CITY OF FAIR OAKS RANCH, TX

Popular Annual Financial Report

For year ended September 30,2021

Dear Residents,

The City of Fair Oaks Ranch is pleased to present the City's first Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2021. This report represents another indication of the City's commitment to financial transparency and accountability. It has been created to provide citizens with an easily understandable report of the City's financial activities.

Fiscal Year 2020-21 brought many challenges including the continuation of the global pandemic and an unprecedented winter storm. Despite these challenges, our Fair Oaks Ranch team performed at a high level, sustaining and delivering essential services without interruption. The commitment to the citizens of Fair Oaks Ranch has been unwavering and is guided by the solid leadership of the City Council. Your team of public servants is focused on preserving and protecting the unique quality of life that makes Fair Oaks Ranch special.

Sincerely,

Tobin E. Maples, AICP
City Manager

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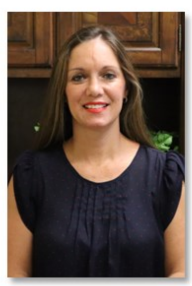
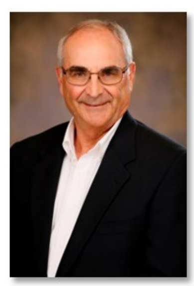
MAYOR & COUNCIL

Greg Maxton
Mayor



Emily Stroup
Council Member, Place 1



Roy Elizondo
Council Member, Place 2

Michelle Bliss
Council Member, Place 3

Laura Koerner, Mayor Pro-Tem
Council Member, Place 4

Scott Parker
Council Member, Place 5

Chesley Muenchow
Council Member, Place 6

Popular Annual Financial Report

A Popular Annual Financial Report (PAFR) is a document that consolidates information from the Annual Comprehensive Financial Report (ACFR) to create an easy-to-read report for citizens. This report is designed to provide a summary of the City's overall financial condition in a user-friendly format.

Although this report is largely derived from the City's 2021 ACFR, it is not prepared in accordance with generally accepted accounting principles (GAAP). The report is presented in a summarized manner and certain financial statements, discretely presented component units and note disclosures required by GAAP are omitted. A copy of the City's audited 2021 Annual Comprehensive Financial Report, which is prepared in accordance with GAAP and contains more detailed information, is located on the City's website at:

https://www.fairoaksranchtx.org/513/Financial-Reports

Awards

The City of Fair Oaks Ranch, Texas was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada for its annual comprehensive financial report for year ended September 30, 2020. This was the 4th consecutive year the City has achieved this award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. We believe that our 2021 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The 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.

The City of Fair Oaks Ranch, TX was also awarded the GFOA Distinguished Budget Presentation Award for its Annual Budget for the fiscal year beginning October 01, 2021. This was the 3rd consecutive year the City has achieved this award.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. This award is valid for a period of one year only.

We believe that this 2021 PAFR meets the Popular Annual Financial Awards Program requirements and we are submitting it to determine the eligibility for the Popular Annual Financial Reporting Award.

CITY OF FAIR OAKS RANCH BY THE NUMBERS

POPULATION : 10,756

INCORPORATION: 1988

LAND AREA: 7,861 ACRES

HOME RULE CHARTER: 2017

SPANS 3 COUNTIES: BEXAR, KENDALL AND COMAL

25 SWORN OFFICERS

1 K-9 OFFICER "BUDDY"

3,955 CALLS FOR SERVICE

3RD SAFEST CITY IN TEXAS

75 BUDGETED FULL TIME EMPLOYEES

- **PUBLIC WORKS & ENGINEERING SERVICES: 29**
- **PUBLIC SAFETY: 28**
- **ADMINISTRATION: 5**
- **FINANCE: 5**
- **INFORMATION TECHNOLOGY: 2**
- **MUNICIPAL COURT: 2**
- **HR & COMMUNICATIONS: 2**
- **CITY SECRETARY: 2**

247 NEW RESIDENTIAL HOME PERMITS ISSUED

2 NEW COMMERCIAL PERMITS ISSUED

96% COMPLIANCE RATE FOR BACKFLOW PREVENTION

33 HEALTH INSPECTIONS AND 38 FIRE INSPECTIONS CONDUCTED

PUBLIC WORKS

77 MILES OF WATER LINES

5 WATER PLANTS

1 WASTEWATER PLANT

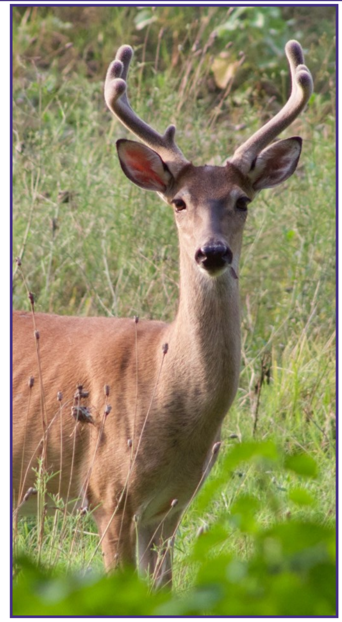
3,157 WATER SERVICE CONNECTIONS

1,943 SEWER CONNECTIONS

60 MILES OF ROADWAY

93,453,510 GALLONS OF WASTEWATER TREATED THIS YEAR

History of “The Ranch”



The City of Fair Oaks Ranch had its beginnings as a working ranch when several parcels of land were acquired by oil man Ralph Fair, Sr. during the 1930s. The ranch was first a center for a racehorse operation. Later, Mr. Fair established a registered Hereford cattle operation.

After the death of Mr. and Mrs. Fair, the remaining family decided to develop a 5,000 acre portion of the ranch as a residential community. A homeowner’s association was formed in 1975 with Boots Gaubatz as the president.

In 1985 the Fair Oaks Ranch Homeowners Association began to consider incorporation as a Type A General Law Municipality. Boots, along with Bob Herring and Don King, led the process, and are now known as the “founding fathers” of Fair Oaks Ranch. The City was eventually incorporated in 1988.

Once the population of Fair Oaks Ranch reached 5,000, the City was eligible for home rule. The draft home rule charter was introduced a decade later. In May 2017, the home rule election was held with over 90% of voters supporting the change.

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.

Location of Fair Oaks Ranch

San Antonio - 27 miles

Austin - 65 miles

Houston - 195 miles

Dallas - 237 miles

Corpus Christi - 153 miles

El Paso - 530 miles

GOVERNMENTAL ACTIVITIES

Total Revenues		
Revenues	FY 2021	FY 2020
Property Taxes	$ 6,482,238	$ 6,202,561
Sales Tax	1,460,542	1,191,455
Charges for Services	915,200	809,858
Franchise Fees	651,534	605,103
Operating Grants and Contributions	190,841	3,728
Other Revenue	40,328	79,353
Investment Earnings	4,345	72,151
Total Revenues	**$ 9,745,028**	**$ 8,964,209**

Total Expenses		
Expenses	FY 2021	FY 2020
Public Safety	$ 3,161,031	$ 3,001,619
General Government	2,135,936	2,385,589
Engineering & Planning	976,254	718,380
Public Works	922,990	870,398
Building Codes & Permits	253,665	248,414
Municipal Court	192,956	184,553
Total Expenses	**$ 7,642,832**	**$ 7,408,953**

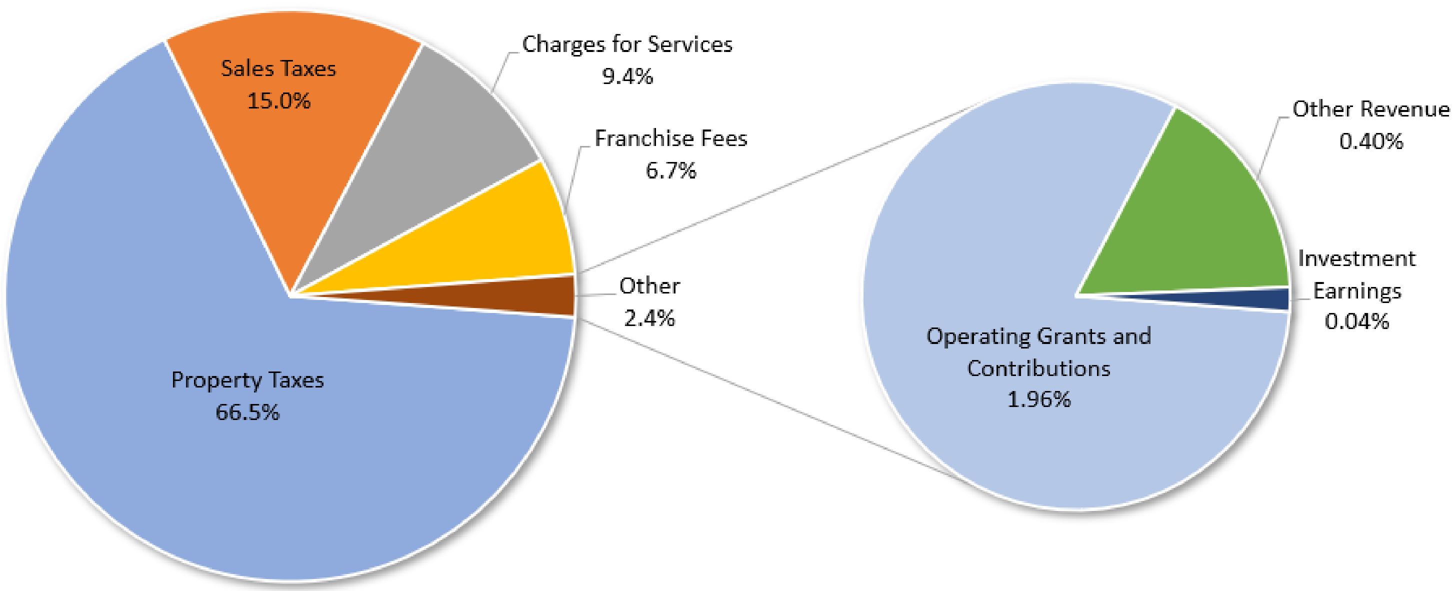
UTILITY

Total Revenues		
Revenues	FY 2021	FY 2020
Charges for Services	$ 5,681,369	$ 5,839,886
Investment Earnings	3,066	49,749
Total Revenues	**$ 5,684,435**	**$ 5,889,635**

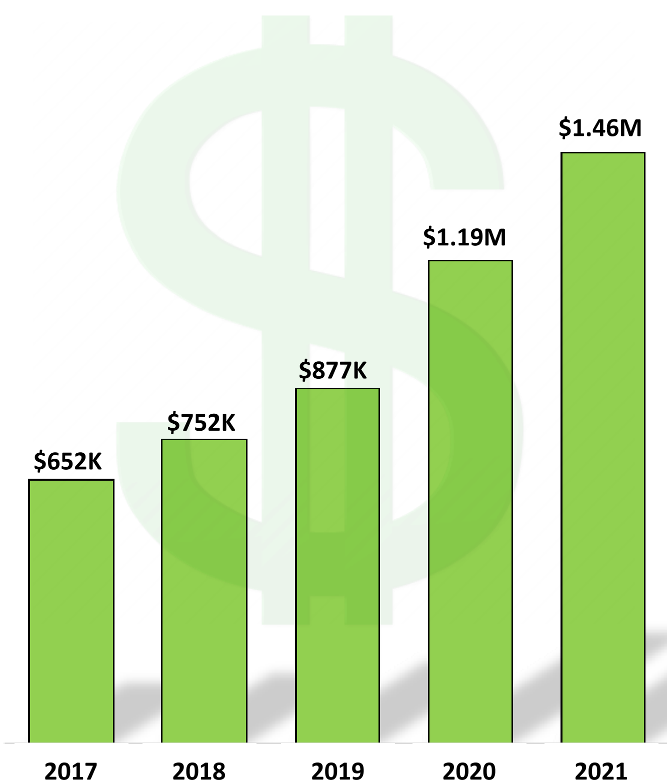
Total Expenses		
Expenses	FY 2021	FY 2020
Water Utility	$ 3,195,856	$ 3,841,323
Wastewater Utility	1,677,631	1,577,407
Total Expenses	**$ 4,873,487**	**$ 5,418,730**

Where does the money come from?

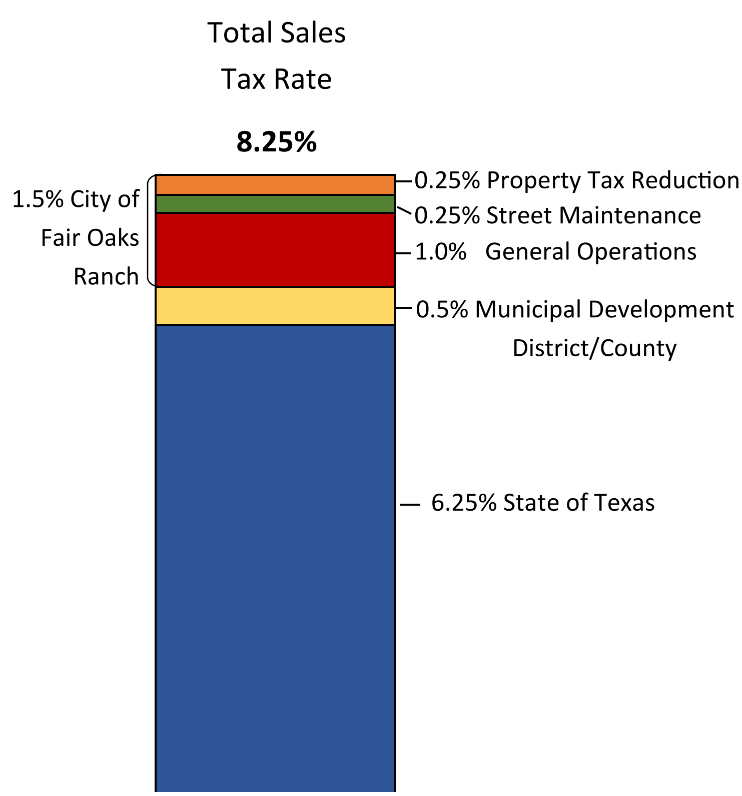
Governmental Revenues represent the funding the City receives to provide basic services to residents. The graph below provides a summary of Governmental Revenues by type for fiscal year 2021. In total, these revenues increased by $780,819 when compared to the prior fiscal year.



SALES TAX REVENUE OVER FIVE YEARS



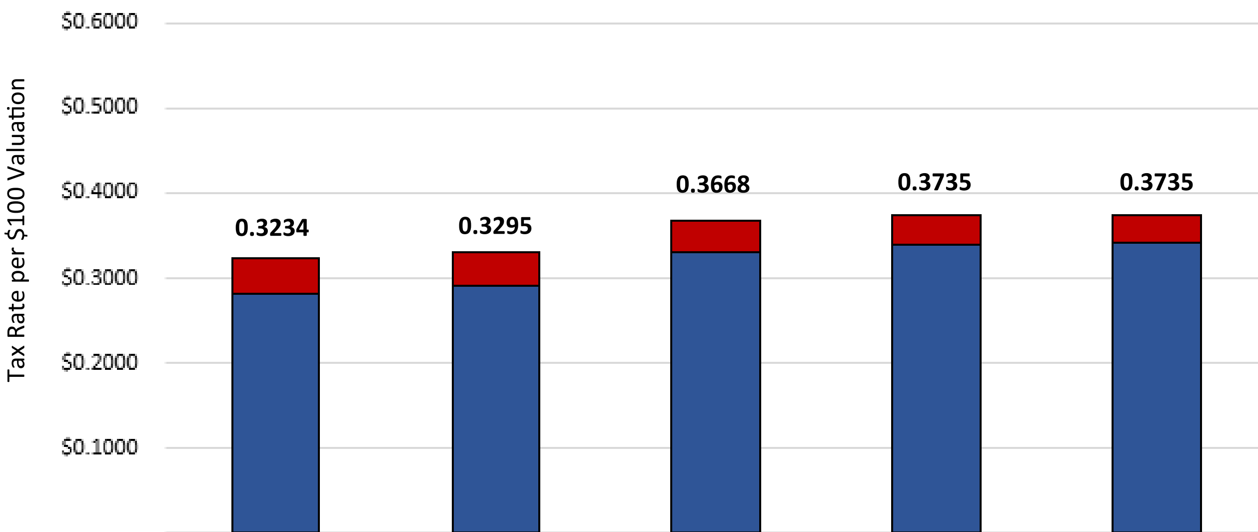
SALES TAX DOLLAR DISTRIBUTION



2021 TAX RATE

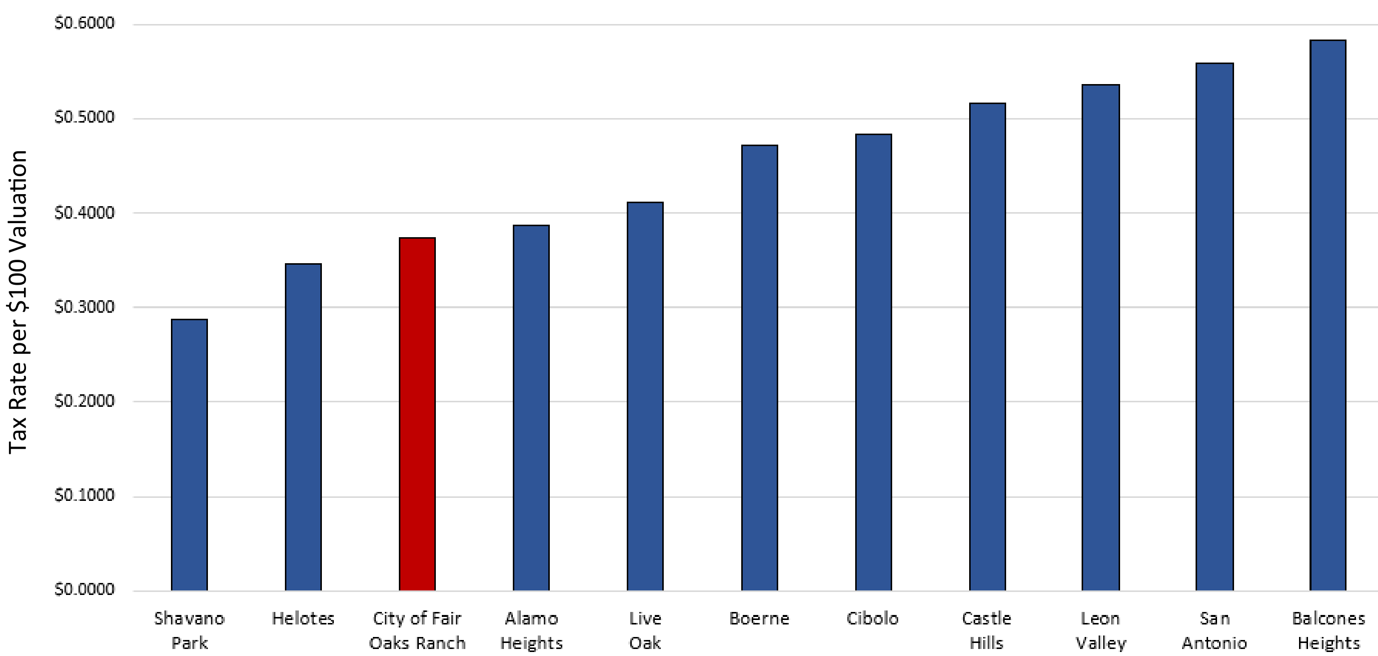
The maintenance and operations (M&O) portion of the City's property tax rate pays for daily operation costs such as personnel, supplies, and maintenance. The debt service (I&S) portion of the tax rate pays for the City's obligation for debt that was issued for roadway improvements.

FAIR OAKS RANCH PROPERTY TAX RATE HISTORY BY YEAR



	2017	2018	2019	2020	2021
M&O Rate	$ 0.2815	$ 0.2909	$ 0.3306	$ 0.3395	$ 0.3409
I&S Rate	$ 0.0419	$ 0.0386	$ 0.0362	$ 0.0340	$ 0.0326
Total Rate	$ 0.3234	$ 0.3295	$ 0.3668	$ 0.3735	$ 0.3735

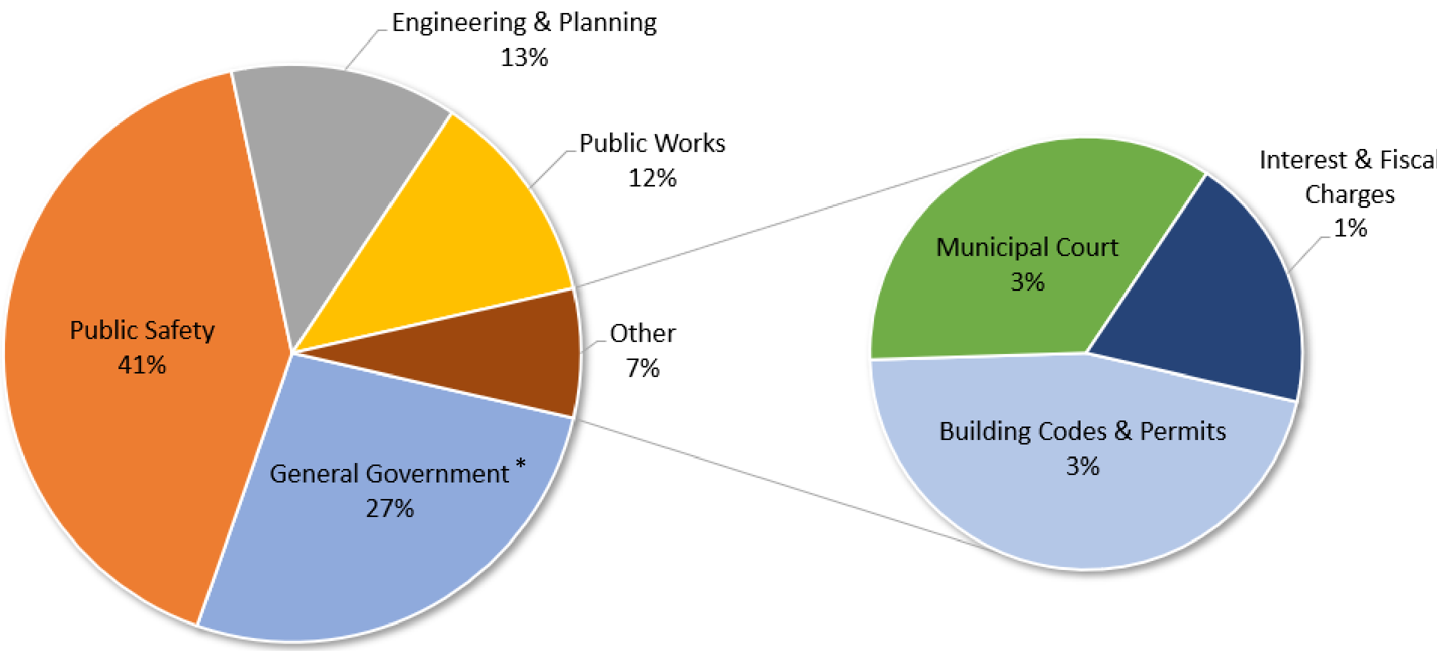
2021 PROPERTY TAX RATES FOR SURROUNDING CITIES



Governmental Expenditures

How does the City of Fair Oaks Ranch serve you?

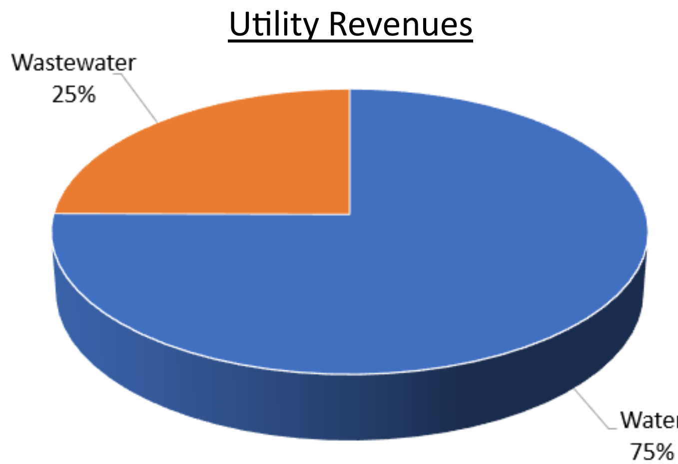
Governmental Expenditures are essentially the cost to run daily operations. These expenses maintain service levels and continuing operations throughout the City. In fiscal year 2021, the City's total Governmental Expenditures were $7.64 million. Public Safety, which includes police, fire, EMS, and animal control, is the City's largest spending category accounting for 41% of Governmental Expenditures.



**General Government includes Administration, City Secretary, HR & Communications, Finance, IT, and Non-Departmental*

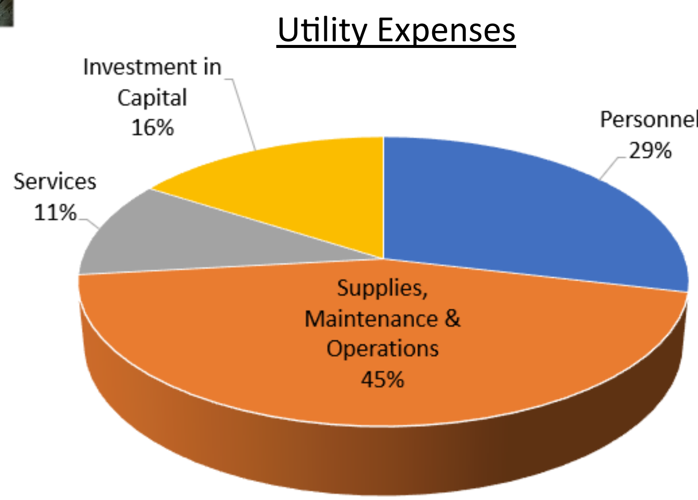
Where does the money come from?

The Utility Fund's main source of revenue is the charge for water and sewer services. Utility rates are set by the City Council.



Where does the money go?

Services provided by the Utility Fund include water treatment and distribution, wastewater collection and treatment, utility billing and administration, and meter reading. The majority of the expenses go toward maintaining the infrastructure that supplies these services.



MAJOR UTILITY PROJECTS IN PROGRESS

- Volute dewatering press/solids handling
- Water Plant Hydropneumatic tank
- Water/Wastewater Rate Study
- SCADA Systems Upgrades
- Elevated Water Storage Tank Design
- EPA Risk Assessment Study

Volute Dewatering Press

Hydropneumatic Tank

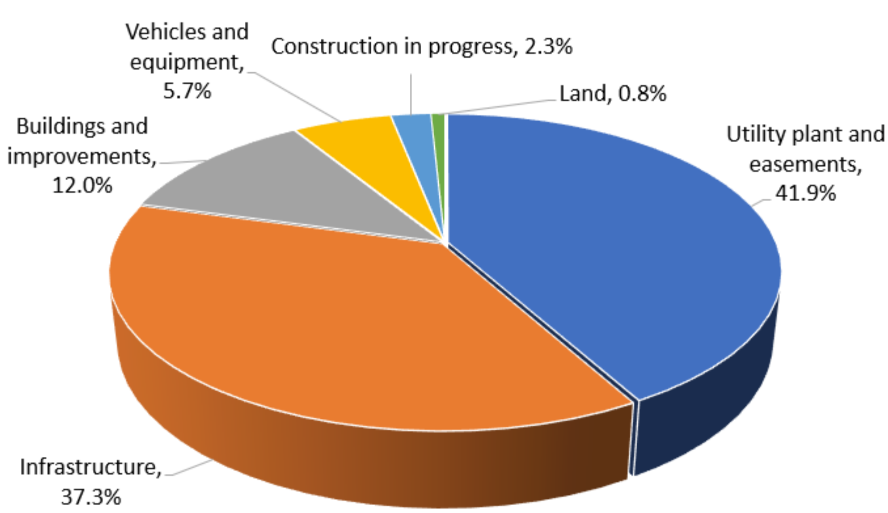
LONG-TERM DEBT

Long-Term Liabilities Year-Ended September 30, 2021			
	Range of Interest Rates	Unpaid Principal	FY 2022 Annual Payment
Governmental activities			
Road Reconstruction Bond, Series 2015	1.0-3.0%	$ 4,435,000	$ 450,000
Utility			
Utility Capital Lease Refinance Series 2020	1.01%	$ 2,430,000	$ 315,000

CAPITAL ASSETS

Change in Capital Assets Year-Ended September 30, 2021			
	Governmental Activities	Utility	Total
Beginning Balance	16,298,024	19,869,918	36,167,942
Additions	325,651	293,070	618,721
Deletions	(112,339)	(21,908)	(134,247)
Accumulated Depreciation	(4,368,372)	(9,629,697)	(13,998,069)
Ending Balance	$ 12,142,964	$ 10,511,383	$ 22,654,347

ASSET DISTRIBUTION

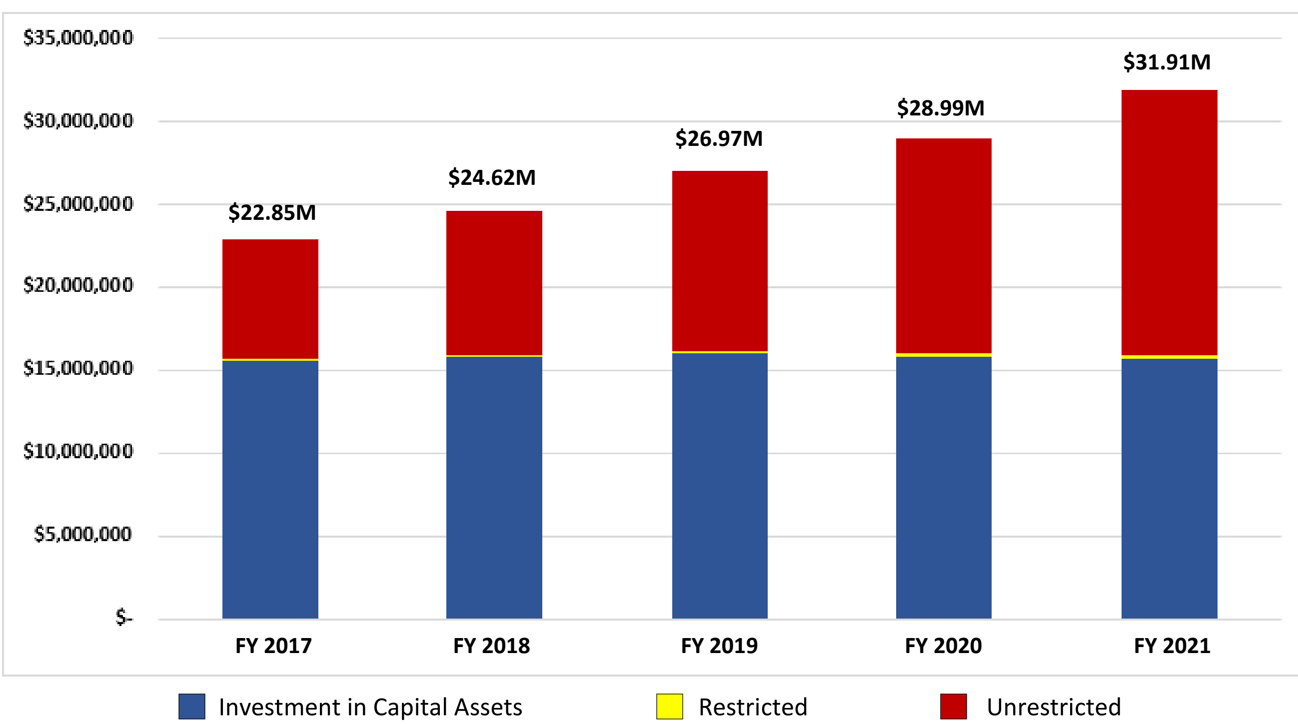


How is the City doing?

The difference of the City's assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The graph below illustrates the City's net position change over the last five years.

	2017	2018	2019	2020	2021
Governmental activities					
Net investment in capital assets	$ 6,898,385	$ 7,334,582	$ 7,576,143	$ 7,523,360	$ 7,647,912
Restricted	76,346	95,553	108,461	132,938	153,339
Unrestricted	2,714,487	3,277,879	5,128,445	6,712,007	8,669,250
Total Governmental activities net position	$ 9,689,218	$10,708,014	$12,813,049	$14,368,305	$16,470,501
Utility					
Net investment in capital assets	$ 8,682,584	$ 8,464,020	$ 8,466,058	$ 8,307,519	$ 8,081,383
Unrestricted	4,474,678	5,448,975	5,686,797	6,316,241	7,353,325
Total Utility net position	$13,157,262	$13,912,995	$14,152,855	$14,623,760	$15,434,708
City					
Net investment in capital assets	$15,580,969	$15,798,602	$16,042,201	$15,830,879	$15,729,295
Restricted	76,346	95,553	108,461	132,938	153,339
Unrestricted	7,189,165	8,726,854	10,815,242	13,028,248	16,022,575
Total City net position	$22,846,480	$24,621,009	$26,965,904	$28,992,065	$31,905,209

NET POSITION HISTORY



DEFINITION OF KEY TERMS

CAPITAL ASSETS - Assets of a long-term character which are intended to continue to be held or used. Examples of capital assets include items such as land, buildings, machinery, furniture and other equipment

EXPENDITURE - Funds spent in accordance with the budgeted appropriations on assets or goods and services obtained

FISCAL YEAR - A 12-month period in which the annual operating budget applies. The City of Fair Oaks Ranch has established October 1 through September 30 as its fiscal year

FRANCHISE FEE - A fee paid by public service businesses for the use of City streets, rights-of-way and property in providing their services to the citizens of the City. Services requiring franchises include electricity, telephone, cable television, sanitation, water and wastewater

FUND - An accounting entity with a self-balancing set of accounts that record financial transactions for specific activities or government functions

FUND BALANCE - The difference between a fund's assets and liabilities

GENERAL FUND - The operating fund of the City that accounts for the ordinary maintenance and operations of the City that are financed from taxes and other general revenues. It is used to account for all financial resources except those required to be accounted for in another fund

GOVERNMENTAL ACTIVITIES - Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues

NET POSITION - The difference between an entity's assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources. Net position has the following three components: net investment in capital assets; restricted net position; and unrestricted net position

OPERATING GRANTS - Revenues that are restricted for use in a particular program arising form mandatory and voluntary non-exchange transactions with other governments or organizations

PROPERTY TAX - Ad valorem tax levied on both real and personal property according to a property's valuation and the tax rate

RESTRICTED NET POSITION - The net position of restricted assets; those assets subject to constraints that are either externally imposed by resource providers or imposed by law or enabling legislation

UNRESTRICTED NET POSITION – The difference between total net position and its two other components (net investment in capital assets and restricted net position)

UTILITY FUND - A separate accounting and financial reporting mechanism for business-like municipal services in which a fee is charged in exchange for goods or services, such as water and wastewater

CONTACT US

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Fair Oaks Ranch, TX 78015
(210) 698-0900
Fax: (210) 698-3565

Non-Emergency Police & After Hours Utilities Dispatch:
(830) 816-3194

STAY INFORMED

City Website:

https://www.fairoaksranchtx.org/

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https://www.fairoaksranchtx.org/list.aspx

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Sign Up for Emergency Notifications through Code Red:

https://public.coderedweb.com/CNE/en-US/D472F2CC6A1C

Subscribe to the Fair Oaks Ranch YouTube Channel:

https://www.youtube.com/channel/UCDqRvLvReqxrh1lbajwshKA

View Upcoming Meeting Details Here:

https://www.fairoaksranchtx.org/calendar.aspx?CID=14,

City Council meetings take place on the 1st and 3rd Thursdays of the month at 6:30pm.