Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2021

City of Fair Oaks Ranch

Prepared by:
Administration & Finance Department
Tobin E. Maples, AICP - City Manager
Summer Fleming, Interim Finance Director

CITY OF FAIR OAKS RANCH • TEXAS

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2021

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
GFOA Certificate of Achievement	vi
Principal Officials	vii
Organizational Chart	viii
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16-17
Statement of Activities	18-19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Fund:	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Statement of Cash Flows	26

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2021

		PAGE
FINANCIAL SECTION (CONTINUED)		
Statement of Fiduciary Net Position		27
Statement of Changes in Fiduciary Net Position		28
Notes to Financial Statements		31-53
Required Supplementary Information (unaudited):		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund		57-59
Schedule of Changes in the Net Pension Liability and Texas Municipal Retirement System (TMRS) Related Ratios		60
Schedule of Contributions - Pension		61
Schedule of Changes in the OPEB Liability and Texas Municipal Retirement System (TMRS) Related Ratios		62
Schedule of Contributions - OPEB		63
Notes to Required Supplementary Information		64
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund		66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Strategic Projects Fund		67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Equipment Replacement Fund		68
	TABLE	
STATISTICAL SECTION (UNAUDITED):		
Financial Trends:		
Net Position by Component	1	72-73
Change in Net Position	2	74-77
Fund Balances of Governmental Funds	3	78-79
Changes in Fund Balance of Governmental Funds	4	80-81

CITY OF FAIR OAKS RANCH, TEXAS

TABLE OF CONTENTS

September 30, 2021

	TABLE	PAGE
STATISTICAL SECTION (UNAUDITED) (CONTINUED):		
Revenue Capacity:		
Tax Revenues by Source, Governmental Funds	5	82
Top Ten Sales Tax Providers	6	83
Property Tax Levies and Collections	7	84
Direct and Overlapping Property Tax Rates	8	85
Assessed Value and Actual Taxable Property	9	86
Principal Property Taxpayers	10	87
Debt Capacity:		
Ratios of Outstanding Debt by Type	11	88
Ratios of General Bonded Debt Outstanding	12	89
Legal Debt Margin Information	13	90-91
Direct and Overlapping Governmental Activities Debt	14	92
Demographic and Economic Information:		
Principal Employers	15	93
Demographic and Economic Statistics	16	94
Operating Information:		
Operating Indicators by Function	17	95
Capital Asset Statistics by Function	18	96
Full-Time Equivalent City Government Employees by Function	19	97

CITY OF FAIR OAKS RANCH • TEXAS

INTRODUCTORY SECTION

CITY OF FAIR OAKS RANCH • TEXAS

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www.fairoaksranchtx.org

February 17, 2022

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

The City of Fair Oaks Ranch, Texas is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City of Fair Oaks Ranch (the City) for the fiscal year ended September 30, 2021.

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

The City's financial statements have been audited by ABIP, PC, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2021 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 opinion that the financial statements for the year ended September 30, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

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

The City was incorporated in 1988 and became a home rule city in 2017. The City is located 27 miles northwest of downtown San Antonio, has a land area of approximately 8.5 square miles and an estimated population of 10,756. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

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

The City of Fair Oaks Ranch Municipal Development District (MDD) 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 four other members appointed by City Council. The MDD is funded through a half-cent Section 4B sales tax. The City is financially accountable for the MDD because the City appoints the governing body and the City is obligated to finance any deficits that may occur.

LOCAL ECONOMY

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

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

Other economic indicators such as the unemployment rate and housing permits have remained positive in this area as compared to the national level. Sales tax receipts throughout the past fiscal year saw higher levels than the previous fiscal year. The primary reason for the increase in sales tax revenue was due to the change in consumer habits shifting from in-person shopping at brick and mortar establishments to shopping online with shipments to home. As a bedroom community, the change in consumer habits shifted sales tax revenue from surrounding communities to Fair Oaks Ranch due to the sales tax regulations that attribute most online purchases to destination.

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, the military institutions, tourism, telecommunications, insurance, finance, and manufacturing.

MAJOR INITIATIVES – COMMUNITY FOCUS

Emergency Operations Center (EOC)
Since March 2020, the City has faced a global pandemic, economic volatility, and a historic winter storm. The City's EOC has been activated twice since then, first for COVID-19 and second for the winter storm in February 2021. During both activations the entire team performed at a high level, often innovating in real time to ensure the well-being of the community and safety of teammates. During the winter storm, the Utility operated without interruption, Public Works sanded and salted the streets, and the Police Department responded to every call performing at the highest level. During the fiscal year, the City received approximately $184,000 in federal funding to help alleviate the costs associated with both EOC activations.

Public Safety Study
The City contracted with Matrix Consulting to begin work on a Standard of Cover and Utilization Study. This study will provide recommendations for an innovative and sustainable method of determining current and future police department staffing needs as well as recommendations to ensure service delivery meets current best practices and community expectations. The study will review current demands and existing resources, gather information on community expectations and provide recommendations regarding multi-year and buildout projections based on community and police department goals and performance indicators. During the fiscal year, $38,713 of the contract was expended. The study will continue into the next fiscal year and should be completed by the second quarter of FY 2022.

Fire and EMS Study
The City contracted with Emergency Services Consulting International to begin work on a Fire and EMS study. This study will provide recommendations for a method of determining current and future needs. Current demands for Fire and EMS will be reviewed including calls for service, days and times of calls, response times, and geographic distribution of incidents. The study will assess community risk and existing emergency service assets and infrastructure as well as define baseline emergency response performance standards. The study will provide information on funding options and resources needed to provide service in the future. During the fiscal year, $10,812 of the contract was expended. The study will continue into the next fiscal year and should be completed by the second quarter of FY 2022.

Water and Wastewater Rate Study
The City contracted with Raftelis Financial to update rates for the City's utility system. The Fair Oaks Ranch Utilities was brought under the City authority in 1998. Initially, water charges were based on a single base rate and a tiered formula for high use. Modifications to the original base rate system was minimal the first several years, but the City implemented a major adjustment in 2011 when fees and a System Availability base charge were added. Since then, annual adjustments have been recommended with City Council consideration. The established structure has enabled the utility to operate in a net positive each fiscal year; however, the water revenues continue to subsidize the wastewater system. In addition, the current rates primarily address operational elements and do not adequately address capital needs of the system. The City is engaging qualified outside consultants to develop a reliable, affordable, and sustainable financial plan and rate-making protocol that can serve the needs of the City for years into the future. During the fiscal year, $100,190 of the contract was expended. This project will continue into the next fiscal year and should be completed by the second quarter of FY 2022.

Utility Risk and Resilience Assessment
In 2018 the Environmental Protection Agency mandated new requirements under America's Water Infrastructure Act of 2018 (AWIA) for community water systems to conduct risk and resilience assessments. The act requires water utilities to conduct a two-phase compliance effort; 1) Risk and Resilience Assessment (RRA) followed by 2) Emergency Response Plan (ERP) for the overall water system. Each community water system serving more than 3,300 people must assess the risks to and resilience of its system from malevolent acts and natural hazards.

During the fiscal year, the City contracted with engineering firm Freese and Nichols, Inc. to conduct the assessment at a cost of $76,990. The assessment continued throughout the year and is expected to conclude in the first quarter of FY 2022.

MAJOR INITIATIVES – CAPITAL PROGRAMS

City Campus Renovation Project

The COVID-19 pandemic served to put a spotlight on the City's growing issues with adequate office space. Currently, the City provides services through 75 full-time employees with most departments in shared office environments. Further, the adoption of the home rule charter expanded the City Council from six to seven members, so even the City Council is working within confined space as the current council dias was built to accommodate six. To minimize costs, improve customer service and interdepartmental functionality, the City began plans to modify the workspace within City Hall.

This fiscal year, the City continued work with a local architect on the design phase of the project and expended $33,413 of that contract. In January 2021, the City entered into an agreement with Waterman Construction LLC as Construction Manager at Risk for the construction of the project. Construction is estimated to take six months and is projected to start in the second quarter of FY 2022.

Street Maintenance

The City continued its enhanced maintenance practices for over 60 miles of public streets. Since 2000, the City has continued an annual street maintenance program such that all streets receive a programmed seal coat to protect the street base material and prolong its life. Without such a program, the City would be faced with extraordinary costs to fully reconstruct all streets in the City every ten to fifteen years. As a maturing 33-year-old organization, this is a valuable investment and a signature component of our asset management program. The total cost of the project for FY 2021 was $460,930. Additionally, the City expended $47,000 for a long-term road condition analysis which will provide a detailed report to help develop a Roadway Capital Improvement Plan for future improvements.

Elevated Water Storage Tank

After the development of the Master Water/Wastewater Plan, City Council adopted the plan recommendations as appendices to the Unified Development Code. One of the key findings was the need for a new elevated storage tank (EST) to provide emergency and equalization storage on the north side of the City. This finding was the same as those of two other engineering studies performed for the City over the past twelve years. On April 18, 2019, the City Council executed an engineering design services contract for the EST. To date, the City has held community meetings concerning the design, style, and preferred location for the EST. In concert with citizens attending the community meetings, the City Council made applicable decisions on these choices and engineering design is now 90% complete. During the fiscal year, $62,890 of the contract was expended, and the remaining work on the contract will be completed during FY 2022. Potential land acquisition and construction of the EST are programmed to begin during FY 2022.

Utility System Upgrades

In 2014, the council approved SCADA upgrades to the Fair Oaks Ranch utility system. During this process, industrialized plant panel personal computer (PC) computers operating with Windows 7 were installed at each plant to allow SCADA to operate the system. The SCADA software was also installed on one office PC to serve as the SCADA main server for information, alerts, and display in the Water Department office.

That upgraded system became outdated and in need of panel PC and software upgrades. The City contracted with Patti Engineering to purchase and replace all panel PC's, upgrade their operating systems to Windows 10, and update the server operating system to Windows Server 2019. Part of the server upgrade included virtualizing the server within the City server infrastructure to provide increased flexibility in future upgrades and the City's backup infrastructure. The City expended $159,800 and completed the contract during FY 2021.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fair Oaks Ranch for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This marked the fourth consecutive year the City has won this award.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current 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.

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,

Summer Fleming

Summer Fleming, Interim Finance Director

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, 2020

Christopher P. Morrill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

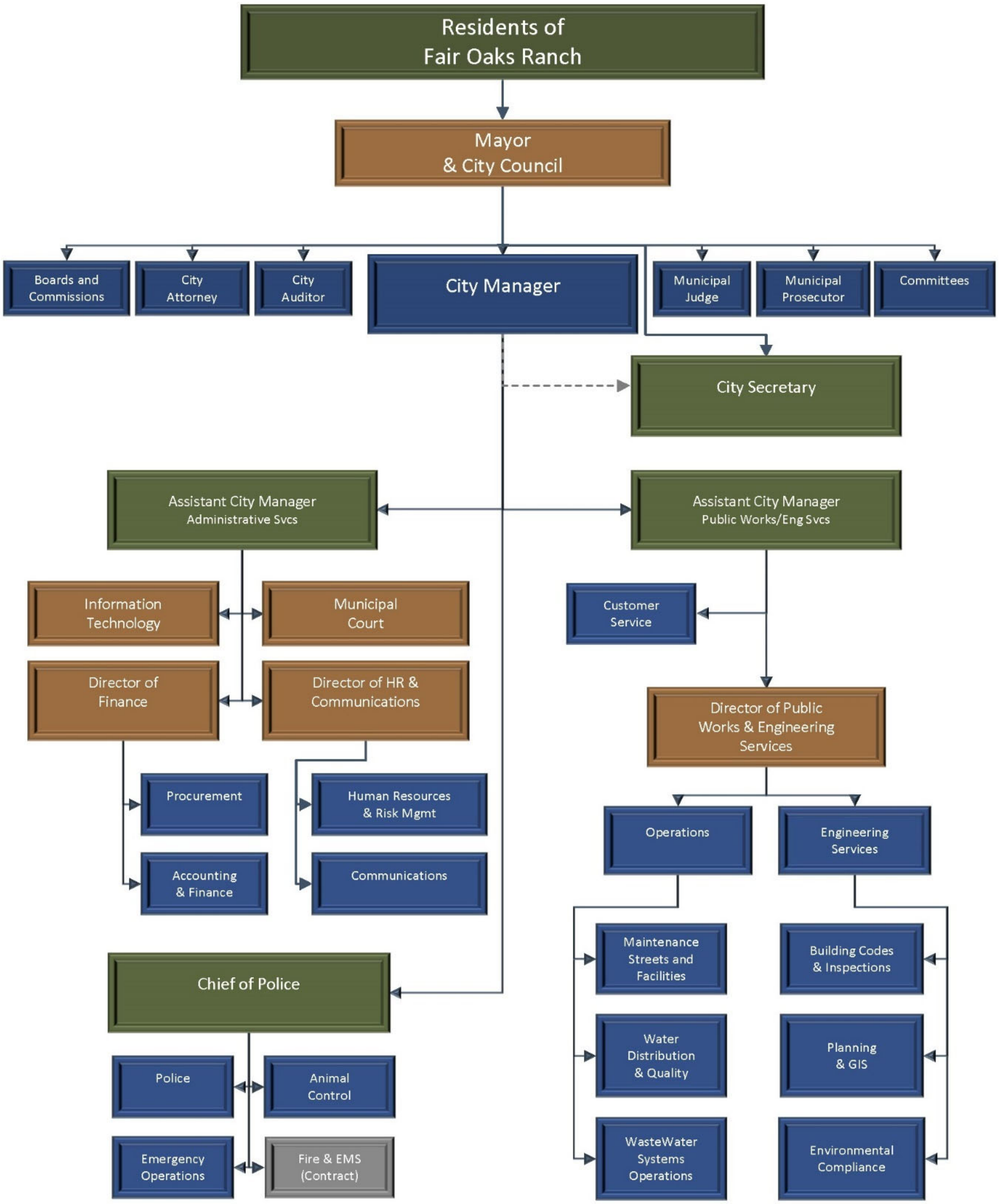
September 30, 2021

MAYOR	GREG MAXTON
MAYOR PRO TEM – PLACE 4	LAURA KOERNER
CITY COUNCIL MEMBERS	
PLACE 1	EMILY STROUP
PLACE 2	ROY ELIZONDO
PLACE 3	MICHELLE BLISS
PLACE 5	SCOTT PARKER
PLACE 6	CHESLEY MUENCHOW
CITY MANAGER	TOBIN E. MAPLES
ATTORNEY	DENTON, NAVARRO, ROCHA, BERNAL, HYDE AND ZECH, PC
AUDITOR	ABIP, PC

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2021



FINANCIAL SECTION

CITY OF FAIR OAKS RANCH • TEXAS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison Information, and the Texas Municipal Retirement System Net Pension Liability and Other Postemployment Benefits Liability required schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for the debt service fund, and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information for the debt service fund, the strategic projects fund, and the equipment replacement fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

ABIP, PC
San Antonio, Texas
February 17, 2022

CITY OF FAIR OAKS RANCH, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Fair Oaks Ranch (the "City") annual comprehensive financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. This discussion and analysis is intended to assist readers in focusing on significant financial issues and changes in the City's financial position, and identifying any significant variances from the adopted budget. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2021 by total combined net position of $31,905,209. Of this amount, $16,022,575 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- During the year, the City's total net position increased by $2,913,144 or 10.1%. The net position of governmental activities increased by $2,102,196 or 14.6%. The net position of business-type activities increased by $810,948, or 5.5%.

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,345,852. Of this amount, $96,070 is non-spendable, $153,339 is restricted in use, $5,831,274 is assigned and $3,265,169 is unassigned.

- The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. At the end of the current fiscal year, $3,835,321 is assigned to the Operating Reserve. The City's governmental reserve policy is to maintain at least six months' worth of operating expenses in unrestricted reserves. The City currently has seven months of operating expenses in the Operating Reserve at September 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

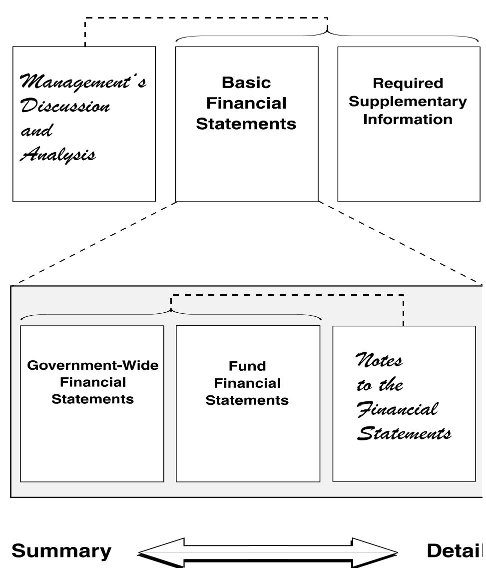
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statement*s*.

- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

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

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



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

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

Figure A-2, Major Features of the City's Government-Wide and Fund Financial Statements

		Fund Statements	
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and wastewater services
Required financial statements	● Statement of Net Position ● Statement of Activities	● Balance Sheet ● Statement of Revenues, Expenditures and Changes in Fund Balances	● Statement of Net Position ● Statement of Revenues, Expenses and Changes in Net Position ● Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements.

- *Proprietary funds* – Proprietary funds are generally used to account for services for which the City charges customers a fee. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary fund called an enterprise fund, which accounts for the operation of the City's water and wastewater utility.

- *Fiduciary funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in government-wide financial statements as the resources of those funds are not available to support the City's programs and operations. With the exception of agency funds, the accounting for fiduciary finds is much like that used for the proprietary funds. The City maintains a private-purpose trust fund for certain employee health benefits.

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As of September 30, 2021, total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $31,905,209 (see Table A-1). Investment in capital assets representing a large portion of the City's net position, $15,729,295, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. The restricted portion of the total net position, totaling $153,339, represents resources that are subject to external restrictions on how they may be used. The remaining amount of net position, $16,022,575, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

TABLE A-1

CITY OF FAIR OAKS RANCH'S NET POSITION

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Current assets:							
Cash and cash equivalents	$ 9,844,549	$ 7,675,832	$ 8,633,713	$ 6,285,927	$ 18,478,262	$ 13,961,759	32.3%
Receivables	592,760	579,449	468,539	574,296	1,061,299	1,153,745	-8.0%
Inventories and prepaids	96,070	82,635	198,767	209,946	294,837	292,581	0.8%
Total current assets	10,533,379	8,337,916	9,301,019	7,070,169	19,834,398	15,408,085	28.7%
Non-current assets:							
Land	116,798	116,798	53,600	53,600	170,398	170,398	0.0%
Building and land improvements	4,037,292	4,037,292	-	-	4,037,292	4,037,292	0.0%
Utility plant and easements	-	-	18,424,624	18,432,221	18,424,624	18,432,221	0.0%
Vehicles and equipment	2,208,651	1,990,684	1,124,837	979,348	3,333,488	2,970,032	12.2%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Construction in progress	-	4,655	538,019	404,749	538,019	409,404	31.4%
Less: accumulated depreciation	(4,368,372)	(3,827,939)	(9,629,697)	(8,902,399)	(13,998,069)	(12,730,338)	10.0%
Total non-current assets	12,142,964	12,470,085	10,511,383	10,967,519	22,654,347	23,437,604	-3.3%
Total assets	22,676,343	20,808,001	19,812,402	18,037,688	42,488,745	38,845,689	9.4%
Deferred outflows of resources:							
Deferred OPEB related outflows	31,243	21,244	9,968	6,423	41,211	27,667	100.0%
Deferred pension related outflows	354,760	355,255	151,576	108,537	506,336	463,792	9.2%
Total deferred outflows of resources	386,003	376,499	161,544	114,960	547,547	491,459	11.4%
Liabilities:							
Current liabilities	1,021,030	915,954	1,792,864	591,669	2,813,894	1,507,623	86.6%
Non-current liabilities:							
Due within one year	531,063	494,490	333,793	241,618	864,856	736,108	17.5%
Due in more than one year	4,261,548	4,623,502	2,171,379	2,464,856	6,432,927	7,088,358	-9.2%
OPEB liability	105,988	86,715	33,622	25,900	139,610	112,615	24.0%
Net pension liability	425,502	403,288	127,502	120,455	553,004	523,743	5.6%
Total liabilities	6,345,131	6,523,949	4,459,160	3,444,498	10,804,291	9,968,447	8.4%
Deferred inflows of resources:							
Deferred OPEB related inflows	10,514	7,663	3,343	2,342	13,857	10,005	38.5%
Deferred pension related inflows	236,200	284,583	76,735	82,048	312,935	366,631	-14.6%
Total deferred outflows of resources	246,714	292,246	80,078	84,390	326,792	376,636	-13.2%
Net position:							
Net investment in capital assets	7,647,912	7,523,360	8,081,383	8,307,519	15,729,295	15,830,879	-0.6%
Restricted	153,339	132,938	-	-	153,339	132,938	15.3%
Unrestricted	8,669,250	6,712,007	7,353,325	6,316,241	16,022,575	13,028,248	23.0%
Total net position	$ 16,470,501	$ 14,368,305	$ 15,434,708	$ 14,623,760	$ 31,905,209	$ 28,992,065	10.0%

Table A-2 provides a detail of the changes to the City's net position.

The City's total revenues were $15,429,463. Revenues from Governmental Activities totaled $9,745,028 (63.2%) and revenues from Business-Type Activities totaled $5,684,435 (36.8%). Expenses for the City totaled $12,516,319; Governmental Activity expenses totaled $7,642,832 (61.1%) and Business-Type Activity expenses totaled $4,873,487 (38.9%).

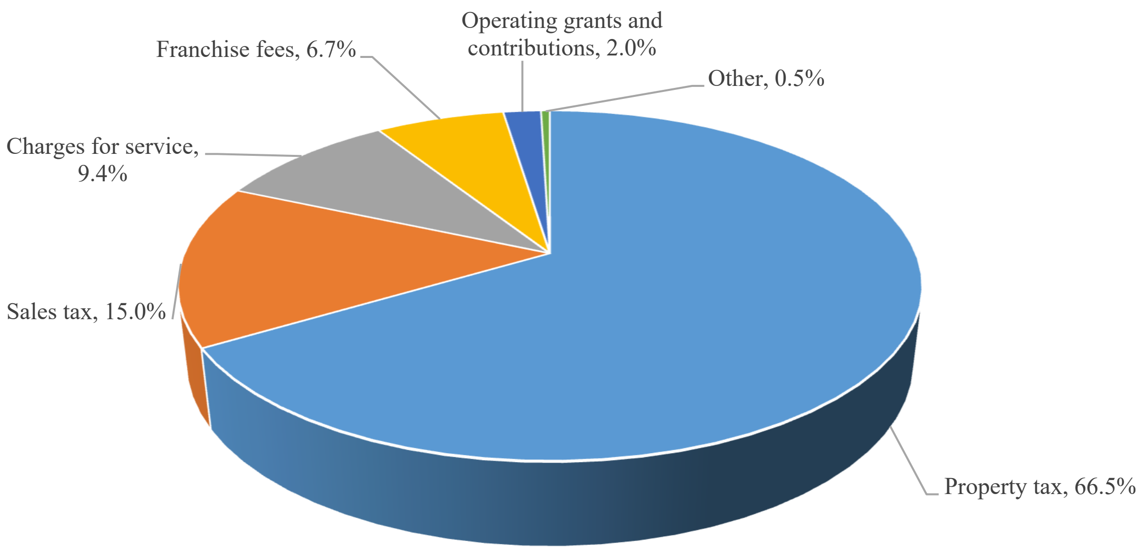
TABLE A-2

CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Revenues:							
Program revenues:							
Charges for services	$ 915,200	$ 809,858	$ 5,681,369	$ 5,839,886	$ 6,596,569	$ 6,649,744	-0.8%
Operating grants and contributions	190,841	3,728	-	-	190,841	3,728	5019.1%
General revenues:							
Property taxes	6,482,238	6,202,561	-	-	6,482,238	6,202,561	4.5%
Non property taxes	2,112,076	1,796,558	-	-	2,112,076	1,796,558	17.6%
Investment earnings	4,345	72,151	3,066	49,749	7,411	121,900	-93.9%
Gain on sale of capital assets	19,848	12,534	-	-	19,848	12,534	58.4%
Miscellaneous	20,480	66,819	-	-	20,480	66,819	-69.4%
Total revenues	9,745,028	8,964,209	5,684,435	5,889,635	15,429,463	14,853,844	3.9%
Expenses:							
Mayor and council	4,774	23,568	-	-	4,774	23,568	-79.7%
City administration	711,344	1,235,258	-	-	711,344	1,235,258	-42.4%
City secretary	230,348	159,376	-	-	230,348	159,376	44.5%
HR and communications	220,869	168,794	-	-	220,869	168,794	30.9%
Finance	322,851	339,295	-	-	322,851	339,295	-4.8%
Municipal court	192,956	184,553	-	-	192,956	184,553	4.6%
Public safety	3,161,031	3,001,619	-	-	3,161,031	3,001,619	5.3%
Engineering and planning	976,254	718,380	-	-	976,254	718,380	35.9%
Public works	922,990	870,398	-	-	922,990	870,398	6.0%
Building codes and permits	253,665	248,414	-	-	253,665	248,414	2.1%
Information technology	394,288	-	-	-	394,288	-	100.0%
Non-departmental	251,462	459,298	-	-	251,462	459,298	-45.3%
Utility	-	-	4,873,487	5,418,730	4,873,487	5,418,730	-10.1%
Total expenses	7,642,832	7,408,953	4,873,487	5,418,730	12,516,319	12,827,683	-2.4%
Increases (decreases) in net position before transfers	2,102,196	1,555,256	810,948	470,905	2,913,144	2,026,161	43.8%
Change in net position	2,102,196	1,555,256	810,948	470,905	2,913,144	2,026,161	43.8%
Net position - beginning	14,368,305	12,813,049	14,623,760	14,152,855	28,992,065	26,965,904	7.5%
Net position - ending	$ 16,470,501	$ 14,368,305	$ 15,434,708	$ 14,623,760	$ 31,905,209	$ 28,992,065	10.0%

Governmental Activities

Overall Governmental activities increased the City's net position by $2,102,196. General revenues such as property taxes, sales taxes, and franchise fees are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales tax.



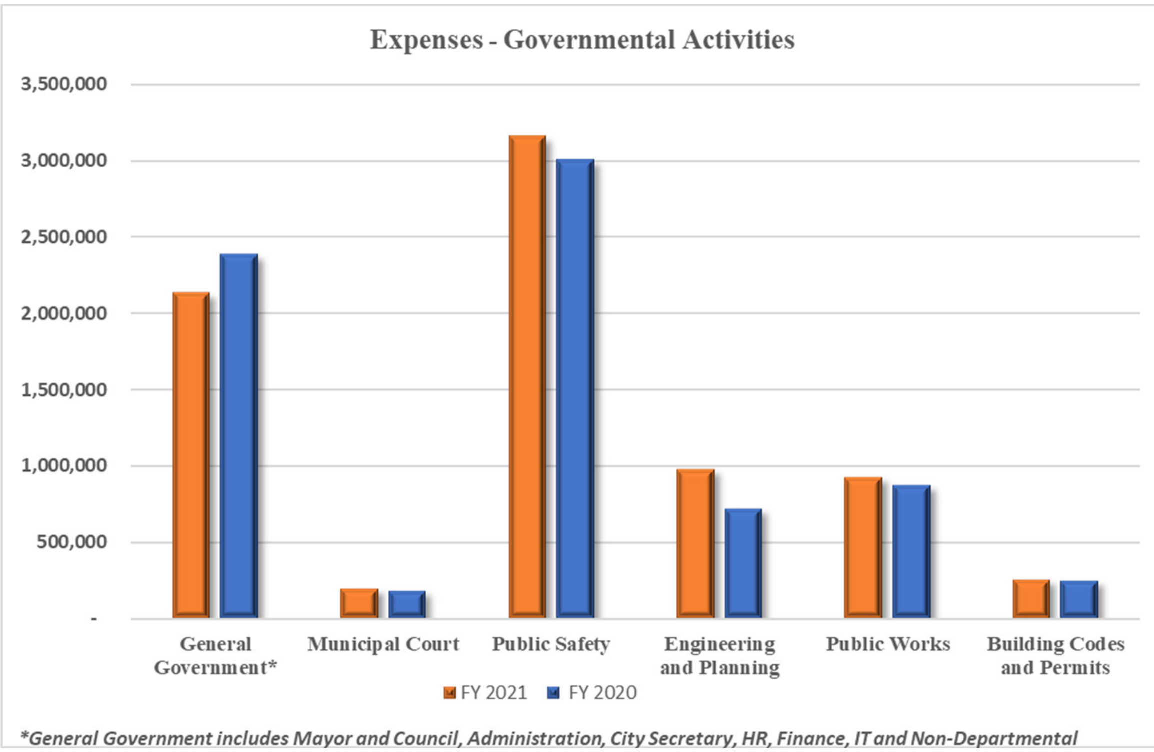
Revenues for Governmental Activities were $9,745,028 compared to prior year's revenues of $8,964,209. The increase of $780,819 is attributable to the following:

- Property tax revenues increased by $279,677 due primarily to an increase in assessed property values.
- Sales tax revenue increased by $269,087 due to an increase in online sales shipped to homes within the City. With a limited commercial footprint, the change in shopping habits from brick and mortar establishments to shopping online had a positive impact in the City's sales tax revenue.
- Operating grants and contributions increased by $187,113 primarily attributed to reimbursement for time and expense responding to COVID-19 activities including labor and supplies.
- Charges for service for governmental activities increased by $105,342, primarily attributed to an increase in building permits of $93,974, which includes new residential, commercial, remodeling and other permits.
- Investment earnings reflected a decrease of $67,608 primarily due to declining yields over the period.

Expenses for Governmental Activities were $7,642,832 compared to prior year's expenses of $7,408,953. The increase of $233,849 is due to the following:

- The decrease of $18,794 in Mayor & Council expenses is due to hosting the annual State of the City address virtually compared to an in-person format the previous year, and a savings in budgeted professional services.
- The decrease in City Administration of $523,914 is primarily due to a decrease in strategic project expenditures completed in the prior year.
- The increase of $70,972 in City Secretary expenses is primarily due to an increase in election costs. This fiscal year consisted of a regularly scheduled election and a special election for a vacated city council seat.
- The increase of $52,075 in HR and Communications expenses is due to the addition of an HR & Communications Specialist for a full year as well as increased recruitment costs related to overall employee turnover.

- The decrease of $16,444 in Finance expenses is due to personnel vacancies throughout the year.
- Expenses for Public Safety increased by $159,412 due to an increase in depreciation for departmental fleet as well as two on-going studies for Standards of Cover and Utilization, Fire and Emergency Services.
- Expenses for Engineering & Planning increased by $257,874 due to contracting with a General Engineering Contractor and a City Planning Consultant to continue work on drainage criticality, modifying the Unified Development Code, planning and zoning, and City capital improvement plans.
- The increase of $394,288 in Information Technology (IT) expenses is offset with a $207,836 decrease in non-departmental expenses for a net increase of $116,689. This is the first year the City has had an IT department consisting of an IT Manager and an IT Network Specialist. In prior years, the cost of software and hardware maintenance was recorded in the non-departmental, or shared, category.



Business-Type Activities

The City's Business-Type Activities consist solely of water and wastewater services. These activities have rates and spending plans established by the City Council. Business-Type Activities increased the City's net position by $810,948, accounting for a 27.8% increase in the City's total net position.

Revenues for Business-Type Activities totaled $5,684,435 compared to prior year's revenues of $5,889,635. The decrease of $205,200 is due to the following:

- Residential and commercial water and wastewater revenue decreased by $129,027 due to a combination of conservation efforts and weather-related effects on water usage, specifically irrigation.
- The water and wastewater debt service revenue decreased by $110,841 due to a rate decrease during the fiscal year. The City was able to decrease the debt service rate charged to users after refinancing a capital lease with a Combination Tax and Limited Pledge Revenue Bond.
- Water and wastewater impact fee revenue increased by $76,577 due to increased development of new residential homes within the City.
- Investment earnings reflected a decrease of $46,683 primarily due to declining yields over the period.

Expenses for Business-Type Activities were $4,873,487 compared to prior year expenses of $5,418,730. The decrease of $545,243 is due to the following:

- The City had a decrease of $379,738 in professional fees from the prior year. Professional fees for the prior year include water rights' legal fees as well as surveying, documenting and recording the City's water utility infrastructure.
- The Water Utility had a decrease of $130,656 in water reservation fees paid to Guadalupe-Blanco River Authority (GBRA). GBRA decreased the debt rate being charged to the City resulting in a savings for this expense.
- The City's Business-Type Activities had a decrease of $173,880 in interest and fiscal charges due to the refinance of a capital lease with a Combination Tax and Limited Pledge Revenue Bond in September 2020. The bond provides more favorable terms to the City and has a maturity date of September 30, 2029.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Activities of the Primary Government's General Fund, Debt Service Fund, and Capital Projects Funds are considered general government functions. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,345,852, a net increase of $2,052,367 or 28%.

The total increase is shown by fund below.

General Fund	$ 2,118,396
Debt Service Fund	12,027
Capital Projects Funds	(78,056)
Combined fund balance change	$ 2,052,367

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported a total fund balance of $7,355,562. The fund balance is categorized as follows: $96,070 in nonspendable, $109,002 in restricted, $3,885,321 in assigned, and $3,265,169 in unassigned. The assigned fund balance includes $3,835,321 in budgeted operating expense reserve held by the City. The unassigned fund balance includes $1,267,900 allocated for appropriations in fiscal year 2022 budget.

The fund balance of the General Fund increased by $2,118,396 during the fiscal year. This increase in fund balance is due largely to continued strong earnings in tax revenues and permits, as well as an increase in operating grants related to COVID-19.

The total fund balance of the City's capital projects funds at year-end was $1,945,953. These funds are assigned for strategic projects and replacement of capital equipment. The fund balance decreased by $78,056 during the fiscal year due to continued expenditures on budgeted projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances in Budget Appropriations
Year-Ended September 30, 2021
(Budgetary Basis)
General Fund

	Original Budget	Final Budget	Actual Results	Variances Budget	Variances Final to Actual
Resources (Inflows):					
Taxes	$ 6,161,691	$ 6,584,928	$ 7,341,717	$ 423,237	$ 756,789
Franchise Fees	632,700	632,700	651,534	-	18,834
Permits	242,750	242,750	499,777	-	257,027
Animal Control	3,400	3,400	1,120	-	(2,280)
Fines & Forfeitures	100,263	100,263	139,753	-	39,490
Other Fees and Services	268,711	268,711	266,691	-	(2,020)
Miscellaneous	18,400	18,400	245,512	-	227,112
Investment Earnings	69,000	69,000	4,286	-	(64,714)
Transfers from Other Funds	240,000	405,648	287,339	165,648	(118,309)
Total	$ 7,736,915	$ 8,325,800	$ 9,437,729	$ 588,885	$ 1,111,929
Charges to Appropriations (Outflows):					
General Government	$ 1,954,848	$ 2,157,790	$ 1,841,452	$ 202,942	$ (316,338)
Public Safety	3,333,905	3,439,150	3,045,958	105,245	(393,192)
Public Works	565,108	606,171	543,008	41,063	(63,163)
Engineering and Planning	962,045	1,024,501	969,803	62,456	(54,698)
Building Codes and Permits	265,700	256,052	253,664	(9,648)	(2,388)
Municipal Court	227,491	225,676	192,955	(1,815)	(32,721)
Transfers to Other Funds	442,993	457,993	472,493	15,000	14,500
Total	$ 7,752,090	$ 8,167,333	$ 7,319,333	$ 415,243	$ (848,000)

Over the course of the year, the City revised its budget. Changes from the adopted budget to the final amended budget resulted in a net increase of $588,885 in budgeted revenues. This increase can be summarized by the following:

- Property tax revenues increased due to a large volume of property value appeals completed by the appraisal districts that resulted in an increase in assessed taxable value for properties within the City.
- Transfers from other funds increased due to an increase in capital equipment replacement funded from the Equipment Replacement Fund.

Final budgeted revenue appropriations for the General Fund were $8,325,800 while actual revenues on a budgetary basis were $9,437,729, creating a favorable variance of $1,111,929. Variance explanations are listed below:

- Tax revenues are higher than final budgeted amount due to better sales taxes collected than anticipated.
- Permits revenue was higher than anticipated due to the continuing development of residential homes and remodeling.
- Miscellaneous revenues are higher than final budgeted amounts due to COVID-19 relief funds awarded for reimbursement of time and expenses, as well as the sale of surplus City assets.

Changes in original expenditure budget appropriations to the final amended budget appropriations resulted in a net $415,243 increase in appropriations. The increase can be summarized by the following:

- General Government increased by $202,942 largely due to an increase in personnel appropriations of $145,728 for organizational changes and compensation study results, as well as an increase in capital expenditures and professional services of $57,214. General Government includes Administration, City Secretary, HR and Communications, Finance, Information Technology and Non-departmental costs.

- Public Safety increased by $105,245 to capture prior year carryforwards for encumbrances.
- Public Works increased $41,063 due to an increase in personnel for compensation study results, an increase in capital for emergency HVAC replacement, and an increase in maintenance and repairs.
- Engineering and Planning increased $62,456 due mostly to an increase in professional services to extend the scope of work for the Planning Consultant and the General Engineering Consultant.
- Building Codes and Municipal Court decreased a total of $11,463 due to decreases in personnel costs.
- Transfers to Other Funds increased $15,000 to account for increased scope of services for a strategic project related to stormwater.

Final budgeted expenditure appropriations for the General Fund were $8,167,333 while actual expenditures on a budgetary basis were $7,319,333, creating a favorable variance of $848,000. Variance explanations are listed below:

- General Government recognized savings due to vacancies in personnel and savings in professional services.
- Public Safety savings are mostly attributed to vacancies in personnel and budgeted capital not purchased due to supply chain issues.
- Public Works savings are attributed to vacancies in personnel and associated training costs for personnel.
- Engineering and Planning savings are due to a vacancy in personnel and budgeted professional services.
- Municipal Court savings are attributed to budgeted court technology and safety improvements not completed, as well as a savings in professional services.
- Transfers to Other Funds increase is due to an approved increase in a Public Safety Utilization Study.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021 amounts to $22,654,347 (net of accumulated depreciation). This investment includes land, buildings, vehicles and equipment, infrastructure and construction in progress (see Table A-3). The net decrease in the City's investment in capital assets for the fiscal year was $783,257, which is comprised of a $327,121 decrease in governmental activities and a decrease of $456,136 in business-type activities.

TABLE A-3

CITY OF FAIR OAKS RANCH'S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Capital assets - not depreciated							
Land	$ 116,798	$ 116,798	$ 53,600	$ 53,600	$ 170,398	$ 170,398	0.0%
Construction in progress	-	4,655	538,019	404,749	538,019	409,404	31.4%
Capital assets - not depreciated							
Buildings and land improvements	4,037,292	4,037,292	-	-	4,037,292	4,037,292	0.0%
Vehicles and equipment	2,208,651	1,990,684	1,124,837	979,348	3,333,488	2,970,032	12.2%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Utility plant	-	-	18,424,624	18,432,221	18,424,624	18,432,221	0.0%
Totals at historical cost	16,511,336	16,298,024	20,141,080	19,869,918	36,652,416	36,167,942	1.3%
Total accumulated depreciation	(4,368,372)	(3,827,939)	(9,629,697)	(8,902,399)	(13,998,069)	(12,730,338)	10.0%
Net capital assets	$ 12,142,964	$ 12,470,085	$ 10,511,383	$ 10,967,519	$ 22,654,347	$ 23,437,604	-3.3%

Additional detail regarding capital assets can be found in Note 5 on page 41 of the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had a total of $6,865,000 in bonds outstanding. The City had no new debt issuances during the fiscal year. More detailed information about the City's long-term liabilities can be found in Note 7 on page 43.

TABLE A-4

CITY OF FAIR OAKS RANCH'S LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Bonds payable	$ 4,435,000	$ 4,880,000	$ 2,430,000	$ 2,660,000	$ 6,865,000	$ 7,540,000	-9.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees that will be charged for the business-type activities. The City has adopted an ad valorem tax rate of $0.3518 per $100 of assessed values for fiscal year 2022, which is a decrease from $0.3735 in fiscal year 2021. Due to growth and increased valuations, property tax revenue is expected to increase approximately 2% compared to fiscal year 2021.

Despite the global pandemic, sales tax revenue in fiscal year 2021 continued to exceed expectations. The City budgeted a 9% increase in sales tax revenue for fiscal year 2022, which is in line with recent performance trends.

Water and wastewater volumetric rates remain unchanged for fiscal year 2022. Due to continued growth, the City expects revenues to be up slightly compared to fiscal year 2021.

Priorities for fiscal year 2022 focus on the continued development and implementation of the City's Strategic Plan and Capital Improvement Plans.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 (210-698-0900) or (866-258-2505).

CITY OF FAIR OAKS RANCH • TEXAS

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
ASSETS				
Cash and cash equivalents	$ 9,844,549	$ 8,633,713	$ 18,478,262	$ 1,716,836
Receivables				
(net of allowance for uncollectibles):				
Taxes	171,660	-	171,660	65,441
Accounts	421,100	468,539	889,639	-
Inventories	-	123,206	123,206	-
Prepaids	96,070	75,561	171,631	-
Capital assets, net:				
Land	116,798	53,600	170,398	-
Buildings and land improvements	2,708,093	-	2,708,093	-
Utility plant and easements	-	9,485,587	9,485,587	-
Vehicles and equipment	853,330	434,177	1,287,507	-
Infrastructure	8,464,743	-	8,464,743	-
Construction in progress	-	538,019	538,019	-
Total capital assets	12,142,964	10,511,383	22,654,347	-
Total assets	22,676,343	19,812,402	42,488,745	1,782,277
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	31,243	9,968	41,211	-
Deferred outflows related to pensions	354,760	151,576	506,336	-
Total deferred outflows of resources	386,003	161,544	547,547	-

(continued)

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Municipal Development District
LIABILITIES				
Accounts payable and other	$ 763,573	$ 237,113	$ 1,000,686	$ 845
Accrued liabilities	177,744	56,828	234,572	-
Other liabilities	79,713	109,077	188,790	-
Unearned revenue	-	1,389,846	1,389,846	-
Noncurrent liabilities:				
Due within one year	531,063	333,793	864,856	-
Due in more than one year	4,261,548	2,171,379	6,432,927	-
OPEB liability	105,988	33,622	139,610	-
Net pension liability	425,502	127,502	553,004	-
Total liabilities	6,345,131	4,459,160	10,804,291	845
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	236,200	76,735	312,935	-
Deferred inflows related to OPEB	10,514	3,343	13,857	-
Total deferred inflows of resources	246,714	80,078	326,792	-
NET POSITION				
Net investment in capital assets	7,647,912	8,081,383	15,729,295	-
Restricted for:				
Court technology	17,819	-	17,819	-
Court security building	57,924	-	57,924	-
Court efficiency and felony forfeiture	11,340	-	11,340	-
Other court restrictions	4,753	-	4,753	-
PEG fees	4,319	-	4,319	-
Public safety	12,847	-	12,847	-
Debt service	44,337	-	44,337	-
Unrestricted	8,669,250	7,353,325	16,022,575	1,781,432
Total net position	$ 16,470,501	$ 15,434,708	$ 31,905,209	$ 1,781,432

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

		Program Revenues		
Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Mayor and council	$ 4,774	$ -	$ -	$ -
Administration	711,344	274,550	189,014	-
City secretary	230,348	-	-	-
HR and communications	220,869	-	-	-
Finance	322,851	-	-	-
Municipal court	192,956	139,753	-	-
Public safety	3,161,031	1,350	1,827	-
Engineering and planning	976,254	-	-	-
Public works	922,990	-	-	-
Building codes and permits	253,665	499,547	-	-
Information technology	394,288	-	-	-
General government	251,462	-	-	-
Total governmental activities	7,642,832	915,200	190,841	-
Business-type activities:				
Water/sewer utility	4,873,487	5,681,369	-	-
Total business-type activities	4,873,487	5,681,369	-	-
Total primary government	$ 12,516,319	$ 6,596,569	$ 190,841	$ -
Component unit:				
Municipal Development District	$ 37,071	$ -	$ -	$ -

General revenues
Taxes:
Property taxes
Non property taxes
Interest and investment earnings
Gain on sale of capital assets
Miscellaneous
Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Municipal Development District
$ (4,774)	$ -	$ (4,774)	
(247,780)	-	(247,780)	
(230,348)	-	(230,348)	
(220,869)	-	(220,869)	
(322,851)	-	(322,851)	
(53,203)	-	(53,203)	
(3,157,854)	-	(3,157,854)	
(976,254)	-	(976,254)	
(922,990)	-	(922,990)	
245,882	-	245,882	
(394,288)	-	(394,288)	
(251,462)	-	(251,462)	
(6,536,791)	-	(6,536,791)	
-	807,882	807,882	
-	807,882	807,882	
(6,536,791)	807,882	(5,728,909)	
			$ (37,071)
6,482,238	-	6,482,238	-
2,112,076	-	2,112,076	389,676
4,345	3,066	7,411	686
19,848	-	19,848	-
20,480	-	20,480	-
8,638,987	3,066	8,642,053	390,362
2,102,196	810,948	2,913,144	353,291
14,368,305	14,623,760	28,992,065	1,428,141
$ 16,470,501	$ 15,434,708	$ 31,905,209	$ 1,781,432

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2021

	Major Funds			Other	Total
	General Fund	Strategic Projects Fund	Equipment Replacement Fund	Governmental Fund Debt Service Fund	Governmental Funds
ASSETS					
Cash and cash equivalents	$ 7,849,262	$ 1,078,784	$ 872,769	$ 43,734	$ 9,844,549
Receivables (net of allowance for uncollectibles):					
Property taxes	156,574	-	-	15,086	171,660
Accounts	421,100	-	-	-	421,100
Prepaid items	96,070	-	-	-	96,070
Total assets	$ 8,523,006	$ 1,078,784	$ 872,769	$ 58,820	$ 10,533,379
LIABILITIES					
Accounts payable	$ 757,973	$ 5,600	$ -	$ -	$ 763,573
Accrued expenditures	177,744	-	-	-	177,744
Other liabilities	79,713	-	-	-	79,713
Total liabilities	1,015,430	5,600	-	-	1,021,030
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	152,014	-	-	14,483	166,497
Total deferred inflows of resources	152,014	-	-	14,483	166,497
FUND BALANCES					
Nonspendable:					
Prepaid items	96,070	-	-	-	96,070
Restricted for:					
Court technology	17,819	-	-	-	17,819
Court security building	57,924	-	-	-	57,924
Court efficiency and felony forfeiture	11,340	-	-	-	11,340
Other court restrictions	4,753	-	-	-	4,753
PEG fees	4,319	-	-	-	4,319
Public safety	12,847	-	-	-	12,847
Debt service	-	-	-	44,337	44,337
Assigned for:					
Strategic expenditures	-	1,073,184	-	-	1,073,184
Capital equipment	-	-	872,769	-	872,769
Legal issues	50,000	-	-	-	50,000
Six month operating reserve	3,835,321	-	-	-	3,835,321
Unassigned	3,265,169	-	-	-	3,265,169
Total fund balances	7,355,562	1,073,184	872,769	44,337	9,345,852
Total liabilities, deferred inflows of resources and fund balances	$ 8,523,006	$ 1,078,784	$ 872,769	$ 58,820	$ 10,533,379

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

CITY OF FAIR OAKS RANCH, TEXAS

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

September 30, 2021

Total fund balances - total governmental funds	$ 9,345,852
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,142,964
Other long-term assets are not available to pay for current period expenditures and, not due and payable in the current period and therefore, are not reported in the funds.	166,497
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(297,559)
Long-term liabilities, including bonds and capital leases are not due and payable in the current period and, therefore, not reported in the governmental funds.	
Bonds payable	(4,435,000)
Unamortized bond premium	(60,052)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.	
Net pension liability	(425,502)
Pension related deferred inflows	(236,200)
Pension related deferred outflows	354,760
OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.	
OPEB liability	(105,988)
OPEB related deferred inflows	(10,514)
OPEB related deferred outflows	31,243
Total net position of governmental activities	$ 16,470,501

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Major Fund			Other	Total
	General Fund	Strategic Projects Fund	Equipment Replacement Fund	Governmental Fund Debt Service Fund	Governmental Funds
REVENUES					
Taxes	$ 7,341,717	$ -	$ -	$ 563,043	$ 7,904,760
Franchise fees	651,534	-	-	-	651,534
Permits	499,777	-	-	-	499,777
Animal control	1,120	-	-	-	1,120
Fines and forfeits	139,753	-	-	-	139,753
Utility management fee	206,955	-	-	-	206,955
Other fees and services	59,735	-	-	-	59,735
Interest	4,286	-	-	59	4,345
Miscellaneous	219,181	-	-	-	219,181
Total revenues	9,124,058	-	-	563,102	9,687,160
EXPENDITURES					
Current:					
Mayor and council	4,774	-	-	-	4,774
Administration	589,236	73,776	-	-	663,012
City secretary	223,748	6,600	-	-	230,348
HR and communications	211,478	9,391	-	-	220,869
Finance	322,851	-	-	-	322,851
Municipal court	192,956	-	-	-	192,956
Public safety	2,750,573	49,525	-	-	2,800,098
Engineering and planning	969,802	6,452	-	-	976,254
Public works	534,829	47,703	-	-	582,532
Building codes and permits	253,665	-	-	-	253,665
Information technology	324,525	69,763			394,288
Non-departmental	152,060	-	-	-	152,060
Capital projects/outlay	316,341	-	-	-	316,341
Debt service:					
Principal	-	-	-	445,000	445,000
Interest and fiscal charges	-	-	-	106,075	106,075
Total expenditures	6,846,838	263,210	-	551,075	7,661,123
Excess (deficiency) of revenues over (under) expenditures	2,277,220	(263,210)	-	12,027	2,026,037
OTHER FINANCING SOURCES (USES)					
Sale of assets	26,330	-	-	-	26,330
Transfers in	287,339	182,000	290,493	-	759,832
Transfers out	(472,493)	-	(287,339)	-	(759,832)
Total other financing sources (uses)	(158,824)	182,000	3,154	-	26,330
Net change in fund balances	2,118,396	(81,210)	3,154	12,027	2,052,367
Fund balance - beginning	5,237,166	1,154,394	869,615	32,310	7,293,485
Fund balance - ending	$ 7,355,562	$ 1,073,184	$ 872,769	$ 44,337	$ 9,345,852

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

Net change in fund balances - total governmental funds	$ 2,052,367
Amounts reported for governmental activities in the statement of activites are different because:	
Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.	
Current year additions	316,341
Current year depreciation	(636,980)
Loss on disposal	(6,482)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Ad valorem revenue	38,020
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Princial repayments	445,000
Amortization of bond premiums	6,673
Governmental funds report required contributions to employee pension as expenditures. However, in the statement of activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.	25,674
Governmental funds report required contributions to employee OPEB as expenditures. However, in the statement of activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense.	(12,125)
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 govermental funds:	
Compensated absences	(126,292)
Change in net position - governmental activities	$ 2,102,196

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUND

September 30, 2021

	Business-Type Activities Water/Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 8,633,713
Receivables (net of allowances for uncollectibles):	
Accounts	468,539
Inventories	123,206
Prepaids	75,561
Total current assets	9,301,019
Capital assets:	
Land	53,600
Construction in progress	538,019
Utility plant and easements	18,424,624
Vehicles and equipment	1,124,837
Accumulated depreciation	(9,629,697)
Total capital assets, net of accumulated depreciation	10,511,383
Total assets	19,812,402
Deferred outflows of resources	
Deferred OPEB related outflows	9,968
Deferred pension related outflows	151,576
Total deferred outflows of resources	161,544
Liabilities	
Current liabilities:	
Accounts payable	237,113
Accrued liabilities	56,828
Other liabilities	109,077
Unearned revenue	1,389,846
Due within one year	333,793
Total current liabilities	2,126,657
Noncurrent liabilities:	
Due in more than one year	2,171,379
OPEB liability	33,622
Net pension liability	127,502
Total noncurrent liabilities	2,332,503
Total liabilities	4,459,160
Deferred inflows of resources	
Deferred pension related inflows	76,735
Deferred OPEB related inflows	3,343
Total deferred inflows of resources	80,078
Net position	
Net investment in capital assets	8,081,383
Unrestricted	7,353,325
Total net position	$ 15,434,708

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Business-Type Activities Water/Sewer Fund
Operating revenues	
Charges for utility service	$ 5,681,369
Operating expenses	
Personnel services	1,397,405
Contractual services	6,946
Maintenance	360,518
Equipment lease	1,334
Supplies	100,772
Office supplies	126,293
Postage	18,860
Utilities	221,979
Management fee	206,955
Professional fees	377,461
Permits and licenses	9,616
Water reservation fees	923,967
Insurance	39,923
Sludge disposal	269,334
Miscellaneous	37,071
Total operating expenses	4,098,434
Operating income (loss) before depreciation	1,582,935
Depreciation	749,206
Operating income (loss)	833,729
Nonoperating revenues (expenses)	
Interest income	3,066
Interest and fiscal charges	(25,847)
Total nonoperating revenues (expenses)	(22,781)
Income before transfers	810,948
Change in net position	810,948
Total net position - beginning	14,623,760
Total net position - ending	$ 15,434,708

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended September 30, 2021

	Business-Type Activities Water/Sewer Fund
Cash flows from operating activities	
Cash received from customers	$ 7,027,920
Cash paid for employee wages and benefits	(1,414,266)
Cash paid for suppliers for goods and services	(2,541,760)
Cash paid to general fund for management fee	(206,955)
Net cash provided (used) in operating activities	2,864,939
Cash flows from capital and related financing activities	
Purchase/construction of capital assets	(293,070)
Principal payments on long-term debt	(201,302)
Interest and fiscal charges paid	(25,847)
Net cash provided (used) by capital and related financing activities	(520,219)
Cash flows from investing activities	
Investment interest received	3,066
Net cash provided (used) by investing activities	3,066
Net increase (decrease) in cash and investments	2,347,786
Cash and investments at beginning of year	6,285,927
Cash and investments at end of year	$ 8,633,713
Reconciliation of net operating income to net cash provided to net cash (used) by operating activities	
Operating income (loss)	$ 833,729
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	749,206
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	105,757
(Increase) decrease in inventories	(3,418)
(Increase) decrease in prepaids	14,597
Increase (decrease) in accounts payable	(58,865)
Increase (decrease) in accrued liabilities	19,266
Increase (decrease) in other liabilities	(36,127)
Net cash provided (used) by operating activities	$ 2,864,939
SCHEDULE OF NONCASH CAPITAL ACTIVITIES	
Actuarially determined change in net pension liability	$ 42,038
Other postemployment benefit liability	8,858

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

September 30, 2021

	Private-Purpose Trust Fund
Assets	
Cash and cash equivalents	$ 5,609
Other receivable	2,814
Total assets	8,423
Liabilities	
Due to local government	2,814
Net position	
Restricted for individuals	$ 5,609

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the year ended September 30, 2021

	Private-Purpose Trust Fund
Additions	
Contributions from employees	$ 19,528
Deductions	
Benefit payments	13,919
Net change in fiduciary net position	5,609
Net position - beginning	-
Net position - ending	$ 5,609

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF FAIR OAKS RANCH • TEXAS

(1) Summary of significant accounting policies

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

Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component unit, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2021, the City had one component unit that is discretely presented in these financial statements:

City of Fair Oaks Ranch Municipal Development District

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

Government-wide and fund financial statements

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

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

(1) Summary of significant accounting policies (continued)

Measurement focus and basis of accounting and financial statement presentation

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

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

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

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

The government reports the following major governmental funds:

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

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

Equipment replacement fund is used to account for funds assigned for capital equipment additions.

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

(1) Summary of significant accounting policies (continued)

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

The proprietary fund is accounted for using the accrual basis of accounting as follows:

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

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

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.

Cash and cash equivalents

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

Investments

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

Accounts receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

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

(1) Summary of significant accounting policies (continued)

Accounts receivable (continued)

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

Short-term interfund receivables/payables

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

Inventories and prepaid items

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

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

Restricted net assets

Certain proceeds of General Obligation Bonds, as well as certain resources set aside for their repayment, and revenues received with constraints to specific purposes by their providers, through constitutional provisions, or by enabling legislation are classified as restricted assets on the balance sheet because their use is limited.

Capital assets

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

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

(1) Summary of significant accounting policies (continued)

Capital assets (continued)

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

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

Deferred inflows/outflows of resources

Pensions

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

Other postemployment benefits

The other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the other postemployment benefit (OPEB) liability and deferred outflows of resources related to the other postemployment benefits, (OPEB) expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

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

(1) Summary of significant accounting policies (continued)

Compensated absences

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

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

Unearned revenue

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

Long-term obligations

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

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

Fund equity

Fund balances in governmental funds are classified as follows:

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

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

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

(1) Summary of significant accounting policies (continued)

Fund equity (continued)

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

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

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

Net position

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

Interfund transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City charges the utility (proprietary) fund a management fee for administrative costs associated with the utility fund. During the year ended September 30, 2021, management fees totaled $206,955.

Operating revenues and expenses

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

Use of estimates

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

Fiduciary activity

During the fiscal year the City established a private-purpose trust fiduciary fund in accordance with GASB Statement No. 84 "*Fiduciary Activities*."

(2) Cash and cash equivalents

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

Cash and cash equivalents

Custodial credit risk – deposits. At September 30, 2021, the carrying amount of the City's deposits in the bank was $1,632,479 and the bank balance was $1,698,267. Of the bank balance, $250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a market value of $2,209,000 as collateral for the City's deposits. All of the City's cash was fully collateralized. The City maintains $1,175 of cash-on-hand at September 30, 2021.

At September 30, 2021, the carrying amount of the Municipal Development District's deposits in the bank was $94,497 and the bank balance was the same. The bank balance was fully covered by federal deposit insurance. All of the District's cash was fully collateralized.

Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statement disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act. Investment practices of the City were in accordance with local policies. The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) money market mutual funds, and 4) eligible public funds investment pools.

The City's investments at September 30, 2021 were as shown below:

	Rating	Value	Weighted Average Maturity (Days)
TexPool (valued at amortized cost)	AAAm	$ 16,850,217	37

(2) Cash and investments (continued)

Investments (continued)

The Municipal Development District's investments at September 30, 2021 were as shown below:

	Rating	Value	Weighted Average Maturity (Days)
TexPool (valued at amortized cost)	AAAm	$ 1,622,339	37

Custodial credit risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All of the City's investments are held by its agents in the City's name.

Interest rate risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to less than 13 months. The City's investment policy limits the final stated maturity of any security to no more than two years. As a matter of policy, the City holds all investments to maturity.

Credit risk

The City's investment policy states that investments in local government pools will be no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

Investment accounting policy

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

(2) Cash and investments (continued)

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. TexPool is an investment pool that meets these criteria.

TexPool is an investment pool in which the Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (The Trust Company). The Trust Company is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and it does not have any limitations or restrictions on participants' withdrawals.

(3) Property tax

Taxes were levied on and payable as of January 1. The City contracts with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2021, the assessed tax rate for the City was \$.3735 per \$100 on an assessed valuation of \$1,727,885,074. The tax rate is split \$.3409 for general maintenance and operations and \$.0326 for interest and sinking. Total tax levy for fiscal year 2021 is \$6,453,874. As of September 30, 2021, the delinquent taxes were \$171,547.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2021, was \$.3735 per \$100 of assessed value, which means that the City has a tax margin of \$2.1265 for each \$100 value and could increase its annual tax levy by approximately \$36,743,476 based upon the present assessed valuation of \$1,727,885,074 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than three and a half percent (3.5%) of the previous year's maintenance and operations tax rate.

(4) Interfund balances and transfers

Interfund balances represent reimbursements for expenditures paid or cash received on behalf of other funds and are expected to be liquidated in the next fiscal year. At September 30, 2021, the City did not have any due to/due from balances outstanding.

Transfers between City funds during the year ended September 30, 2021 consist of the following:

Transfer Out	Transfer In	Amount	Purpose
General Fund	Strategic Projects Fund	$ 182,000	Capital Improvement Plan
General Fund	Equipment Replacement Fund	290,493	Capital Equipment Replacement
Equipment Replacement Fund	General Fund	287,339	Capital Replacement
Total		$ 759,832	

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	Disposals	Balance September 30, 2021
Governmental activities				
Capital assets not being depreciated				
Land	$ 116,798	$ -	$ -	$ 116,798
Construction in progress	4,655	-	(4,655)	-
Capital assets being depreciated				
Buildings and land improvements	4,037,292	-	-	4,037,292
Vehicles and equipment	1,990,684	320,996	(103,029)	2,208,651
Infrastructure	10,148,595	-	-	10,148,595
Total capital assets	16,298,024	320,996	(107,684)	16,511,336
Less accumulated depreciation				
Buildings and land improvements	(1,216,516)	(112,683)	-	(1,329,199)
Vehicles and equipment	(1,180,439)	(271,429)	96,547	(1,355,321)
Infrastructure	(1,430,984)	(252,868)	-	(1,683,852)
Total accumulated depreciation	(3,827,939)	(636,980)	96,547	(4,368,372)
Governmental capital assets, net	$ 12,470,085	$ (315,984)	$ (11,137)	$ 12,142,964

(5) Capital assets (continued)

Capital asset activity in the proprietary fund for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	Disposals	Balance September 30, 2021
Business-type activities				
Capital assets not being depreciated				
Land	$ 53,600	$ -	$ -	$ 53,600
Construction in progress	404,749	133,270	-	538,019
Capital assets being depreciated				
Utility plant and easements	18,428,801	-	(4,177)	18,424,624
Vehicles and equipment	982,768	159,800	(17,731)	1,124,837
Totals capital assets	19,869,918	293,070	(21,908)	20,141,080
Less accumulated depreciation				
Utility plant and easements	(8,281,587)	(661,627)	4,177	(8,939,037)
Vehicles and equipment	(620,812)	(87,579)	17,731	(690,660)
Total accumulated depreciation	(8,902,399)	(749,206)	21,908	(9,629,697)
Business-type capital assets, net	$ 10,967,519	$ (456,136)	$ -	$ 10,511,383

Depreciation expense was charged to the governmental functions as follows:

Administration	$ 48,332
Public safety	248,190
Public works	340,458
Total depreciation expense - governmental activities	$ 636,980

(6) Unearned revenue

Water Supply Agreements

The City has entered into agreements with certain developers to provide water and sewer services to planned future developments. The City has agreed to provide treated water from the City's water production, storage and distribution system and to provide sewer service from the City's wastewater treatment plant, both of which may require expansion or modifications. The developers have agreed to extend utilities from their present locations to the boundaries of the developed properties and to provide for offsets and/or credits toward "Contributions in Aid of Construction". The City will credit the contributions in aid provided by the developers against impact fees due upon development of the property. Impact fees are collected at the time a building permit is issued for a particular lot. Therefore, the contributions in aid are unearned until such time as the lots are permitted for construction. The City received $0 contributions in aid during the year ended September 30, 2021. 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.

(6) Unearned revenue (continued)

Unspent Grant Funds

During 2021 the City received $1,244,133 of Coronavirus Local Fiscal Recovery Funds (CLFRF) that had not been expended and recognized as revenue as of September 30, 2021.

(7) Long-term liabilities

Primary government

At September 30, 2021, the City's long-term debt consisted of the following:

Governmental activities:	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
General Obligation Bond,				
Series 2015	1.0 - 3.0%	$ 4,435,000	$ 450,000	$ 3,985,000

Business-type activities	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Certificate of Obligation Bond				
Series 2020	1.01%	$ 2,430,000	$ 315,000	$ 2,115,000

On April 16, 2015 the City issued general obligations bonds, series 2015 for $7,000,000. The proceeds were used for designing, acquiring, constructing, renovating, improving and equipping City streets, curbs, sidewalks, and gutter improvements, demolition, repair, and rebuilding of existing streets, completing necessary or incidental utility relocation and drainage in connection with the foregoing and the purchase of land, easements, and right-of-way.

On September 23, 2020 the City issued tax and limited pledge revenue certificate of obligation bonds, series 2020 for $2,660,000. The proceeds were used to refinance capital equipment purchased through capital lease agreements and acquire other equipment and materials for City water projects.

(7) Long-term liabilities (continued)

Changes in the City's long-term liabilities during the fiscal year ended September 30, 2021:

Governmental activities:	Original Amount	Balance Outstanding Oct. 1, 2020	Current Additions	Current Reductions	Balance Outstanding Sept. 30, 2021	Due Within One Year
Long-term debt:						
GO Bonds, Series 2015	$ 7,000,000	$ 4,880,000	$ -	$ (445,000)	$ 4,435,000	$ 450,000
Premium on bonds		66,725	-	(6,673)	60,052	6,673
Total long-term debt		4,946,725	-	(451,673)	4,495,052	456,673
Other long-term liabilities:						
Compensated absences		171,267	169,109	(42,817)	297,559	74,390
Total governmental activities		$ 5,117,992	$ 169,109	$ (494,490)	$ 4,792,611	$ 531,063
Business-type activities:						
Long-term debt:						
CO Bonds, Series 2020	$ 2,660,000	$ 2,660,000	$ -	$ (230,000)	$ 2,430,000	$ 315,000
Other long-term liabilities:						
Compensated absences		46,474	40,316	(11,618)	75,172	18,793
Total business-type activities		2,706,474	40,316	(241,618)	2,505,172	333,793
Total changes in long-term liabilities		$ 7,824,466	$ 209,425	$ (736,108)	$ 7,297,783	$ 864,856

The compensated absences attributable to the governmental activities will be liquidated primarily by the general fund. The compensated absences attributable to the business-type activities will be liquidated by the water/sewer fund. The net and total pension liabilities and the OPEB liability will be liquidated primarily from the general fund, approximately 77%, with the remaining amounts from the water and sewer fund.

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2021, including principal and interest payments, are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2022	$ 450,000	$ 99,185	$ 549,185	$ 315,000	$ 22,952	$ 337,952
2023	460,000	92,130	552,130	320,000	19,745	339,745
2024	470,000	83,163	553,163	320,000	16,513	336,513
2025	480,000	72,475	552,475	325,000	13,256	338,256
2026	490,000	60,950	550,950	325,000	9,974	334,974
2027 - 2030	2,085,000	115,388	2,200,388	825,000	10,782	835,782
	$ 4,435,000	$ 523,291	$ 4,958,291	$ 2,430,000	$ 93,222	$ 2,523,222

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 895 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits provided

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

At retirement, the member' benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution and interest.

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

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	42
Active employees	65
Total	125

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 City's contribution rate is based on the actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 11.57% and 11.71% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were $490,444, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return*	6.75%, net of pension plan investment expense, including inflation

* presented 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 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.

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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 rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2020:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 8,933,286	$ 8,409,543	$ 523,743
Changes for the year:			
Service cost	687,662	-	687,662
Interest	618,696	-	618,696
Changes of benefit terms	-	-	-
Difference between expected and actual experience	100,676	-	100,676
Changes of assumptions	-	-	-
Contributions - employer	-	464,390	(464,390)
Contributions - employee	-	277,603	(277,603)
Net investment income	-	640,072	(640,072)
Benefit payments, including refunds of employee contributions	(222,498)	(222,498)	-
Administrative expenses	-	(4,131)	4,131
Other changes	-	(161)	161
Net changes	1,184,536	1,155,275	29,261
Balance at 12/31/2020	$ 10,117,822	$ 9,564,818	$ 553,004

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	$ 2,348,453	$ 553,004	$ (874,111)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at trms.com.

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

For the year ended September 30, 2021, the City recognized pension expense of $402,455.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 116,683	$ 74,132
Changes in actuarial assumptions	31,594	-
Difference between projected and actual investment earnings	-	238,803
Contributions made subsequent to the measurement date	358,059	-
Total	$ 506,336	$ 312,935

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position (continued)

The City reported $358,059 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amortization Expense
2022	$ (65,442)
2023	19,598
2024	(117,046)
2025	(1,768)
2026	-
Thereafter	-
	$ (164,658)

(9) Other postemployment benefits

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan, operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for $7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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.

(9) Other postemployment benefits (continued)

Contributions (continued)

The contribution rate for the City was 0.14% for calendar years 2020 and 2021. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2021 were $5,664, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	7
Active employees	65
Total	84

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of $139,610 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	2.00%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

(9) Other postemployment benefits (continued)

Changes in the total OPEB liability:

Balance at 12/31/2019	$ 112,615
Changes for the year:	
Service cost	10,311
Interest on total OPEB liability	3,233
Changes of benefit terms	-
Difference between expected and actual experience	(6,486)
Changes of assumptions	20,334
Benefit payments	(397)
Net changes	26,995
Balance at 12/31/2020	$ 139,610

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Current Single Rate Assumption (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability (asset)	$ 174,211	$ 139,610	$ 113,312

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

For the year ended September 30, 2021, the City recognized OPEB expense of $17,812.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 1,566	$ 9,848
Changes in actuarial assumptions	35,313	4,009
Difference between projected and actual investment earnings	-	-
Contributions made subsequent to the measurement date	4,333	-
Total	$ 41,212	$ 13,857

(9) Other postemployment benefits (continued)

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

The City reported $4,333 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amortization Expense
2022	$ 4,268
2023	4,268
2024	4,268
2025	3,700
2026	3,713
Thereafter	2,805
	$ 23,022

(10) Risk management

The City is exposed to various risks of loss related to torts; theft of and damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2021 were $154,298 for property and casualty and workers compensation coverage.

CITY OF FAIR OAKS RANCH • TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

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

Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Net Pension Liability
- Schedule of Changes – OPEB Liability and Related Ratios
- Schedule of Contributions – OPEB
- Notes to Required Supplementary Information

CITY OF FAIR OAKS RANCH • TEXAS

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 6,161,691	$ 6,584,928	$ 7,341,717	$ 756,789
Franchise fees	632,700	632,700	651,534	18,834
Permits	242,750	242,750	499,777	257,027
Animal control	3,400	3,400	1,120	(2,280)
Fines and forfeits	100,263	100,263	139,753	39,490
Utility management fee	202,261	202,261	206,955	4,694
Other fees & services	66,450	66,450	59,735	(6,715)
Interest	69,000	69,000	4,286	(64,714)
Miscellaneous	18,400	18,400	219,181	200,781
Total revenues	7,496,915	7,920,152	9,124,058	1,203,906
Expenditures				
Mayor and council:				
Supplies and maintenance	6,350	6,350	286	6,064
Services	24,350	24,350	4,488	19,862
Total mayor and council	30,700	30,700	4,774	25,926
Administration:				
Personnel	457,105	584,030	447,437	136,593
Maintenance and supplies	1,800	1,800	288	1,512
Services	125,425	125,425	141,511	(16,086)
Capital outlay	24,000	24,000	-	24,000
Total administration	608,330	735,255	589,236	146,019
City secretary:				
Personnel	168,811	160,903	160,911	(8)
Supplies, maintenance and operations	2,044	2,044	1,709	335
Services	47,585	47,585	61,128	(13,543)
Total city secretary	218,440	210,532	223,748	(13,216)
Human resources and communications:				
Personnel	171,339	190,257	177,649	12,608
Supplies, maintenance and operations	3,500	3,500	2,624	876
Services	82,835	82,835	31,205	51,630
Capital outlay	-	16,000	12,777	3,223
Total human resources and communications	257,674	292,592	224,255	68,337
Finance:				
Personnel	258,246	261,566	259,706	1,860
Supplies, maintenance and operations	2,075	2,075	1,070	1,005
Professional services	88,816	88,816	62,075	26,741
Total finance	349,137	352,457	322,851	29,606

(continued)

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Expenditures (continued)				
Municipal court:				
Personnel	$ 146,311	$ 144,496	$ 141,139	$ 3,357
Supplies, maintenance and operations	18,550	18,550	5,158	13,392
Services	62,630	62,630	46,659	15,971
Total municipal court	227,491	225,676	192,956	32,720
Public safety:				
Personnel	2,446,431	2,380,907	2,108,923	271,984
Supplies, maintenance and operations	101,230	101,230	84,778	16,452
Services	570,244	571,364	556,872	14,492
Capital outlay	216,000	385,648	295,385	90,263
Total public safety	3,333,905	3,439,149	3,045,958	393,191
Engineering and planning:				
Personnel	311,106	313,562	272,732	40,830
Supplies, maintenance and operations	445,321	445,321	468,412	(23,091)
Services	205,618	265,618	228,658	36,960
Total engineering and planning	962,045	1,024,501	969,802	54,699
Public works:				
Personnel	445,593	469,477	411,591	57,886
Supplies, maintenance and operations	109,875	118,875	121,355	(2,480)
Services	9,640	9,640	1,883	7,757
Capital outlay	-	8,179	8,179	-
Total public works	565,108	606,171	543,008	63,163
Building codes and permits:				
Personnel	248,445	238,797	239,426	(629)
Supplies, maintenance and operations	2,580	2,580	2,618	(38)
Services	14,675	14,675	11,621	3,054
Total building codes and permits	265,700	256,052	253,665	2,387
Information technology:				
Personnel	98,601	103,073	85,853	17,220
Supplies, maintenance and operations	500	500	283	217
Services	11,500	11,500	3,842	7,658
Shared services	233,674	243,424	234,547	8,877
Total information technology	344,275	358,497	324,525	33,972
Civic center				
Personnel	2,500	2,500	-	2,500
Shared services	3,750	3,750	-	3,750
Total civic center	6,250	6,250	-	6,250
Non-departmental and shared services:				
Supplies, maintenance and operations	6,000	17,464	32,723	(15,259)
Shared services	134,042	154,042	119,337	34,705
Total non-departmental and shared services	140,042	171,506	152,060	19,446
Total expenditures	7,309,097	7,709,338	6,846,838	862,500

(continued)

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Excess (deficiency) of revenues over (under) expenditures	$ 187,818	$ 210,814	$ 2,277,220	$ 2,066,406
Other financing sources (uses)				
Sale of assets	-	-	26,330	26,330
Transfers in (out)	(442,993)	(457,993)	(472,493)	(14,500)
Transfers in (out)	240,000	405,648	287,339	(118,309)
Total other financing sources (uses)	(202,993)	(52,345)	(158,824)	(106,479)
Net change in fund balance	(15,175)	158,469	2,118,396	1,959,927
Fund balance, beginning	5,237,166	5,237,166	5,237,166	-
Fund balance, ending	$ 5,221,991	$ 5,395,635	$ 7,355,562	$ 1,959,927

CITY OF FAIR OAKS RANCH, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND TEXAS MUNICIPAL RETIREMENT SYSTEM RELATED RATIOS

For the measurement year ended December 31,

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ 687,662	$ 648,430	$ 577,241	$ 483,263	$ 415,604	$ 372,932	$ 314,855
Interest (on the total pension liability)	618,696	550,195	478,426	428,795	377,577	347,674	303,986
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	100,676	(79,808)	86,113	(101,894)	47,016	(72,739)	66,156
Changes of assumptions	-	51,465	-	-	-	51,102	-
Benefit payments, including refunds of employee contributions	(222,498)	(127,623)	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
Net change in total pension liability	1,184,536	1,042,659	1,041,125	667,054	752,837	599,642	604,486
Total pension liability - beginning	8,933,286	7,890,627	6,849,502	6,182,448	5,429,611	4,829,969	4,225,483
Total pension liability - ending	$ 10,117,822	$ 8,933,286	$ 7,890,627	$ 6,849,502	$ 6,182,448	$ 5,429,611	$ 4,829,969
Plan fiduciary net position							
Contributions - employer	$ 464,390	$ 437,261	$ 400,446	$ 318,292	$ 276,800	$ 265,412	$ 234,399
Contributions - employee	277,603	261,163	232,624	194,528	172,450	158,118	143,051
Net investment income	640,072	1,052,635	(193,745)	742,178	316,200	6,418	219,419
Benefit payments, including refunds of employee contributions	(222,498)	(127,623)	(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
Administrative expense	(4,131)	(5,933)	(3,738)	(3,841)	(3,568)	(3,909)	(2,290)
Other	(161)	(178)	(195)	(195)	(192)	(193)	(188)
Net change in plan fiduciary net position	1,155,275	1,617,325	334,737	1,107,852	674,330	326,519	513,880
Plan fiduciary net position - beginning	8,409,543	6,792,218	6,457,481	5,349,629	4,675,299	4,348,780	3,834,900
Plan fiduciary net position - ending	$ 9,564,818	$ 8,409,543	$ 6,792,218	$ 6,457,481	$ 5,349,629	$ 4,675,299	$ 4,348,780
Net pension liability	$ 553,004	$ 523,743	$ 1,098,409	$ 392,021	$ 832,819	$ 754,312	$ 481,189
Plan fiduciary net position as a percentage of total pension liability	94.53%	94.14%	86.08%	94.28%	86.53%	86.11%	90.04%
Covered payroll	$ 3,965,754	$ 3,730,898	$ 3,323,206	$ 2,778,969	$ 2,463,571	$ 2,258,825	$ 2,043,586
Net pension liability as a percentage of covered payroll	13.94%	14.04%	33.05%	14.11%	33.81%	33.39%	23.55%

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

CITY OF FAIR OAKS RANCH, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION

For the year ended September 30,

Schedule of contributions:	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 490,444	$ 479,231	$ 427,169	$ 375,269	$ 306,515	$ 272,041	$ 238,287
Contributions in relation to the actuarially determined contribution	490,444	479,231	427,169	375,269	306,515	272,041	238,287
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,045,825	$ 4,091,573	$ 3,616,851	$ 3,150,696	$ 2,689,459	$ 2,387,202	$ 2,103,123
Contributions as a percentage of covered payroll	12.12%	11.71%	11.81%	11.91%	11.40%	11.40%	11.33%

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

CITY OF FAIR OAKS RANCH, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM RELATED RATIOS

For the measurement year ended December 31,

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 10,311	$ 7,462	$ 7,311	$ 5,280
Interest on the total OPEB liability	3,233	3,385	2,830	2,653
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(6,486)	(5,875)	2,643	-
Changes of assumptions	20,334	20,311	(6,763)	6,688
Benefit payments, including refunds of employee contributions	(397)	(373)	(332)	(278)
Net change in total OPEB liability	26,995	24,910	5,689	14,343
Total OPEB liability - beginning	112,615	87,705	82,016	67,673
Total OPEB liability - ending	$ 139,610	$ 112,615	$ 87,705	$ 82,016
Covered payroll	$ 3,965,754	$ 3,730,898	$ 3,323,206	$ 2,778,969
OPEB liability as a percentage of covered payroll	3.52%	3.02%	2.64%	2.95%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF FAIR OAKS RANCH, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB

For the year ended September 30,

Schedule of contributions:	2021	2020	2019	2018
Actuarially determined contributions	$ 5,664	$ 5,728	$ 4,871	$ 4,017
Contributions in relation to the actuarially determined contribution	5,664	5,728	4,871	4,017
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 4,045,825	$ 4,091,573	$ 3,616,851	$ 3,150,696
Contributions as a percentage of covered payroll	0.14%	0.14%	0.13%	0.13%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 75. The City will develop the schedule prospectively.

(1) Budgetary information

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

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

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

(2) Schedule of contributions

Valuation date:

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

Methods and assumption used to determine contribution rates:

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

Other information:

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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

Such information includes:

- Budgetary Comparison Schedules:
  - Debt Service Fund
  - Strategic Project Fund
  - Equipment Replacement Fund

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 553,153	$ 557,469	$ 563,043	$ 5,574
Interest	1,000	1,000	59	(941)
Total revenues	554,153	558,469	563,102	4,633
Expenditures				
Debt service:				
Principal	445,000	445,000	445,000	-
Interest and fiscal charges	106,075	106,075	106,075	-
Total debt service	551,075	551,075	551,075	-
Total expenditures	551,075	551,075	551,075	-
Excess (deficiency) of revenues over (under) expenditures	3,078	7,394	12,027	4,633
Net change in fund balance	3,078	7,394	12,027	4,633
Fund balance, beginning	32,310	32,310	32,310	-
Fund balance, ending	$ 35,388	$ 39,704	$ 44,337	$ 4,633

CITY OF FAIR OAKS RANCH, TEXAS

SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
STRATEGIC PROJECTS FUND

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Miscellaneous revenue	$ 600,000	$ 600,000	$ -	$ (600,000)
Expenditures				
City administration	1,357,729	1,439,697	73,776	1,365,921
City secretary	36,000	43,850	6,600	37,250
HR and communications	29,000	32,034	9,391	22,643
Public safety	75,000	75,000	49,525	25,475
Engineering and planning	15,000	15,000	6,452	8,548
Public works	10,000	42,754	47,703	(4,949)
Information technology	178,685	178,685	69,763	108,922
Total expenditures	1,701,414	1,827,020	263,210	1,563,810
Excess (deficiency) of revenues over (under) expenditures	(1,101,414)	(1,227,020)	(263,210)	963,810
Other financing sources (uses)				
Transfers in	152,500	167,500	182,000	14,500
Net change in fund balances	(948,914)	(1,059,520)	(81,210)	978,310
Fund balance - beginning	1,154,394	1,154,394	1,154,394	-
Fund balance - ending	$ 205,480	$ 94,874	$ 1,073,184	$ 978,310

CITY OF FAIR OAKS RANCH, TEXAS

SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND

For the year ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 290,493	$ 290,493	$ 290,493	$ -
Transfers out	(240,000)	(405,648)	(287,339)	118,309
Total other financing sources (uses)	50,493	(115,155)	3,154	118,309
Fund balance - beginning	869,615	869,615	869,615	-
Fund balance - ending	$ 920,108	$ 754,460	$ 872,769	$ 118,309

STATISTICAL SECTION

CITY OF FAIR OAKS RANCH • TEXAS

STATISTICAL SECTION

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

<u>Contents</u>	<u>Tables</u>
Financial Trends	1 through 4
Net Position by Component	
Change in Net Position	
Fund Balances of Governmental Funds	
Changes in Fund Balances of Governmental Funds	

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

Revenue Capacity	5 through 10
Tax Revenues by Source – Governmental Funds	
Top 10 Sales Tax Providers	
Property Tax Levies and Collections	
Direct and Overlapping Property Tax Rates	
Assessed Value and Actual Taxable Property	
Principal Property Taxpayers	

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

Debt Capacity	11 through 14
Ratios of Outstanding Debt by Type	
Ratios of General Bonded Debt Outstanding	
Legal Debt Margin Information	
Direct and Overlapping Governmental Activities Debt	

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

Demographic and Economic Information	15 through 16
Principal Employers	
Demographic and Economic Statistics	

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

Operating Information	17 through 19
Operating Indicators by Function	
Capital Asset Statistics by Function	
Full-Time Equivalent City Government Employees by Function	

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

CITY OF FAIR OAKS RANCH, TEXAS

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2012	2013	2014	2015*
GOVERNMENTAL ACTIVITES				
Net investment in capital assets	$ 4,675,461	$ 4,658,498	$ 3,886,740	$ 4,103,711
Restricted	48,355	64,787	68,071	66,909
Unrestricted	3,452,484	3,887,116	4,580,595	3,798,804
Total government activities net position	$ 8,176,300	$ 8,610,401	$ 8,535,406	$ 7,969,424
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 5,842,767	$ 6,255,433	$ 7,847,915	$ 6,751,803
Unrestricted	2,972,799	3,331,135	2,551,317	4,753,811
Total business-type activities net position	$ 8,815,566	$ 9,586,568	$ 10,399,232	$ 11,505,614
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 10,518,228	$ 10,913,931	$ 11,734,655	$ 10,855,514
Restricted	48,355	64,787	68,071	66,909
Unrestricted	6,425,283	7,218,251	7,131,912	8,552,615
Total primary government net position	$ 16,991,866	$ 18,196,969	$ 18,934,638	$ 19,475,038

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.
** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

TABLE 1

2016	2017	2018**	2019	2020	2021
$ 6,606,072	$ 6,898,385	$ 7,334,582	$ 7,576,143	$ 7,523,360	$ 7,647,912
77,162	76,346	95,553	108,461	132,938	153,339
2,089,120	2,714,487	3,277,879	5,128,445	6,712,007	8,669,250
$ 8,772,354	$ 9,689,218	$ 10,708,014	$ 12,813,049	$ 14,368,305	$ 16,470,501
$ 6,667,928	$ 8,682,584	$ 8,464,020	$ 8,466,058	$ 8,307,519	$ 8,081,383
5,372,865	4,474,678	5,448,975	5,686,797	6,316,241	7,353,325
$ 12,040,793	$ 13,157,262	$ 13,912,995	$ 14,152,855	$ 14,623,760	$ 15,434,708
$ 13,274,000	$ 15,580,969	$ 15,798,602	$ 16,042,201	$ 15,830,879	$ 15,729,295
77,162	76,346	95,553	108,461	132,938	153,339
7,461,985	7,189,165	8,726,854	10,815,242	13,028,248	16,022,575
$ 20,813,147	$ 22,846,480	$ 24,621,009	$ 26,965,904	$ 28,992,065	$ 31,905,209

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2012	2013	2014	2015*
EXPENSES				
Governmental Activities				
City administration	$ 588,562	$ 638,151	$ 921,009	$ 1,796,709
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	77,131	79,538	81,522	81,316
Public safety	1,342,773	1,521,426	1,588,137	1,735,259
Public health/emergency	255,789	282,238	286,999	293,092
Engineering and planning	-	-	-	-
Building codes	88,521	98,196	119,338	161,821
Public works	815,467	933,879	1,074,375	869,328
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture/recreation/other	125,537	139,671	63,517	33,233
Interest on long term debt	-	-	-	136,008
Total governmental activities expenses	3,293,780	3,693,099	4,134,897	5,106,766
Business-Type Activities				
Water/sewer utility	2,954,021	3,013,859	3,242,807	3,352,439
Total business-type activities expenses	2,954,021	3,013,859	3,242,807	3,352,439
Total primary government expenses	6,247,801	6,706,958	7,377,704	8,459,205
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	241,201	249,506	198,992	171,929
Municipal court	126,633	156,452	158,407	158,352
Public safety	6,824	7,079	8,664	9,034
Public health/emergency	6,580	7,245	5,325	5,245
Building codes	127,522	196,062	281,831	298,806
Operating grants and contributions	-	605	1,715	2,149
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	508,760	616,949	654,934	645,515
Business-Type Activities				
Charges for services:				
Water/sewer utility	3,427,533	3,744,856	4,107,471	4,454,644
Capital grants and contributions	4,463,303	-	-	-
Total primary government program revenues	$ 8,399,596	$ 4,361,805	$ 4,762,405	$ 5,100,159

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.
** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.
Comparative information has not been restated.

TABLE 2

2016	2017	2018**	2019	2020	2021
$ 950,918	$ 1,431,472	$ 1,499,717	$ 682,316	$ 1,235,258	$ 711,344
-	-	-	11,381	23,568	4,774
-	-	-	153,944	159,376	230,348
-	-	-	114,659	168,794	220,869
-	-	-	271,247	339,295	322,851
86,288	92,032	131,153	161,422	184,553	192,956
2,017,858	2,124,882	2,394,097	2,915,589	3,001,619	3,161,031
307,665	299,734	322,918	-	-	-
-	-	-	270,309	718,380	976,254
179,577	177,495	198,266	241,097	248,414	253,665
869,215	982,474	992,400	740,477	870,398	922,990
-	-	-	-	-	394,288
-	-	-	301,984	459,298	251,462
57,833	44,896	89,710	-	-	-
153,011	119,880	114,211	109,849	-	-
4,622,365	5,272,865	5,742,472	5,974,274	7,408,953	7,642,832
3,933,872	3,846,778	4,215,641	4,746,849	5,418,730	4,873,487
3,933,872	3,846,778	4,215,641	4,746,849	5,418,730	4,873,487
8,556,237	9,119,643	9,958,113	10,721,123	12,827,683	12,516,319
177,050	201,334	215,959	237,193	297,808	274,550
161,818	129,260	126,152	137,176	101,409	139,753
9,448	3,715	10,026	6,845	5,410	1,350
5,711	2,500	2,415	-	-	-
314,738	274,079	228,715	253,815	405,231	499,547
-	13,295	51,102	15,579	3,728	190,841
-	-	15,908	-	-	-
668,765	624,183	650,277	650,608	813,586	1,106,041
4,463,303	4,930,347	4,908,925	4,875,781	5,839,886	5,681,369
-	-	-	-	-	-
$ 5,132,068	$ 5,554,530	$ 5,559,202	$ 5,526,389	$ 6,653,472	$ 6,787,410

(continued)

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2012	2013	2014	2015*
Net (Expense) Revenues				
Governmental activities	$ (2,785,020)	$ (3,076,150)	$ (3,479,963)	$ (4,461,251)
Business-type activities	4,936,815	730,997	864,664	1,102,205
Total primary government net expenses	2,151,795	(2,345,153)	(2,615,299)	(3,359,046)
Governmental Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	2,345,006	2,561,039	2,634,353	2,823,221
Non-property taxes	662,271	750,966	903,592	1,028,559
Interest and investment earnings	7,213	7,094	1,633	25,359
Gain on sale of capital assets	-	-	-	-
Miscellaneous	95,435	225,123	24,100	18,130
Transfers	-	(33,971)	-	-
Total governmental activities	3,109,925	3,510,251	3,563,678	3,895,269
Business-Type Activities				
Interest and investment earnings	4,900	6,034	4,447	4,177
Transfers	-	33,971	-	-
Total business-type activities	4,900	40,005	4,447	4,177
Total primary government	3,114,825	3,550,256	3,568,125	3,899,446
Changes in Net Position				
Governmental activities	324,905	434,101	83,715	(565,982)
Business-type activities	4,941,715	771,002	869,111	1,106,382
Total primary government	$ 5,266,620	$ 1,205,103	$ 952,826	$ 540,400

* Change in accounting principle pursuant to GASB 68 applied prospectively October 1, 2014.
** Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.
Comparative information has not been restated.

TABLE 2 (continued)

2016	2017	2018**	2019	2020	2021
$ (3,953,600)	$ (4,648,682)	$ 108,886	$ (5,323,666)	$ (6,595,367)	$ (6,536,791)
529,431	1,083,569	410,790	128,932	421,156	807,882
(3,424,169)	(3,565,113)	519,676	(5,194,734)	(6,174,211)	(5,728,909)
3,587,677	4,264,687	4,712,247	5,742,831	6,202,561	6,482,238
1,109,048	1,192,774	1,328,220	1,496,073	1,796,558	2,112,076
38,950	56,545	94,557	150,030	72,151	4,345
-	23,874	16,452	20,206	12,534	19,848
20,855	27,666	11,402	9,711	66,819	20,480
-	-	-	9,850	-	-
4,756,530	5,565,546	6,162,878	7,428,701	8,150,623	8,638,987
5,748	32,900	120,778	120,778	49,749	3,066
-	-	-	(9,850)	-	-
5,748	32,900	120,778	110,928	49,749	3,066
4,762,278	5,598,446	6,283,656	7,539,629	8,200,372	8,642,053
802,930	916,864	6,271,764	2,105,035	1,555,256	2,102,196
535,179	1,116,469	531,568	239,860	470,905	810,948
$ 1,338,109	$ 2,033,333	$ 6,803,332	$ 2,344,895	$ 2,026,161	$ 2,913,144

CITY OF FAIR OAKS RANCH, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2012*	2013	2014	2015
Nonspendable Fund Balance:				
Prepaid items	$ 24,104	$ 25,631	$ 24,220	$ 43,625
Restricted Fund Balance:				
Court technology	9,477	15,845	15,285	14,802
Court security	38,436	44,497	44,420	47,270
Court efficiency	64	16	110	140
Felony forfeiture	378	3,937	3,937	378
Other court restrictions	-	-	-	-
PEG fees	-	3,492	4,319	4,319
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	6,919,193
Total restricted fund balance	48,355	67,787	68,071	6,986,102
Committed Fund Balance:				
Public safety committee	250,000	30,451	30,451	-
Wildlife research study	45,779	16,928	-	-
TxDOT projects	-	-	810,000	-
Partnership water study	-	-	100,000	-
Total committed fund balance	295,779	47,379	940,451	-
Assigned Fund Balance:				
Capital projects	-	1,000,000	720,000	2,448,838
Capital equipment	-	-	-	-
Legal issues	-	50,000	50,000	50,000
Encumbrances	-	-	-	-
Six month operating reserve	-	-	-	-
Total assigned fund balance	-	1,050,000	770,000	2,498,838
Unassigned	3,158,573	2,794,225	3,052,965	1,581,382
Total government funds	$ 3,526,811	$ 3,985,022	$ 4,855,707	$ 11,109,947

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

TABLE 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 14,563	$ 19,281	$ 54,260	$ 53,275	$ 82,635	$ 96,070
14,047	11,535	15,700	11,386	14,520	17,819
49,816	51,473	52,996	54,849	57,330	57,924
140	292	333	401	438	439
378	378	5,514	8,954	10,774	10,901
-	-	-	-	1,428	4,753
4,319	4,319	4,319	4,319	4,319	4,319
-	1,104	8,087	9,912	11,819	12,847
8,462	7,245	8,604	18,640	32,310	44,337
6,252,941	2,319,870	456,345	128,162	-	-
6,330,103	2,396,216	551,898	236,623	132,938	153,339
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
553,000	906,921	223,508	1,110,229	1,154,394	1,073,184
-	-	760,599	816,395	869,615	872,769
50,000	50,000	50,000	50,000	50,000	50,000
-	-	-	-	-	-
-	-	2,566,167	3,517,472	3,678,069	3,835,321
603,000	956,921	3,600,274	5,494,096	5,752,078	5,831,274
1,807,719	2,065,994	-	-	1,309,011	3,265,169
$ 8,755,385	$ 5,438,412	$ 4,206,432	$ 5,783,994	$ 7,276,662	$ 9,345,852

CITY OF FAIR OAKS RANCH, TEXAS

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2012	2013	2014	2015
REVENUES				
Taxes	$ 2,665,673	$ 2,960,445	$ 3,084,356	$ 3,358,145
Franchise fees	323,308	346,006	453,279	496,714
Licenses and permits	135,992	203,307	287,156	304,051
Animal Control	-	-	-	-
Fines and forfeits	126,633	156,452	158,407	158,352
Utility management fee and other	159,435	169,357	166,093	171,929
Other Fees and services	-	-	-	-
Interest	7,213	7,094	1,633	25,359
Donations	-	-	-	-
Capital contributions	-	-	-	-
Miscellaneous	182,135	316,504	622,574	30,789
Total revenues	3,600,389	4,159,165	4,773,498	4,545,339
EXPENDITURES				
Current:				
City administration	548,635	609,674	717,511	1,749,973
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	75,754	83,854	80,509	81,918
Public safety	1,282,550	1,402,730	1,463,524	1,653,785
Public heath/emergency	242,174	271,023	275,784	281,876
Engineering and planning	-	-	-	-
Building codes	88,663	95,948	119,507	162,100
Public works	700,305	747,165	962,447	759,233
Information techonology	-	-	-	-
Non-departmental	-	-	-	-
Culture and recreation	125,537	139,671	63,517	33,233
Capital projects/outlays	89,425	319,918	217,014	568,981
Debt service				
Principal payments	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	100,090
Total expenditures	3,153,043	3,669,983	3,899,813	5,391,189
Excess (deficiency) of revenues over (under) expenditures	447,346	489,182	873,685	(845,850)
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Proceeds of bond issuance	-	-	-	7,000,000
Premiums on bond issuance	-	-	-	100,090
Transfer (to) from other funds	-	(33,971)	-	-
Proceeds from disposal of equipment	-	-	-	-
Total other financing sources (uses)	-	(33,971)	-	7,100,090
Net change in fund balances	$ 447,346	$ 455,211	$ 873,685	$ 6,254,240
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	2.1%

TABLE 4

2016	2017	2018	2019	2020	2021
$ 4,148,224	$ 4,907,367	$ 5,472,987	$ 6,570,863	$ 7,387,684	$ 7,904,760
527,109	540,605	576,181	618,758	605,103	651,534
320,449	280,294	236,020	257,220	410,641	499,777
-	-	-	-	-	1,120
161,818	129,260	126,152	137,176	101,409	139,753
177,050	195,334	205,959	192,808	214,908	206,955
-	-	-	-	-	59,735
38,950	56,545	94,557	150,030	72,151	4,345
-	-	32,920	5,915	59,925	-
-	-	15,908	-	-	-
53,714	46,961	44,721	67,200	93,522	219,181
5,427,314	6,156,366	6,805,405	7,999,970	8,945,343	9,687,160
931,255	1,380,476	1,461,708	644,481	1,188,519	663,012
-	-	-	11,381	23,568	4,774
-	-	-	150,845	158,624	230,348
-	-	-	112,797	168,057	220,869
-	-	-	266,445	337,815	322,851
84,869	90,428	131,267	158,322	183,851	192,956
1,811,200	1,920,485	2,234,431	2,696,334	2,781,577	2,800,098
296,450	288,066	311,250	-	-	-
-	-	-	264,128	717,010	976,254
176,077	172,849	198,648	235,603	247,209	253,665
748,454	852,315	871,371	413,041	521,395	582,532
-	-	-	-	-	394,288
-	-	-	301,985	372,665	152,060
57,833	44,896	89,710	-	-	-
3,111,050	4,196,145	2,214,919	644,693	312,344	316,341
390,000	425,000	430,000	435,000	440,000	445,000
174,688	126,553	122,278	117,409	111,940	106,075
-	-	-	-	-	-
7,781,876	9,497,213	8,065,582	6,452,464	7,564,574	7,661,123
(2,354,562)	(3,340,847)	(1,260,177)	1,547,506	1,380,769	2,026,037
-	-	-	-	128,721	26,330
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	9,850	-	-
-	23,874	28,197	20,206	-	-
-	23,874	28,197	30,056	128,721	26,330
$ (2,354,562)	$ (3,316,973)	$ (1,231,980)	$ 1,577,562	$ 1,509,490	$ 2,052,367
11.9%	10.4%	9.4%	9.5%	7.6%	7.5%

CITY OF FAIR OAKS RANCH, TEXAS

TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Mixed Beverage Tax	Total
2012	$ 2,326,710	$ 325,128	$ 323,308	$ 13,835	$ 2,988,981
2013	2,555,485	389,722	346,066	15,178	3,306,451
2014	2,634,043	431,575	453,279	18,738	3,537,635
2015	2,826,300	513,040	496,714	18,805	3,854,859
2016	3,566,285	562,501	527,109	19,437	4,675,332
2017	4,255,198	632,030	540,605	20,139	5,447,972
2018	4,720,949	728,224	576,181	23,814	6,049,168
2019	5,693,547	854,582	618,758	22,734	7,189,621
2020	6,196,229	1,174,547	605,103	16,908	7,992,787
2021	6,444,218	1,435,763	651,534	24,779	8,556,294

CITY OF FAIR OAKS RANCH, TEXAS

TOP TEN SALES TAX PROVIDERS

For the fiscal year ended September 30,

TABLE 6

	2021		2020		2019		2018		2017	
	Rank	% of Total	Rank	% of Total	Rank	% of Total	Rank	% of Total	Rank	% of Total
Business										
Electronic shopping	1	16.5%	1	17.4%	2	5.2%	2	5.1%	2	5.1%
Full-service restaurant	2	10.5%	2	10.9%	1	17.4%	1	19.0%	1	19.0%
Gasoline station with convenience store	3	2.1%	3	2.3%	7	2.0%	9	2.0%	9	2.0%
New single-family housing construction	4	1.9%			9	1.7%	10	1.8%	10	1.8%
Pharmacies and drugstores	5	1.9%	5	1.9%	4	2.7%	4	3.2%	4	3.2%
Wireless telecommunication carrier	6	1.7%	4	2.3%	3	3.3%	5	3.2%	5	3.2%
Data processing, hosting, and related svc	7	1.6%								
Gasoline station with convenience store	8	1.6%	7	1.6%						
Wired telecommunication carrier	9	1.5%	8	1.5%	6	2.2%	6	3.9%	6	3.9%
Cable and other subscription programming	10	1.5%	6	1.7%	5	2.3%	8	2.3%	8	2.3%
Limited-service restaurant			9	1.4%	8	2.0%	7	2.5%	7	2.5%
Beer, wine and liquor store			10	1.3%	10	1.4%				
Security guard and patrol							3	4.3%	3	4.3%

Source: Texas Comptroller

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

Texas Tax Code 321.3022 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

TABLE 7

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount *	Percentage of Levy		Amount	Percentage of Levy
2012	$ 2,381,119	$ 2,357,934	99.03%	$ 19,658	$ 2,377,592	99.85%
2013	2,604,255	2,577,855	98.99%	22,569	2,600,424	99.85%
2014	2,672,104	2,653,136	99.29%	15,019	2,668,155	99.85%
2015	2,877,185	2,859,530	99.39%	13,706	2,873,236	99.86%
2016	3,861,722	3,827,841	99.12%	28,378	3,856,219	99.86%
2017	4,332,469	4,297,290	99.19%	25,250	4,322,540	99.77%
2018	4,813,737	4,788,010	99.47%	15,902	4,803,912	99.80%
2019	5,718,331	5,652,427	98.85%	40,458	5,692,885	99.56%
2020	6,182,363	6,126,458	99.10%	21,270	6,147,728	99.44%
2021	6,453,874	6,389,402	99.00%	-	6,389,402	99.00%

Source: Bexar County
* Includes discounts allowed for early payments.

CITY OF FAIR OAKS RANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

TABLE 8

Fiscal Period	City	Boerne School District	Bexar County	Kendall County	Comal County	Total
2012	0.24610	1.314	0.326866	0.37000	0.350421	2.607387
2013	0.26630	1.294	0.326866	0.39500	0.350421	2.587387
2014	0.26630	1.294	0.326866	0.39400	0.342921	2.559387
2015	0.26630	1.294	0.314500	0.39400	0.342921	2.561621
2016	0.30730	1.294	0.314500	0.38670	0.342921	2.595421
2017	0.32336	1.316	0.293250	0.41270	0.357921	2.638131
2018	0.32950	1.354	0.291229	0.41270	0.357921	2.745350
2019	0.36678	1.354	0.277429	0.41270	0.377915	2.788824
2020	0.37350	1.284	0.277429	0.41270	0.392553	2.740182
2021	0.37350	1.2519	0.277429	0.41270	0.358515	2.674044

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

CITY OF FAIR OAKS RANCH, TEXAS

ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value *	Total Direct Tax Rate
2012	$ 937,057,120	$ 86,472,850	$ 54,659,715	$ 968,870,255	0.24610%
2013	943,904,242	92,123,352	57,650,996	978,376,598	0.26630%
2014	958,417,836	105,566,114	60,565,527	1,003,418,423	0.26630%
2015	1,026,612,835	107,240,362	53,423,214	1,080,429,983	0.26630%
2016	1,193,076,434	128,637,815	65,052,850	1,256,661,399	0.30730%
2017	1,265,114,959	150,509,495	73,244,068	1,342,380,386	0.32336%
2018	1,487,818,815	185,977,352	123,984,901	1,549,811,266	0.32950%
2019	1,472,341,175	187,839,320	101,155,026	1,559,025,469	0.36678%
2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.37350%
2021	1,698,422,549	181,448,336	151,985,811	1,727,885,074	0.37350%

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

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

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

TABLE 10

	2021			2012		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fair Oaks Club Corp	$ 7,995,640	1	0.46%	$ 6,868,779	1	0.71%
HPI Fair Oaks Storage LLC	6,100,000	2	0.35%			
T&J Fair Oaks LLC	5,200,000	3	0.30%	-		-
Hicks, Jerry S & Esther W	5,000,230	4	0.29%	-		-
SA Front Gate LLC	4,675,590	5	0.27%	-		
Frost Bank	3,981,604	6	0.23%	2,486,600	4	0.26%
Bella Vista CMI LTD	3,383,460	7	0.20%	-		-
Fair Oaks Country Store LLC	2,982,970	8	0.17%	-		-
Fair Oaks Parkway Associates LLC	2,825,360	9	0.16%	-		-
Ashton San Antonio LLC	2,784,820	10	0.16%	-		-
Fair Oaks Village II LTD	-		-	4,216,000	2	0.44%
Greenland Ventures	-		-	3,360,040	3	0.35%
B&M Fair Oaks	-		-	2,096,668	5	0.22%
MTC Holdings Ltd	-		-	2,067,550	6	0.21%
Guadalupe Valley Telephone	-		-	1,760,764	7	0.18%
P. Steldt	-		-	1,440,580	8	0.15%
K. Moore	-		-	1,373,350	9	0.14%
Ralph E. Fair, Inc.	-		-	1,362,670	10	0.14%
TOTAL	$ 44,929,674		2.59%	$ 27,033,001		2.80%

CITY OF FAIR OAKS RANCH, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 11

	Governmental Activities		Business-Type Activities				
Fiscal Year	GO Bonds	Capital Leases	Capital Leases	Certificates of Obligation	Total Government	Percentage of Household Income	Per Capita*
2012	$ -	$ -	$ -	$ 1,855,000	$ 1,855,000	0.5%	$ 305
2013	-	-	-	1,515,000	1,515,000	0.4%	239
2014	-	-	3,128,356	1,160,000	4,288,356	1.1%	653
2015	7,100,090	-	3,128,356	790,000	11,018,446	3.0%	1,662
2016	6,703,417	-	3,128,356	405,000	10,236,773	2.7%	1,467
2017	6,721,744	-	3,128,356	-	9,850,100	2.1%	1,087
2018	5,835,071	-	3,070,798	-	8,905,869	1.9%	980
2019	5,393,398	-	2,814,779	-	8,208,177	1.6%	846
2020	4,946,725	-	-	2,660,000	7,606,725	1.3%	757
2021	4,495,052	-	-	2,430,000	6,925,052	1.1%	644

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
* See population figures on Table 16.

CITY OF FAIR OAKS RANCH, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

TABLE 12

	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	Net Debt Outstanding	Estimated Actual Taxable Value of Propery	Per Capita
2012	$ -	$ 1,855,000	$ 1,855,000	$ -	$ 1,855,000	0.19%	$ 305
2013	-	1,515,000	1,515,000	-	1,515,000	0.16%	239
2014	-	1,160,000	1,160,000	-	1,160,000	0.12%	177
2015	7,100,090	790,000	7,890,090	-	7,890,090	0.79%	1,201
2016	6,703,417	405,000	7,108,417	-	7,108,417	0.66%	1,028
2017	6,721,744	-	6,721,744	(7,245)	6,714,499	0.53%	777
2018	5,835,071	-	5,835,071	(7,201)	5,827,870	0.43%	641
2019	5,393,398	-	5,393,398	(10,940)	5,382,458	0.35%	555
2020	4,946,725	2,660,000	7,606,725	(30,969)	7,575,756	0.49%	770
2021	4,495,052	2,430,000	6,925,052	(44,337)	6,880,715	0.42%	640

CITY OF FAIR OAKS RANCH, TEXAS

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Total assessed value	$ 1,727,885,074
Debt limit ($1.50 of total assessed value)	$ 25,918,276
Debt applicable to limit:	
General bonded debt outstanding	$ 4,495,052
Less: Amount set aside for repayment of general bonded debt	-
Total net debt applicable to limit	4,495,052
Legal debt margin	$ 21,423,224

	2012	2013	2014	2015	2016
Debt limit	$ 14,533,054	$ 14,675,649	$ 15,051,276	$ 16,206,450	$ 18,849,921
Total net debt applicable to limit	-	-	-	7,000,000	6,610,000
Legal debt margin	$ 14,674,786	$ 14,533,054	$ 14,675,649	$ 9,206,450	$ 12,239,921

TABLE 13

2017	2018	2019	2020	2021
$ 20,165,764	$ 23,247,169	$ 23,385,382	$ 24,825,905	$ 25,918,276
6,185,000	5,835,071	5,393,398	4,946,725	4,495,052
$ 13,980,764	$ 17,412,098	$ 17,991,984	$ 19,879,180	$ 21,423,224

CITY OF FAIR OAKS RANCH, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2021

TABLE 14

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Alamo CCD	$ 578,325,000	0.57%	$ 3,296,453
Bexar Co	1,896,160,000	0.57%	10,808,112
Bexar Co Hosp Dist	902,130,000	0.57%	5,142,141
Boerne ISD	302,723,908	18.17%	55,004,934
Comal Co	129,825,000	0.96%	1,246,320
Comal ISD	671,245,179	0.38%	2,550,732
Kendall Co	21,135,000	5.81%	1,227,944
Subtotal - overlapping debt			79,276,636
City of Fair Oaks Ranch - direct debt			6,865,000
Total direct and overlapping debt			$ 86,141,636

Source: Municipal Advisory Council of Texas.

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

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

TABLE 15

	2021			2012		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph	73,707	1	6.96%	100,578	1,2,3	12.10%
H.E.B. Food Stores	22,000	2	2.08%	14,588	3	1.75%
United Services Automobile Assoc	19,400	3	1.83%	15,000	4	1.80%
Northside Independent School District	13,498	4	1.28%	12,244	5	1.47%
City of San Antonio	11,183	5	1.06%	12,211	7	1.47%
Methodist Healthcare System	9,620	6	0.91%	7,747	8	0.93%
North East Independent School District	8,386	7	0.79%	-		
San Antonio Independent School District	7,338	8	0.69%	-		
Baptist Health System	6,383	9	0.60%	6,310	9	0.76%
Wells Fargo	5,152	10	0.49%			
University of Texas Health Science	-			6,153	10	0.74%
Total	176,667		16.69%	174,831		21.02%

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

Source: City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2020. The current year information is is not available.

CITY OF FAIR OAKS RANCH, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	Population	Per Capita Personal Income	Median Age	School Enrollment	San Antonio Unemployment Rate
2012	6,084	60,195	50.9	776	5.9%
2013	6,326	57,945	50.9	697	5.7%
2014	6,569	57,306	50.9	650	4.5%
2015	6,569	55,586	51.2	650	3.8%
2016	6,914	54,829	47.9	650	3.9%
2017	8,645	52,917	46.7	916	3.2%
2018	9,091	51,482	45.9	1,321	3.3%
2019	9,700	52,094	47.1	1,391	3.0%
2020	9,833	57,939	46.3	1,575	6.3%
2021	10,756	57,939	46.3	1,502	4.5%

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

CITY OF FAIR OAKS RANCH, TEXAS

OPERATING INDICATORS BY FUNCTION

For the fiscal year ended September 30, 2021

TABLE 17

Function	2021	2020	2019	2018	2017
Police					
Incidents/offenses	666	589	504	501	444
Arrests	199	157	207	224	191
Calls for service	3,955	3,482	3,913	3,716	3,664
Trafficstops	4,041	2,924	4,893	5,271	4,217
Public Works					
Street resurfacing (square yards)	107,108	80,557	155,468	64,496	183,323
Preventative street maintenance (square yards)	999	211,529	49,477	65,244	101,646
Building Codes					
Permits issued	244	157	118	190	142
Utilities					
Account service orders					
Meter install / change	217	86	252	222	288
Occupancy change	370	320	288	330	322
Customer service inquiry	401	338	297	247	291
Billing (water, sewer, fees, all charges)	$ 4,758,791	$ 5,002,084	$ 4,550,072	$ 4,683,010	$ 4,892,525
Water					
Service connections	3,157	3,083	3,002	2,948	2,929
Purchased (gallons)	324,549,963	337,047,000	318,044,000	276,418,000	296,164,000
Pumped (gallons)	217,061,572	231,668,112	174,702,326	168,328,487	241,088,931
Billed consumption (gallons)	485,043,800	523,698,900	436,094,700	457,611,000	502,639,000
Non-billed & bulk water sold (gallons)	2,310,900	3,192,400	3,350,000	3,476,900	5,182,505
Wastewater/Sewer					
Service connections	1,943	1,886	1,820	1,775	1,733
Average daily treatment in gallons	256,037	242,174	225,255	235,917	224,046

Source: Various City departments.

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

CITY OF FAIR OAKS RANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

For the fiscal year ended September 30, 2021

TABLE 18

Function	2021	2020	2019	2018	2017
Administration					
Vehicles	2	1	1	1	1
Police					
Stations	1	1	1	1	1
Patrol units	15	14	14	13	15
Animal Control					
Control vehicle	1	1	1	1	1
Building Inspections					
Vehicles	2	2	2	2	2
Public Works					
Vehicles	12	12	12	10	9
Other equipment	16	16	16	12	10
Utilities					
Vehicles	11	11	11	11	11
Other equipment	18	18	18	16	16
Streets					
Paved streets (in miles)	81.6	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	60	68.1	68.1	68.1
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	266	266	266	266	228
Sewer					
Lift stations	6	6	6	6	6
Sewer lines (in miles)	33	33	33	33	33
Treatment plants	1	1	1	1	1

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

CITY OF FAIR OAKS RANCH, TEXAS

FULL-TIME EQUIVALENTS CITY GOVERNMENT EMPLOYEES BY FUNCTION

For the fiscal year ended September 30, 2021

TABLE 19

Function	2021	2020	2019	2018	2017	2016
General Government	16	15	15	9	8	7
Public Safety						
Police	23	23	23	21	20	19
Animal control	1	1	1	1	1	1
Municipal court	2	2	2	2	1	1
Code enforcement	4	4	4	2.5	1.5	1.5
Administration	4	4	4	3	2	2
Public Works	14	14	14	13	9	9.5
Water and Sewer	11	11	11	10	9	10
	75	74	74	61.5	51.5	51

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

CITY OF FAIR OAKS RANCH • TEXAS