</u>		<u>3.11%</u>

City of Fair Oaks Ranch, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Refunding Bonds	Leases	SBITA	Certificates of Obligation	SBITA	Leases
2015	\$ 7,100,090	\$ -	\$ -	\$ 790,000	\$ -	\$ 3,128,356
2016	6,703,417	-	-	405,000	-	3,128,356
2017	6,721,744	-	-	-	-	3,128,356
2018	5,835,071	-	-	-	-	3,070,798
2019	5,393,398	-	-	-	-	2,814,779
2020	4,946,725	-	-	2,660,000	-	-
2021	4,495,052	-	-	2,430,000	-	-
2022	4,038,379	63,507	-	2,115,000	-	-
2023	3,571,706	51,757	30,122	1,795,000	30,122	10,218
2024	6,826,702	44,197	137,729	5,325,876	112,383	7,180

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

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 11,018,446	19.82%	\$ 1,677
10,236,773	18.67%	1,481
9,850,100	18.61%	1,139
8,905,869	17.30%	980
8,208,177	15.76%	846
7,606,725	13.13%	774
6,925,052	11.95%	659
6,216,886	8.27%	592
5,488,925	6.64%	494
12,454,067	16.43%	1,092

City of Fair Oaks Ranch, Texas
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

	Governmental Activities	Business-Type Activities		
Fiscal Year Ended September 30,	General Obligation Bonds*	Certificate of Obligation Bonds*	Total Primary Government	Amounts Available in Debt Service Fund
2015	\$ 7,100,090	\$ 790,000	\$ 7,890,090	\$ -
2016	6,703,417	405,000	7,108,417	-
2017	6,271,744	-	6,271,744	(7,245)
2018	5,835,071	-	5,835,071	(7,201)
2019	5,393,398	-	5,393,398	(10,940)
2020	4,946,725	2,660,000	7,606,725	(30,969)
2021	4,495,052	2,430,000	6,925,052	(44,337)
2022	4,038,379	2,115,000	6,153,379	(52,658)
2023	3,571,706	1,795,000	5,366,706	(77,975)
2024	6,826,702	5,325,876	12,152,578	(104,947)

* Amount includes bond premiums

Net Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 7,890,090	0.73%	\$ 1,201
7,108,417	0.57%	1,028
6,264,499	0.47%	725
5,827,870	0.38%	641
5,382,458	0.35%	555
7,575,756	0.46%	770
6,880,715	0.40%	655
6,100,721	0.33%	581
5,288,731	0.25%	476
12,047,631	0.49%	1,056

City of Fair Oaks Ranch, Texas

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years (Unaudited)

	2015	2016	2017	2018
Debt Limit	\$ 16,206,450	\$ 18,849,921	\$ 20,135,706	\$ 23,247,169
Total net debt applicable to limit	7,100,090	6,711,880	6,278,989	5,843,676
Legal debt margin	\$ 9,106,360	\$ 12,138,041	\$ 13,980,764	\$ 17,403,493
Total net debt applicable to the limit as a percentage of debt limit	43.81%	35.61%	31.18%	25.14%

Legal Debt Margin Calculation by Fiscal Year

Total assessed value	1,080,429,983	1,256,661,399	1,342,380,386	1,549,811,266
Debt limit (\$1.50 of total assessed value)	16,206,450	18,849,921	20,135,706	23,247,169
Debt applicable to limit:				
General bonded debt outstanding*	7,100,090	6,703,417	6,271,744	5,835,071
Less: Amount set aside for repayment of general bonded debt	-	8,463	7,245	8,605
Total net debt applicable to limit	7,100,090	6,711,880	6,278,989	5,843,676
Annual Legal debt margin	9,106,360	12,138,041	13,856,717	17,403,493

* Includes bond premium.

Notes: As a Home Rule Charter City, the amount of debt which can be issued by the City of Fair Oaks Ranch, Texas, is not limited by law. Under Article XI, Section 5 of the State of Texas Constitution applicable to the city, the maximum tax rate for all purposes is \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the maximum tax rate for general obligation debt service.

2019	2020	2021	2022	2023	2024
\$ 23,385,382	\$ 24,825,905	\$ 25,918,576	\$ 27,915,388	\$ 32,067,888	\$ 36,749,227
5,412,038	4,979,036	4,539,389	3,985,721	3,493,731	6,721,753
\$ 17,973,344	\$ 19,846,869	\$ 21,379,187	\$ 23,929,667	\$ 28,574,157	\$ 30,027,473
23.14%	20.06%	17.51%	14.28%	10.89%	18.29%
1,559,025,469	1,655,060,303	1,727,905,074	1,861,025,853	2,137,859,177	2,449,948,444
23,385,382	24,825,905	25,918,576	27,915,388	32,067,888	36,749,227
5,393,398	4,946,725	4,495,052	4,038,379	3,571,706	6,826,702
18,640	32,311	44,337	52,658	77,975	104,949
5,412,038	4,979,036	4,539,389	3,985,721	3,493,731	6,721,753
17,973,344	19,846,869	21,379,187	23,929,667	28,574,157	30,027,473

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City of Fair Oaks Ranch, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2024

(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Alamo CCD	\$ 707,460,000	0.63%	\$ 4,456,998
Bexar Co	2,222,135,000	0.63%	13,999,451
Bexar Co Hosp. Dist.	1,280,820,000	0.63%	8,069,166
Boerne ISD	411,994,896	18.18%	74,900,672
Comal Co	102,715,000	0.97%	996,336
Comal ISD	1,027,760,214	0.40%	4,111,041
Kendall Co	37,065,000	5.36%	1,986,684
Subtotal, overlapping debt	\$ 5,789,950,110		108,520,347
City of Fair Oaks Ranch (direct debt)			7,008,628
Total direct and overlapping debt			\$ 115,528,975

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.

Source: Municipal Advisory Council of Texas

City of Fair Oaks Ranch, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2023		Percentage of total city employment ¹
	Employees	Rank	
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph	82,639	1	7.09%
H.E.B. Food Stores	20,000	2	1.72%
United Services Automobile Assoc	18,100	3	1.55%
City of San Antonio	14,500	4	1.24%
Northside Independent School District	12,900	5	1.11%
Methodist Healthcare System	12,000	6	1.03%
North East Independent School District	8,208	7	0.70%
University of Texas Health Science	7,930	8	0.68%
San Antonio Independent School District	7,500	9	0.64%
Baptist Health Systems	7,291	10	0.63%
Wells Fargo	-		0.00%
Totals	191,068		16.39%

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, TX.

Source: City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2023.

The current year information is not available.

2014		
Employees	Rank	Percentage of total city employment ²
80,165	1	8.86%
20,000	2	2.21%
16,000	3	1.77%
11,326	5	1.25%
13,000	4	1.44%
8,118	7	0.90%
9,141	6	1.01%
-		0.00%
7,425	8	0.82%
7,205	9	0.80%
6,500	10	0.72%
178,880		19.78%

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City of Fair Oaks Ranch, Texas
DEMOGRAPHIC AND ECONOMICAL STATISTICS
Current and Nine Years Ago (Unaudited)

		(1)	(1)	(2)	(3)
	(1)	Per Capita	(1)	School	San Antonio
Year	Population	Personal Income	Median Age	Enrollment	Unemployment Rate
2015	6,569	55,586	51.2	650	3.8%
2016	6,914	54,829	47.9	650	3.9%
2017	8,645	52,917	46.7	916	3.2%
2018	9,091	51,482	45.9	1,321	3.3%
2019	9,700	52,094	47.1	1,391	3.0%
2020	9,833	57,939	46.3	1,575	6.3%
2021	10,505	57,939	46.3	1,586	4.5%
2022	10,505	75,205	45.5	1,605	3.5%
2023	11,104	82,685	46.4	1,655	3.7%
2024	11,406	75,780	45.8	1,688	3.8%

Sources:

(1) Population, per capita income and median age based on U.S. Census Bureau.

(2) Boerne Independent School District

(3) United States Bureau of Labor/TWC

City of Fair Oaks Ranch, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Eight Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police				
Incidents/offenses	444	501	504	589
Arrests	191	224	207	157
Calls for service	3,664	3,716	3,913	3,482
Traffic stops	4,217	5,271	4,893	2,924
Public Works				
Street resurfacing (square yards)	118,827	64,496	155,468	80,557
Preventative street maintenance (square yards)	101,646	65,244	49,477	211,529
Building Codes				
Permits issued - new residential	142	190	118	157
Permits issued - other	376	416	506	734
Inspections/reinspections conducted	1,679	1,586	1,898	2,297
Utilities				
Account service orders				
Meter install / change	288	222	252	86
Occupancy change	322	330	288	320
Customer service inquiry	291	247	297	338
Billing (water, sewer, fees, all charges)	\$ 4,632,435	\$ 4,683,010	\$ 4,550,072	\$ 5,002,084
Water				
Service connections	2,929	2,948	3,002	3,083
Purchased (gallons)	296,164,000	276,418,000	318,044,000	337,047,000
Pumped (gallons)	241,088,931	168,328,487	174,702,326	231,668,112
Billed consumption (gallons)	502,639,000	457,611,000	436,094,700	523,698,900
Non-billed & bulk water sold (gallons)	5,182,505	3,476,900	3,350,000	3,192,400
Wastewater/Sewer				
Service connections	1,733	1,775	1,820	1,886
Average daily treatment in gallons	224,046	235,917	225,255	242,174

Source: City Records

Note: Data prior to 2017 was unavailable

2021	2022	2023	2024
666	856	919	674
199	289	294	117
3,955	4,031	4,177	4068
4,026	4,708	6,327	4701
107,108	254,422	244,561	272,413
999	1,337	483	1,780
247	133	86	94
692	645	580	588
2,751	2,732	1,850	1896
217	111	284	427
370	261	181	198
401	199	372	734
\$ 4,758,791	\$ 5,862,105	\$ 6,129,738	\$ 6,605,290
3,157	3,201	3,248	3,285
324,549,963	328,996,000	369,914,400	395,811,000
217,061,572	323,937,547	246,488,566	167,948,427
485,043,800	594,010,700	584,553,400	477,964,400
2,310,900	2,873,400	2,946,600	3,440,900
1,943	1,979	2,001	2,028
256,037	249,076	295,213	322,664

City of Fair Oaks Ranch, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Eight Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police					
Stations	1	1	1	1	1
Patrol Units	15	13	14	14	15
Animal Control Vehicle	1	1	1	1	1
Public Works & Utilities					
Vehicles	22	23	25	25	25
Paved streets (in miles)	81.6	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	60	60	60	60
Water					
Water mains (in miles)	76	76	76	76	76
Wells	40	40	40	40	40
Treatment plants	5	5	5	5	5
Number of hydrants	228	266	266	266	266
Sewer					
Lift stations	6	6	6	6	6
Sewer lines (in miles)	33	33	33	33	33
Treatment plants	1	1	1	1	1

Source: City Records

Note: Data prior to 2017 was unavailable

2022	2023	2024
1	1	1
13	13	17
1	1	1
28	27	27
81.6	81.6	81.6
60	60	60
76	76	76
40	40	40
5	5	5
266	266	266
6	6	6
33	33	33
1	1	1

City of Fair Oaks Ranch, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Nine Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Government						
City Manager	1	1	1	1	1	1
Assistant City Manager	1	1	1	1	1	2
City Secretary	1	1	1	2	2	2
HR & Communications	1	1	1	2	2	2
Finance	2	3	3	5	5	5
Municipal Court	1	1	2	2	2	2
Information Technology	0	0	0	1	1	2
Customer Service	1	1	2	3	3	2
Public Safety						
Police	19	20	21	23	23	23
Animal Control	1	1	1	1	1	1
Code Enforcement	1.5	1.5	1.5	4	4	4
Administration	2	2	3	4	4	4
Public Works	9	9	13	14	14	14
Water/Wastewater						
Customer Service	1	1	1	1	1	1
Water and Sewer	9	8	10	10	10	10
Total	<u>50.5</u>	<u>51.5</u>	<u>61.5</u>	<u>74</u>	<u>74</u>	<u>75</u>

Source: City Records

Note: Data prior to 2016 was unavailable

<u>2022</u>	<u>2023</u>	<u>2024</u>
1	1	1
2	2	2
2	2	2
3	3	3
5	5	5
2	2	2
2	2	2
2	2	2
23	25	25
1	1	1
4	4	4
4	4	4
16	17	18
1	1	1
10	10	11
<u>78</u>	<u>81</u>	<u>83</u>