# City of Fair Oaks Ranch, Texas

# Annual Comprehensive Financial Report

# For the Fiscal Year Ended September 30, 2022

Prepared by: Administration & Finance Department

CITY OF FAIR OAKS RANCH • TEXAS

# CITY OF FAIR OAKS RANCH, TEXAS

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## September 30, 2022

CITY OF FAIR OAKS RANCH • TEXAS

# INTRODUCTORY SECTION

CITY OF FAIR OAKS RANCH • TEXAS

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www.fairoaksranchtx.org

March 16, 2023

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, 2022.

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

The City's financial statements have been audited by 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, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor has concluded, based on the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the financial statements for the year ended September 30, 2022, 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 10,505. 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 five other members appointed by City Council. The MDD is funded through a half-cent Section 4B sales tax. The City is financially accountable for the MDD because the City appoints the governing body and the City is obligated to finance any deficits that may occur.

## LOCAL ECONOMY

The information presented in the financial statements 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 proximity to major airports and major military bases. The City is also close to one of the busiest intersections in the San Antonio area, the Interstate 10 and Loop 1604 intersection.

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 increases in sales tax revenue in recent years is a 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.

## LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 113% of total general fund operating expenditures. This amount represents an operating reserve of 50% per policy guidelines, and an additional 63% available for future budgetary uses. As part of its strategic plan, the Council has approved five-year Capital Improvement Plans for Drainage, Roadways, and Utility Improvements.

Livestreamed Public Meetings and Municipal Court

The City has continued its commitment to transparency and communication by implementing Livestreamed City Council Meetings and Municipal Court proceedings. The Information Technology and Human Resources and Communications departments, in conjunction with external vendors, worked to assess the technological needs, acquire the necessary equipment and software, and install the infrastructure to facilitate the livestream process. Residents, staff, and members of the surrounding community can now tune in to these events, increasing awareness and citizen participation. During the fiscal year $32,500 was expended on this project.

Public Safety Study

The City contracted with Matrix Consulting in FY 2021 to begin work on a Standard of Cover and Utilization Study. This study was completed in January 2022 and provided 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 reviewed current demands and existing resources, gathered information on community expectations, and provided recommendations regarding future projections based on community and police department goals and performance indicators. During the fiscal year, the final payment of $895 was expended on the contract totaling $39,608.

Chartwell Lane Intersection Realignment

As part of the ongoing evaluation of the City's street conditions, several safety enhancements were identified which included improvements to the Dietz Elkhorn and Chartwell Lane intersection at the entrance to Fair Oaks Ranch Elementary School. City Council considered multiple options before selecting a permanent solution to realign Chartwell Lane, creating a 4-leg standard intersection with crosswalks in each direction to improve pedestrian safety and traffic flow. During the fiscal year the project was completed at a cost of $352,393, of which $30,467 was contributed by Boerne Independent School District for the project..

City Hall Renovation Project

The COVID-19 pandemic put a spotlight on the City's growing issues with adequate office space needed for its 78 full-time employees. Further, the adoption of the home rule charter in 2017 expanded the City Council from six to seven members; however, the council dais was only built for six. In January 2021, the City entered into an agreement with Waterman Construction LLC as Construction Manager at Risk, and in March 2022, Council approved a Guaranteed Maximum Price amendment for the final cost and construction of the City Hall renovation project. Construction started in April 2022 and is staggered into three phases. During the fiscal year $371,485 was expended for this project. The project is estimated to be completed in the second quarter of FY 2023.

Drainage Projects

In June 2021, a review of the Master Drainage Plan and project prioritization efforts were included as part of the general fund budgeting process, and a total of six priority projects were included in the adopted FY 2022 budget (primarily design phase services). This fiscal year the City began work on three of these projects and expended $50,531. These projects will continue into the next fiscal year as the City also begins work on the remaining projects from the Drainage Capital Improvement Plan.

Wastewater Treatment Plant Upgrades

The City owns and operates a Wastewater Treatment Plant (WWTP) with a current permitted capacity of 0.5 million gallons per day. Although the plant has four sludge drying beds, their use is labor intensive, they become less effective during winter and rainy weather, and they are the source of numerous nuisance odor and insect complaints due to proximity with the surrounding neighborhood. The City contracted with Malone & Wheeler, Inc. for the design, permitting, bid and construction services of a project to address these issues. The contract also included a pilot study which successfully installed and tested a volute dewatering press at our WWTP. The City expended $124,507 on engineering services with this firm. The City then awarded a bid to Udelhoven, Inc. for construction of a permanent press estimated to begin in FY 2023.

The City is also conducting a WWTP feasibility study to build upon previous work done in the development of the City's Master Plan. Study objectives include field investigation, Master Plan validation and evaluation of alternatives to expand treatment capacity to meet build-out requirements. The City contracted with Garver LLC to conduct the study and expended $186,404 this fiscal year. The study will continue into next fiscal year with an estimated completion date in May 2023.

Upgrades to Water Plant 2

The City contracted with MGB Construction, Inc. for extensive upgrades to Water Plant 2 addressed in the Water Utility Capital Improvement Plan. The project included installation of a new 9,000-gal. hydropneumatics tank, two 450-gallon pumps, variable frequency drives, electrical upgrades, and minor site improvements such as constructing a new fence and gate. The project was completed in October 2022 and a ceremonial ribbon cutting was held to commemorate the completion of the upgrades. This fiscal year the City expended $547,297 on design and construction for the project.

## AWARDS AND ACKNOWLEDGEMENTS

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, 2021. This was the fifth consecutive year that the City has achieved this prestigious 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, 2021

Christopher P. Morrill

Executive Director/CEO

**CITY OF FAIR OAKS RANCH, TEXAS**

**PRINCIPAL OFFICIALS**

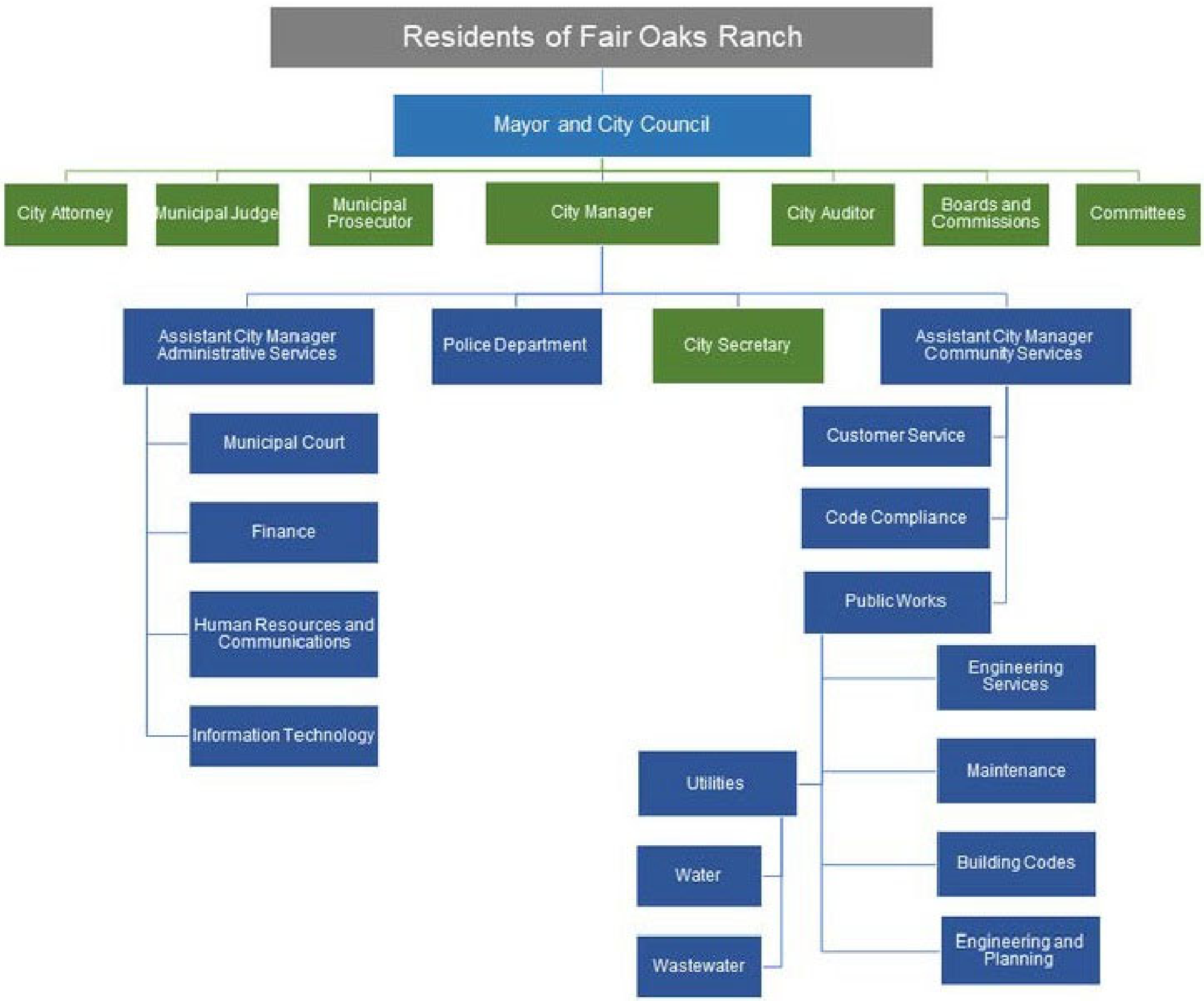
**September 30, 2022**

| | |
|---|---|
| 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, 2022



CITY OF FAIR OAKS RANCH • TEXAS

# 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

### Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

**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 is the responsibility of management and, 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.

**Supplementary 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 accompanying budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
March 16, 2023

CITY OF FAIR OAKS RANCH • TEXAS

# 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, 2022. 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, 2022 by total combined net position of $36,343,325. Of this amount, $19,577,789 (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 $4,438,116 or 13.9%. The net position of governmental activities increased by $2,545,486 or 15.5%. The net position of business-type activities increased by $1,892,630, or 12.3%.

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,329,437. Of this amount, $25,328 is non-spendable, $166,961 is restricted in use, $6,771,923 is assigned and $4,365,225 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, $4,225,321 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 six and one-half months of operating expenses in the Operating Reserve at September 30, 2022.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

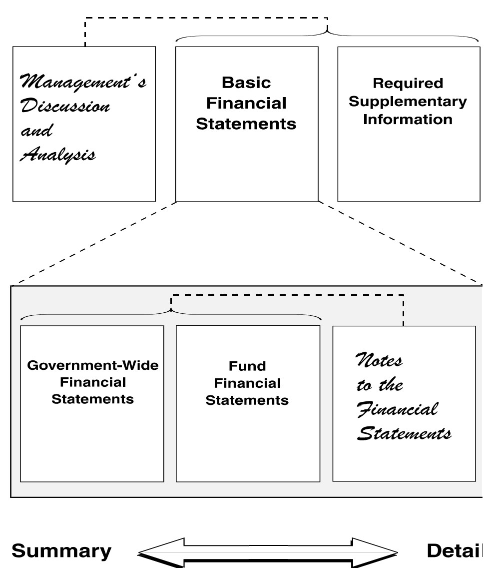
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

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

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

- *Proprietary fund* statements offer *short-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<br>● Statement of Activities | ● Balance Sheet<br>● Statement of Revenues, Expenditures and Changes in Fund Balances | ● Statement of Net Position<br>● Statement of Revenues, Expenses and Changes in Net Position<br>● 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, 2022, total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $36,343,325 (see Table A-1). Investment in capital assets representing a large portion of the City's net position, $16,598,575, 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 $166,961, represents resources that are subject to external restrictions on how they may be used. The remaining amount of net position, $19,577,789, 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 |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022-2021 |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 12,054,128 | $ 9,844,549 | $ 8,477,166 | $ 8,633,713 | $ 20,531,294 | $ 18,478,262 | 11.1% |
| Receivables | 720,069 | 592,760 | 680,341 | 468,539 | 1,400,410 | 1,061,299 | 32.0% |
| Inventories and prepaids | 25,328 | 96,070 | 183,701 | 198,767 | 209,029 | 294,837 | -29.1% |
| Total current assets | 12,799,525 | 10,533,379 | 9,341,208 | 9,301,019 | 22,140,733 | 19,834,398 | 11.6% |
| 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 | - | - | 18,568,667 | 18,424,624 | 18,568,667 | 18,424,624 | 0.8% |
| Vehicles and equipment | 2,390,697 | 2,208,651 | 1,213,879 | 1,124,837 | 3,604,576 | 3,333,488 | 8.1% |
| Infrastructure | 10,148,595 | 10,148,595 | - | - | 10,148,595 | 10,148,595 | 0.0% |
| Right to use asset | 104,176 | - | - | - | 104,176 | - | 100.0% |
| Construction in progress | 372,035 | - | 1,241,495 | 538,019 | 1,613,530 | 538,019 | 199.9% |
| Less accumulated depreciation | (5,042,054) | (4,368,372) | (10,389,719) | (9,629,697) | (15,431,773) | (13,998,069) | 10.2% |
| Total non-current assets | 12,127,539 | 12,142,964 | 10,687,922 | 10,511,383 | 22,815,461 | 22,654,347 | 0.7% |
| Total assets | 24,927,064 | 22,676,343 | 20,029,130 | 19,812,402 | 44,956,194 | 42,488,745 | 5.8% |
| Deferred outflows of resources: | | | | | | | |
| Deferred OPEB related outflows | 31,969 | 31,243 | 10,454 | 9,968 | 42,423 | 41,211 | 100.0% |
| Deferred pension related outflows | 472,841 | 354,760 | 195,855 | 151,576 | 668,696 | 506,336 | 32.1% |
| Total deferred outflows of resources | 504,810 | 386,003 | 206,309 | 161,544 | 711,119 | 547,547 | 29.9% |
| Liabilities: | | | | | | | |
| Current liabilities | 1,202,509 | 1,021,030 | 437,823 | 1,792,864 | 1,640,332 | 2,813,894 | -41.7% |
| Non-current liabilities: | | | | | | | |
| Due within one year | 576,410 | 531,063 | 348,715 | 333,793 | 925,125 | 864,856 | 7.0% |
| Due in more than one year | 3,884,326 | 4,261,548 | 1,881,147 | 2,171,379 | 5,765,473 | 6,432,927 | -10.4% |
| OPEB liability | 119,932 | 105,988 | 43,236 | 33,622 | 163,168 | 139,610 | 16.9% |
| Net pension liability | 121,881 | 425,502 | 18,046 | 127,502 | 139,927 | 553,004 | -74.7% |
| Total liabilities | 5,905,058 | 6,345,131 | 2,728,967 | 4,459,160 | 8,634,025 | 10,804,291 | -20.1% |
| Deferred inflows of resources: | | | | | | | |
| Deferred OPEB related inflows | 8,515 | 10,514 | 2,708 | 3,343 | 11,223 | 13,857 | -19.0% |
| Deferred pension related inflows | 502,314 | 236,200 | 176,426 | 76,735 | 678,740 | 312,935 | 116.9% |
| Total deferred outflows of resources | 510,829 | 246,714 | 179,134 | 80,078 | 689,963 | 326,792 | 111.1% |
| Net position: | | | | | | | |
| Net investment in capital assets | 8,025,653 | 7,647,912 | 8,572,922 | 8,081,383 | 16,598,575 | 15,729,295 | 5.5% |
| Restricted | 166,961 | 153,339 | - | - | 166,961 | 153,339 | 8.9% |
| Unrestricted | 10,823,373 | 8,669,250 | 8,754,416 | 7,353,325 | 19,577,789 | 16,022,575 | 22.2% |
| Total net position | $ 19,015,987 | $ 16,470,501 | $ 17,327,338 | $ 15,434,708 | $ 36,343,325 | $ 31,905,209 | 13.9% |

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

The City's total revenues were $19,137,430. Revenues from Governmental Activities totaled $11,340,514 (59.3%) and revenues from Business-Type Activities totaled $7,796,916 (40.7%). Expenses for the City totaled $14,699,314; Governmental Activity expenses totaled $8,795,028 (59.8%) and Business-Type Activity expenses totaled $5,904,286 (40.2%).

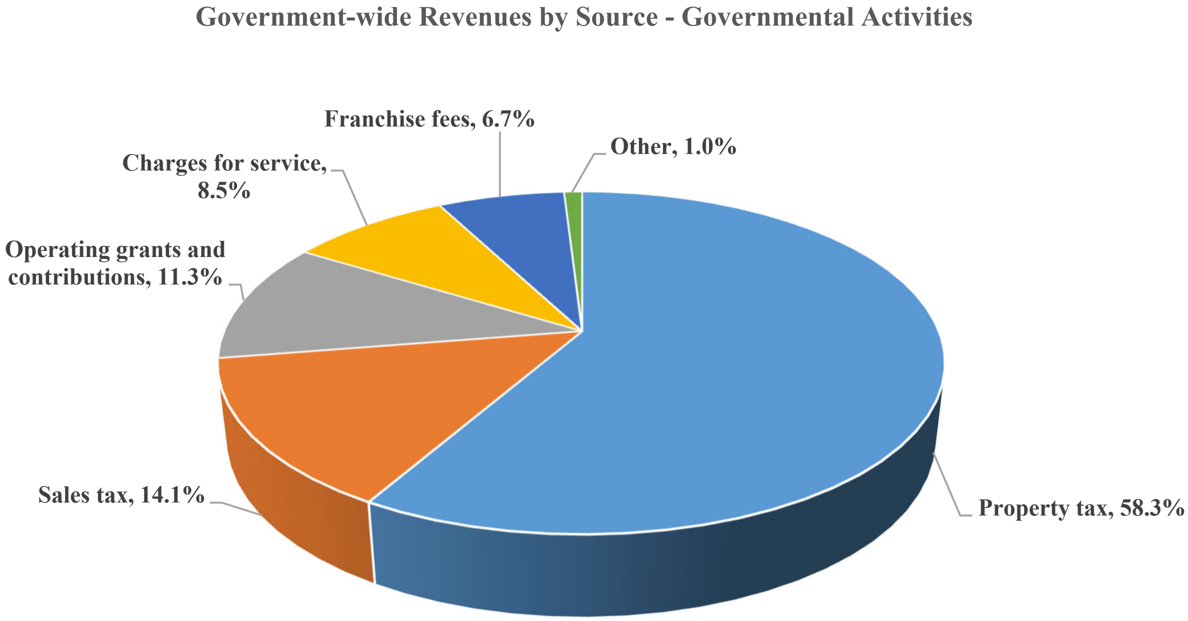
TABLE A-2

CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022-2021 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | $ 968,001 | $ 915,200 | $ 6,497,720 | $ 5,681,369 | $ 7,465,721 | $ 6,596,569 | 13.2% |
| Operating grants and contributions | 1,283,952 | 190,841 | 1,244,133 | - | 2,528,085 | 190,841 | 1224.7% |
| Capital grants and contributions | - | - | - | - | - | - | 100.0% |
| General revenues: | | | | | | | |
| Property taxes | 6,614,489 | 6,482,238 | - | - | 6,614,489 | 6,482,238 | 2.0% |
| Non property taxes | 2,365,342 | 2,112,076 | - | - | 2,365,342 | 2,112,076 | 12.0% |
| Investment earnings | 80,336 | 4,345 | 55,063 | 3,066 | 135,399 | 7,411 | 1727.0% |
| Gain on sale of capital assets | 674 | 19,848 | - | - | 674 | 19,848 | -96.6% |
| Miscellaneous | 27,720 | 20,480 | - | - | 27,720 | 20,480 | 35.4% |
| Total revenues | 11,340,514 | 9,745,028 | 7,796,916 | 5,684,435 | 19,137,430 | 15,429,463 | 24.0% |
| Expenses: | | | | | | | |
| Mayor and council | 7,268 | 4,774 | - | - | 7,268 | 4,774 | 52.2% |
| City administration | 1,121,778 | 711,344 | - | - | 1,121,778 | 711,344 | 57.7% |
| City secretary | 197,308 | 230,348 | - | - | 197,308 | 230,348 | -14.3% |
| HR and communications | 168,913 | 220,869 | - | - | 168,913 | 220,869 | -23.5% |
| Finance | 292,851 | 322,851 | - | - | 292,851 | 322,851 | -9.3% |
| Municipal court | 206,843 | 192,956 | - | - | 206,843 | 192,956 | 7.2% |
| Public safety | 3,456,846 | 3,161,031 | - | - | 3,456,846 | 3,161,031 | 9.4% |
| Engineering and planning | 1,493,654 | 976,254 | - | - | 1,493,654 | 976,254 | 53.0% |
| Public works | 920,678 | 922,990 | - | - | 920,678 | 922,990 | -0.3% |
| Building codes and permits | 273,015 | 253,665 | - | - | 273,015 | 253,665 | 7.6% |
| Information technology | 403,168 | 394,288 | - | - | 403,168 | 394,288 | 100.0% |
| Non-departmental | 252,706 | 251,462 | - | - | 252,706 | 251,462 | 0.5% |
| Utility | - | - | 5,904,286 | 4,873,487 | 5,904,286 | 4,873,487 | 21.2% |
| Total expenses | 8,795,028 | 7,642,832 | 5,904,286 | 4,873,487 | 14,699,314 | 12,516,319 | 17.4% |
| Increases (decreases) in net position before transfers | 2,545,486 | 2,102,196 | 1,892,630 | 810,948 | 4,438,116 | 2,913,144 | 52.3% |
| Change in net position | 2,545,486 | 2,102,196 | 1,892,630 | 810,948 | 4,438,116 | 2,913,144 | 52.3% |
| Net position - beginning | 16,470,501 | 14,368,305 | 15,434,708 | 14,623,760 | 31,905,209 | 28,992,065 | 10.0% |
| Net position - ending | $ 19,015,987 | $ 16,470,501 | $ 17,327,338 | $ 15,434,708 | $ 36,343,325 | $ 31,905,209 | 13.9% |

**Governmental Activities**

Overall Governmental activities increased the City's net position by $2,545,486. 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.



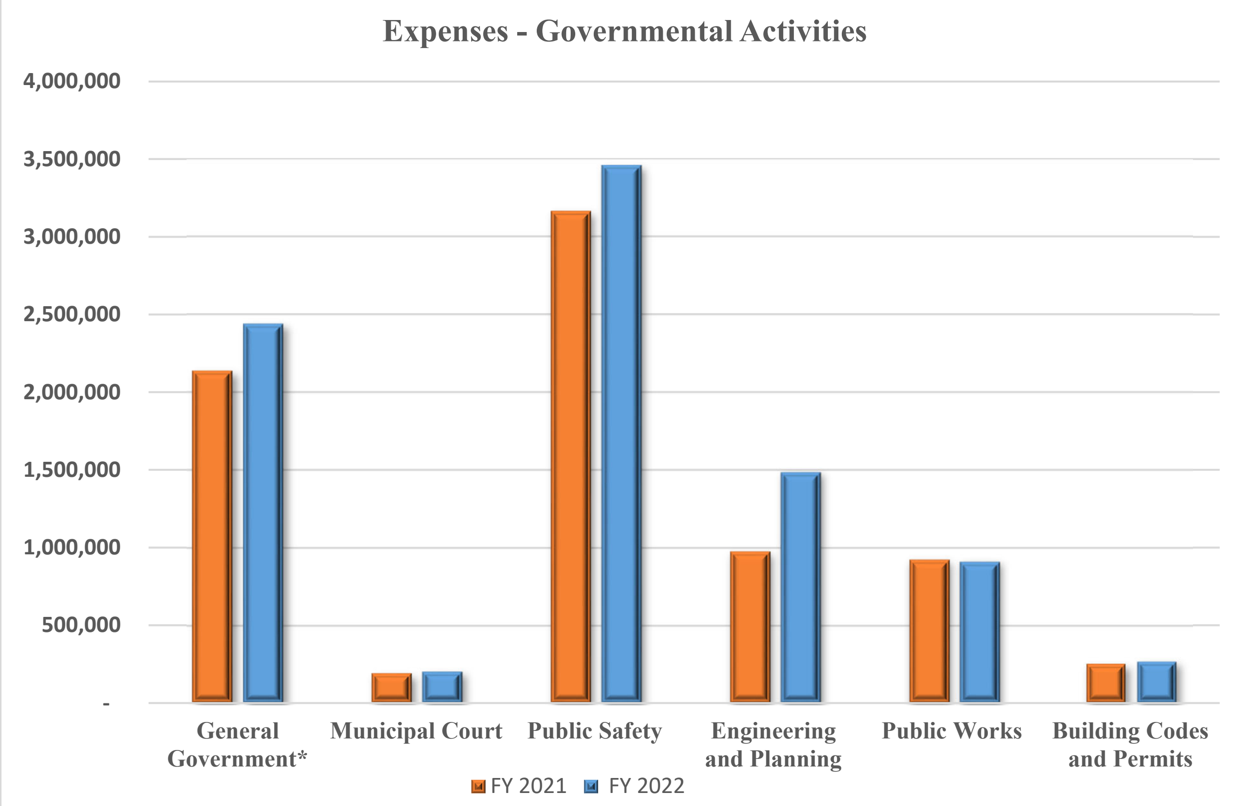

Revenues for Governmental Activities were $11,340,514 compared to prior year's revenues of $9,745,028. The increase of $1,595,486 is largely attributable to a $1,093,011 increase in operating grants received from the Coronavirus State and Local Fiscal Recovery Fund, a part of the American Rescue Plan, to support the City's response to and recovery from the COVID-19 emergency. The additional increase in revenue is due to the following:

- Property tax revenues increased by $132,251 due primarily to an increase in assessed property values.
- Sales tax revenue increased by $143,392 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.
- Franchise fees from electric and gas utility providers increased $109,874 from prior year due to a combination of increased utility rates as well as an increase in development within the City.
- Investment earnings increased $75,991 primarily due to increasing yields over the period.

Expenses for Governmental Activities were $8,795,028 compared to prior year's expenses of $7,642,832. The increase of $1,152,196 is due to the following:

- The increase in City Administration of $410,434 is primarily due to an increase in strategic project expenditures related to the City Hall renovation project, in addition to an increase in personnel costs for the addition of an Assistant City Manager.
- Expenses for public safety increased by $295,815 due primarily to an increase in personnel costs of $290,601 for maintaining full staff with fewer vacancies than was experienced in the prior fiscal year.
- Expenses for engineering & planning increased by $517,400 primarily in street maintenance costs. This fiscal year City Council budgeted an additional $500,000 to enhance the annual street maintenance program to improve the average pavement condition index on City streets.
- Building codes and permits increased $19,350 due to an increase in personnel costs and use of a contract inspector.

- Municipal court increased $13,887 due to an increase in professional fees for the municipal judge, offset with a savings in personnel costs for partial year vacancy of the court administrator.
- HR and communications decreased $51,956 from prior year due to the allocation of personnel costs to the Utility for shared costs.
- Expenses for the finance department decreased $30,000 due to savings in personnel costs for vacancies offset with an increase in professional services for increased appraisal district fees.
- City secretary expenses decreased $33,040 from prior year due to no election costs this fiscal year compared to the prior year which had two elections.




**General Government includes Mayor and Council, Administration, City Secretary, HR, Finance, IT and Non-Departmental*

**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 $1,892,630, accounting for a 42.6% increase in the City's total net position.

Revenues for Business-Type Activities totaled $7,796,916 compared to prior year's revenues of $5,684,435. The increase of $2,112,481 is largely attributable to a $1,244,133 increase in operating grants received from the Coronavirus State and Local Fiscal Recovery Fund, a part of the American Rescue Plan, to support the City's response to and recovery from the COVID-19 emergency. The additional increase in revenue is due to the following:

- Residential and commercial water and wastewater revenue increased $934,816 due to an increase in consumption and drought surcharges implemented in May and lasting through the end of the fiscal year.
- Commercial water revenue increased $77,387 due to an increase in consumption and non-potable water sales to the local golf course.
- Investment earnings increased $51,997 due to increasing yields over the period.
- The water and wastewater debt service revenue increased $84,987 due to a rate increase to support the payment on the utility's Combination Tax and Limited Pledge Revenue Bond.
- Water and wastewater impact fee revenue decreased $295,848 due to a decrease in development of new residential homes within the City.

Expenses for Business-Type Activities were $5,904,286 compared to prior year expenses of $4,873,487. The increase of $1,030,799 is due largely to the following:

- Personnel costs increased $315,573 due to fewer vacancies throughout the year combined with an allocation of the Human Resources and Communications department personnel costs from the governmental funds.
- The water utility had an increase of $281,053 in water reservation fees paid to Guadalupe-Blanco River Authority (GBRA). In addition to increased GBRA rates charged to the City, the City increased its water commitment purchase agreement resulting in increased costs.
- Contractual and maintenance costs increased $145,974 largely due to costs associated with an engineering feasibility study on the utility's wastewater treatment plant. The study will continue into the next fiscal year and will be used to evaluate alternatives to expand treatment capacity to meet build-out requirements.
- Professional services increased $148,378 due to an increase in sludge disposal costs, legal fees, and utility management fee paid to the City's general fund.
- The combined cost of utilities, supplies, and liability insurance increased $131,849 due to higher electricity rates and higher costs of routine supplies used in the course of business.

**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 $11,329,437, a net increase of $1,983,585 or 21.2%.

The total increase is shown by fund below.

| | |
|---|---|
| General Fund | $ 1,424,615 |
| Debt Service Fund | 8,321 |
| Capital Projects Funds | 550,649 |
| Combined fund balance change | $ 1,983,585 |

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 $8,780,176. The fund balance is categorized as follows: $25,328 in nonspendable, $114,302 in restricted, $4,275,321 in assigned, and $4,365,225 in unassigned. The assigned fund balance includes $4,225,321 in budgeted operating expense reserve held by the City. The unassigned fund balance includes $3,332,234 allocated for appropriations in fiscal year 2023 budget.

The fund balance of the General Fund increased by $1,424,614 during the fiscal year. This increase in fund balance is due largely to a $1,093,111 increase in operating grants received from the Coronavirus State and Local Fiscal Recovery Fund, a part of the American Rescue plan, to support the City's response to and recovery from the COVID-19 emergency. The City also continues to show strong earnings in tax revenues and franchise fees.

The total fund balance of the City's capital projects funds at year-end was $2,496,602. These funds are assigned for strategic projects and replacement of capital equipment. The fund balance increased by $550,649 during the fiscal year due to continued savings for future capital and on-going projects spanning multiple fiscal years.

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Variances in Budget Appropriations**
**Year-Ended September 30, 2022**
**(Budgetary Basis)**
**General Fund**

| | Original Budget | Final Budget | Actual Results | Variances Budget | Variances Final to Actual |
|---|---|---|---|---|---|
| **Resources (Inflows):** | | | | | |
| Taxes | $ 7,364,494 | $ 7,364,494 | $ 7,686,927 | $ - | $ 322,433 |
| Franchise Fees | 618,200 | 618,200 | 761,408 | - | 143,208 |
| Permits | 400,000 | 400,000 | 348,333 | - | (51,667) |
| Animal Control | 1,250 | 1,250 | 930 | - | (320) |
| Fines & Forfeitures | 129,923 | 129,923 | 174,573 | - | 44,650 |
| Other Fees and Services | 278,251 | 278,251 | 317,082 | - | 38,831 |
| Grant Revenue | - | - | 1,283,952 | - | 1,283,952 |
| Miscellaneous | 13,400 | 13,400 | 29,900 | - | 16,500 |
| Investment Earnings | 8,000 | 8,000 | 79,926 | - | 71,926 |
| Transfers from Other Funds | 250,000 | 281,060 | 58,907 | 31,060 | (222,153) |
| Total | $ 9,063,518 | $ 9,094,578 | $ 10,741,938 | $ 31,060 | $ 1,647,360 |
| **Charges to Appropriations (Outflows):** | | | | | |
| General Government | $ 2,268,705 | $ 2,215,411 | $ 1,890,229 | $ (53,294) | $ (325,182) |
| Public Safety | 3,542,881 | 3,550,279 | 3,235,681 | 7,398 | (314,598) |
| Public Works | 923,122 | 924,822 | 676,270 | 1,700 | (248,552) |
| Engineering and Planning | 1,604,768 | 1,639,268 | 1,503,785 | 34,500 | (135,483) |
| Building Codes and Permits | 273,518 | 280,718 | 281,031 | 7,200 | 313 |
| Municipal Court | 248,516 | 248,516 | 218,920 | - | (29,596) |
| Transfers to Other Funds | 1,140,185 | 1,482,407 | 1,511,407 | 342,222 | 29,000 |
| Total | $ 10,001,695 | $ 10,341,421 | $ 9,317,323 | $ 339,726 | $ (1,024,098) |

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 $31,060 in budgeted revenue for a transfer from the equipment replacement fund.

Final budgeted revenue appropriations for the General Fund were $9,094,578 while actual revenues on a budgetary basis were $10,741,938, creating a favorable variance of $1,647,360. Substantial variance explanations are listed below:

- Property tax revenues were higher than final budgeted amount due to an increase in the property tax levy after appraisal review board adjustments were finalized.
- Franchise fee revenues from electric and gas utilities were higher than anticipated due to a combination of increased utility rates as well as an increase in development within the City.
- Grant revenues is higher than final budgeted amounts due to funds received from the Coronavirus State and Local Fiscal Recovery Fund, a part of the American Rescue Plan, to support the City's response to and recovery from the COVID-19 emergency.
- Transfer from the equipment replacement fund was significantly lower than budget due to supply chain delays of the ordered replacement capital.

Changes in original expenditure budget appropriations to the final amended budget appropriations resulted in a net $339,726 increase in appropriations. Variances are explained as follows:

- Transfers to the strategic projects fund increased $342,222 for a project to realign an intersection near one of the City's elementary schools, and a project to renovate City Hall.
- Engineering and planning increased $34,500 for additional services of the general engineering contractor.

- General government decreased $53,294 for budgeted costs of a portable building that were transferred to the strategic projects fund for the City Hall renovation.
- Public safety and public works final budgeted appropriations increased a combined $9,098 to capture prior year encumbrances.
- Building codes and permits increased $7,200 for additional contract inspector fees.

Final budgeted appropriations for the General Fund were $10,341,421 while actual expenditures on a budgetary basis were $9,317,323, creating a favorable variance of $1,024,098. Variance explanations are listed below:

- General Government recognized savings due largely to vacancies in personnel, as well as savings in election costs, and professional services for an internal control audit and a fireworks event.
- Public Safety had personnel savings of $138,762 due to routine vacancies and $178,698 savings in budgeted capital not purchased due to supply chain issues.
- Public Works had personnel savings of $124,156 due to routine vacancies, $43,653 savings in maintenance and operations costs related to drainage and streets, and $83,244 savings in budgeted capital not purchased due to supply chain issues.
- Engineering and Planning recognized $52,193 savings in personnel due to vacancies, $64,267 savings in street maintenance, and $19,023 savings in professional services.
- Municipal Court savings are attributed to savings in personnel for the court administrator vacancy during part of the year.
- Transfers to other funds increase is due to an increased transfer to the strategic projects fund for the City Hall renovation from savings in general government facility contracts budget.

## 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, 2022 amounts to $22,815,461 (net of accumulated depreciation). This investment includes land, buildings, vehicles and equipment, right to use assets, infrastructure and construction in progress (see Table A-3). The net increase in the City's capital assets for the fiscal year was $161,114, which is comprised of a $15,425 decrease in governmental activities and an increase of $176,539 in business-type activities.

TABLE A-3

CITY OF FAIR OAKS RANCH'S CAPITAL ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022-2021 |
| Capital assets - not depreciated | | | | | | | |
| Land | $ 116,798 | $ 116,798 | $ 53,600 | $ 53,600 | $ 170,398 | $ 170,398 | 0.0% |
| Construction in progress | 372,035 | - | 1,241,495 | 538,019 | 1,613,530 | 538,019 | 199.9% |
| 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 | 2,390,697 | 2,208,651 | 1,213,879 | 1,124,837 | 3,604,576 | 3,333,488 | 8.1% |
| Infrastructure | 10,148,595 | 10,148,595 | - | - | 10,148,595 | 10,148,595 | 0.0% |
| Right to use asset | 104,176 | - | - | - | 104,176 | - | 100.0% |
| Utility plant | - | - | 18,568,667 | 18,424,624 | 18,568,667 | 18,424,624 | 0.8% |
| Totals at historical cost | 17,169,593 | 16,511,336 | 21,077,641 | 20,141,080 | 38,247,234 | 36,652,416 | 4.4% |
| Total accumulated depreciation | (5,042,054) | (4,368,372) | (10,389,719) | (9,629,697) | (15,431,773) | (13,998,069) | 10.2% |
| Net capital assets | $ 12,127,539 | $ 12,142,964 | $ 10,687,922 | $ 10,511,383 | $ 22,815,461 | $ 22,654,347 | 0.7% |

Additional detail regarding capital assets can be found in note 5 on page 43-44 of the financial statements.

## Long-Term Debt

At the end of the current fiscal year, the City had a total of $6,100,000 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 45.

TABLE A-4

CITY OF FAIR OAKS RANCH'S LONG-TERM DEBT

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022-2021 |
| Bonds payable | $ 3,985,000 | $ 4,435,000 | $ 2,115,000 | $ 2,430,000 | $ 6,100,000 | $ 6,865,000 | -11.1% |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees that will be charged for the business-type activities. The City has adopted an ad valorem tax rate of $0.3291 per $100 of assessed values for fiscal year 2023, which is a decrease from $0.3518 in fiscal year 2022. Due to growth and increased valuations, property tax revenue is expected to increase approximately 3% compared to fiscal year 2022.

Sales tax revenue in fiscal year 2022 continued to exceed expectations. The City budgeted a 10% increase in sales tax revenue for fiscal year 2023, which is in line with recent performance trends.

Water and wastewater volumetric rates remain unchanged for fiscal year 2023. The utility is amid a rate study that is projected to conclude in fiscal year 2023 that may affect rates in fiscal year 2024. Due to enacting the City's drought contingency plan in fiscal year 2022, the City saw higher revenues from drought surcharges during the warmer months. The City has budgeted lower revenues in fiscal year 2023 to more closely align with pre-drought revenues.

Priorities for fiscal year 2023 focus on the continued development and implementation of the City's Strategic Plan and Capital Improvement Plans while managing inflationary pressures with no change to service levels.

## 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, 2022

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Municipal Development District |
| ASSETS | | | | |
| Cash and cash equivalents | $ 12,054,128 | $ 8,477,166 | $ 20,531,294 | $ 2,106,718 |
| Receivables | | | | |
| (net of allowance for uncollectibles): | | | | |
| Taxes | 141,175 | - | 141,175 | 69,254 |
| Accounts | 578,894 | 680,341 | 1,259,235 | - |
| Inventories | - | 159,357 | 159,357 | - |
| Prepaids | 25,328 | 24,344 | 49,672 | - |
| Capital assets, net: | | | | |
| Land | 116,798 | 53,600 | 170,398 | - |
| Buildings and land improvements | 2,595,411 | - | 2,595,411 | - |
| Utility plant and easements | - | 8,968,003 | 8,968,003 | - |
| Vehicles and equipment | 770,561 | 424,824 | 1,195,385 | - |
| Infrastructure | 8,211,875 | - | 8,211,875 | - |
| Right to use asset | 60,859 | - | 60,859 | - |
| Construction in progress | 372,035 | 1,241,495 | 1,613,530 | - |
| Total capital assets | 12,127,539 | 10,687,922 | 22,815,461 | - |
| Total assets | 24,927,064 | 20,029,130 | 44,956,194 | 2,175,972 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to OPEB | 31,969 | 10,454 | 42,423 | - |
| Deferred outflows related to pensions | 472,841 | 195,855 | 668,696 | - |
| Total deferred outflows of resources | 504,810 | 206,309 | 711,119 | - |

(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 | $ 1,060,437 | $ 262,408 | $ 1,322,845 | $ 37 |
| Accrued liabilities | 142,072 | 29,703 | 171,775 | - |
| Other liabilities | - | - | - | - |
| Unearned revenue | - | 145,712 | 145,712 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 576,410 | 348,715 | 925,125 | - |
| Due in more than one year | 3,884,326 | 1,881,147 | 5,765,473 | - |
| OPEB liability | 119,932 | 43,236 | 163,168 | - |
| Net pension liability | 121,881 | 18,046 | 139,927 | - |
| Total liabilities | 5,905,058 | 2,728,967 | 8,634,025 | 37 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 502,314 | 176,426 | 678,740 | - |
| Deferred inflows related to OPEB | 8,515 | 2,708 | 11,223 | - |
| Total deferred inflows of resources | 510,829 | 179,134 | 689,963 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 8,025,653 | 8,572,922 | 16,598,575 | - |
| Restricted for: | | | | |
| Court technology | 13,873 | - | 13,873 | - |
| Court security building | 59,243 | - | 59,243 | - |
| Court efficiency and felony forfeiture | 12,222 | - | 12,222 | - |
| Other court restrictions | 10,216 | - | 10,216 | - |
| PEG fees | 4,319 | - | 4,319 | - |
| Public safety | 14,429 | - | 14,429 | - |
| Debt service | 52,659 | - | 52,659 | - |
| Unrestricted | 10,823,373 | 8,754,416 | 19,577,789 | 2,175,935 |
| Total net position | $ 19,015,987 | $ 17,327,338 | $ 36,343,325 | $ 2,175,935 |

# CITY OF FAIR OAKS RANCH, TEXAS

## STATEMENT OF ACTIVITIES

## For the year ended September 30, 2022

| Functions and Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Primary government | | | | |
| Governmental activities: | | | | |
| Mayor and council | $ 7,268 | $ - | $ 1,061 | $ - |
| Administration | 1,121,778 | 317,083 | 163,764 | - |
| City secretary | 197,308 | - | 28,804 | - |
| HR and communications | 168,913 | - | 24,659 | - |
| Finance | 292,851 | - | 42,752 | - |
| Municipal court | 206,843 | 301,655 | 30,196 | - |
| Public safety | 3,456,846 | 930 | 504,652 | - |
| Engineering and planning | 1,493,654 | - | 218,053 | - |
| Public works | 920,678 | - | 134,406 | - |
| Building codes and permits | 273,015 | 348,333 | 39,856 | - |
| Information technology | 403,168 | - | 58,857 | - |
| General government | 252,706 | - | 36,892 | - |
| Total governmental activities | 8,795,028 | 968,001 | 1,283,952 | - |
| Business-type activities: | | | | |
| Water/sewer utility | 5,904,286 | 6,497,720 | 1,244,133 | - |
| Total business-type activities | 5,904,286 | 6,497,720 | 1,244,133 | - |
| Total primary government | $ 14,699,314 | $ 7,465,721 | $ 2,528,085 | $ - |
| Component unit: | | | | |
| Municipal Development District | $ 40,535 | $ - | $ - | $ - |

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 |
| $ (6,207) | $ - | $ (6,207) | |
| (640,931) | - | (640,931) | |
| (168,504) | - | (168,504) | |
| (144,254) | - | (144,254) | |
| (250,099) | - | (250,099) | |
| 125,008 | - | 125,008 | |
| (2,951,264) | - | (2,951,264) | |
| (1,275,601) | - | (1,275,601) | |
| (786,272) | - | (786,272) | |
| 115,174 | - | 115,174 | |
| (344,311) | - | (344,311) | |
| (215,814) | - | (215,814) | |
| (6,543,075) | - | (6,543,075) | |
| - | 1,837,567 | 1,837,567 | |
| - | 1,837,567 | 1,837,567 | |
| (6,543,075) | 1,837,567 | (4,705,508) | |
| | | | $ (40,535) |
| 6,614,489 | - | 6,614,489 | - |
| 2,365,342 | - | 2,365,342 | 421,183 |
| 80,336 | 55,063 | 135,399 | 13,855 |
| 674 | - | 674 | - |
| 27,720 | - | 27,720 | - |
| 9,088,561 | 55,063 | 9,143,624 | 435,038 |
| 2,545,486 | 1,892,630 | 4,438,116 | 394,503 |
| 16,470,501 | 15,434,708 | 31,905,209 | 1,781,432 |
| $ 19,015,987 | $ 17,327,338 | $ 36,343,325 | $ 2,175,935 |

# CITY OF FAIR OAKS RANCH, TEXAS

# BALANCE SHEET – GOVERNMENTAL FUNDS

## September 30, 2022

| | Major Funds | | | Other | Total |
|---|---|---|---|---|---|
| | General Fund | Strategic Projects Fund | Equipment Replacement Fund | Governmental Fund Debt Service Fund | Governmental Funds |
| ASSETS | | | | | |
| Cash and cash equivalents | $ 9,353,442 | $ 1,559,659 | $ 1,089,047 | $ 51,980 | $ 12,054,128 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Property taxes | 128,715 | - | - | 12,460 | 141,175 |
| Accounts | 578,894 | - | - | - | 578,894 |
| Prepaid items | 25,328 | - | - | - | 25,328 |
| Total assets | $ 10,086,379 | $ 1,559,659 | $ 1,089,047 | $ 64,440 | $ 12,799,525 |
| LIABILITIES | | | | | |
| Accounts payable | $ 954,392 | $ 106,046 | $ - | $ - | $ 1,060,438 |
| Accrued expenditures | 96,014 | 46,058 | - | - | 142,072 |
| Other liabilities | - | - | - | - | - |
| Total liabilities | 1,050,406 | 152,104 | - | - | 1,202,510 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues | 255,797 | - | - | 11,781 | 267,578 |
| Total deferred inflows of resources | 255,797 | - | - | 11,781 | 267,578 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 25,328 | - | - | - | 25,328 |
| Restricted for: | | | | | |
| Court technology | 13,873 | - | - | - | 13,873 |
| Court security building | 59,243 | - | - | - | 59,243 |
| Court efficiency and felony forfeiture | 12,222 | - | - | - | 12,222 |
| Other court restrictions | 10,216 | - | - | - | 10,216 |
| PEG fees | 4,319 | - | - | - | 4,319 |
| Public safety | 14,429 | - | - | - | 14,429 |
| Debt service | - | - | - | 52,659 | 52,659 |
| Assigned for: | | | | | |
| Strategic expenditures | - | 1,407,555 | - | - | 1,407,555 |
| Capital equipment | - | - | 1,089,047 | - | 1,089,047 |
| Legal issues | 50,000 | - | - | - | 50,000 |
| Six month operating reserve | 4,225,321 | - | - | - | 4,225,321 |
| Unassigned | 4,365,225 | - | - | - | 4,365,225 |
| Total fund balances | 8,780,176 | 1,407,555 | 1,089,047 | 52,659 | 11,329,437 |
| Total liabilities, deferred inflows of resources and fund balances | $ 10,086,379 | $ 1,559,659 | $ 1,089,047 | $ 64,440 | $ 12,799,525 |

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, 2022

| | | |
|---|---|---|
| Total fund balances - total governmental funds | $ | 11,329,437 |
| 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. | | 12,127,539 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 267,578 |
| Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds. | | (358,850) |
| 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 | | (3,985,000) |
| Right to use liability | | (63,506) |
| Unamortized bond premium | | (53,379) |
| 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 | | (121,881) |
| Pension related deferred inflows | | (502,314) |
| Pension related deferred outflows | | 472,841 |
| 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 | | (119,932) |
| OPEB related deferred inflows | | (8,515) |
| OPEB related deferred outflows | | 31,969 |
| Total net position of governmental activities | $ | 19,015,987 |

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, 2022

| | Major Fund | | | Other | Total |
|---|---|---|---|---|---|
| | General Fund | Strategic Projects Fund | Equipment Replacement Fund | Governmental Fund Debt Service Fund | Governmental Funds |
| REVENUES | | | | | |
| Taxes | $ 7,686,927 | $ - | $ - | $ 557,497 | $ 8,244,424 |
| Franchise fees | 761,408 | - | - | - | 761,408 |
| Permits | 348,333 | - | - | - | 348,333 |
| Animal control | 930 | - | - | - | 930 |
| Fines and forfeits | 174,573 | - | - | - | 174,573 |
| Utility management fee | 257,566 | - | - | - | 257,566 |
| Other fees and services | 59,517 | - | - | - | 59,517 |
| Interest | 79,926 | - | - | 410 | 80,336 |
| Grant revenue | 1,283,952 | - | - | - | 1,283,952 |
| Miscellaneous | 29,226 | - | - | - | 29,226 |
| Total revenues | 10,682,358 | - | - | 557,907 | 11,240,265 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Mayor and council | 7,268 | - | - | - | 7,268 |
| Administration | 640,983 | 460,270 | - | - | 1,101,253 |
| City secretary | 199,508 | 3,591 | - | - | 203,099 |
| HR and communications | 168,856 | 3,966 | - | - | 172,822 |
| Finance | 299,194 | - | - | - | 299,194 |
| Municipal court | 210,560 | - | - | - | 210,560 |
| Public safety | 3,235,681 | 3,151 | - | - | 3,238,832 |
| Engineering and planning | 1,503,785 | - | - | - | 1,503,785 |
| Public works | 594,514 | - | - | - | 594,514 |
| Building codes and permits | 281,032 | - | - | - | 281,032 |
| Information technology | 346,202 | 35,333 | - | - | 381,535 |
| Non-departmental | 159,793 | - | - | - | 159,793 |
| Capital projects/outlay | 158,541 | 395,540 | - | - | 554,081 |
| Debt service: | | | | | |
| Principal | - | - | - | 450,000 | 450,000 |
| Interest and fiscal charges | - | - | - | 99,585 | 99,585 |
| Total expenditures | 7,805,917 | 901,851 | - | 549,585 | 9,257,353 |
| Excess (deficiency) of revenues over (under) expenditures | 2,876,441 | (901,851) | - | 8,322 | 1,982,912 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of assets | 673 | - | - | - | 673 |
| Transfers in | 58,907 | 1,236,222 | 275,185 | - | 1,570,314 |
| Transfers out | (1,511,407) | - | (58,907) | - | (1,570,314) |
| Total other financing sources (uses) | (1,451,827) | 1,236,222 | 216,278 | - | 673 |
| Net change in fund balances | 1,424,614 | 334,371 | 216,278 | 8,322 | 1,983,585 |
| Fund balance - beginning | 7,355,562 | 1,073,184 | 872,769 | 44,337 | 9,345,852 |
| Fund balance - ending | $ 8,780,176 | $ 1,407,555 | $ 1,089,047 | $ 52,659 | $ 11,329,437 |

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, 2022

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 1,983,585 |
| 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 | 554,081 |
| Current year depreciation | (656,151) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Ad valorem revenue | (26,001) |
| Court citations | 127,082 |
| 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 | 450,000 |
| Lease liability payments | 23,138 |
| 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. | 155,588 |
| 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. | (11,218) |
| 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 | (61,291) |
| Change in net position - governmental activities | $ 2,545,486 |

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, 2022

| | | Business-Type Activities |
|---|---|---|
| Assets | | Water/Sewer Fund |
| Current assets: | | |
| Cash and cash equivalents | $ | 8,477,166 |
| Receivables (net of allowances for uncollectibles): | | |
| Accounts | | 680,341 |
| Inventories | | 159,357 |
| Prepaids | | 24,344 |
| Total current assets | | 9,341,208 |
| Capital assets: | | |
| Land | | 53,600 |
| Construction in progress | | 1,241,495 |
| Utility plant and easements | | 18,568,667 |
| Vehicles and equipment | | 1,213,879 |
| Accumulated depreciation | | (10,389,719) |
| Total capital assets, net of accumulated depreciation | | 10,687,922 |
| Total assets | | 20,029,130 |
| Deferred outflows of resources | | |
| Deferred OPEB related outflows | | 10,454 |
| Deferred pension related outflows | | 195,855 |
| Total deferred outflows of resources | | 206,309 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | | 262,408 |
| Accrued liabilities | | 29,703 |
| Unearned revenue | | 145,712 |
| Due within one year | | 348,715 |
| Total current liabilities | | 786,538 |
| Noncurrent liabilities: | | |
| Due in more than one year | | 1,881,147 |
| OPEB liability | | 43,236 |
| Net pension liability | | 18,046 |
| Total noncurrent liabilities | | 1,942,429 |
| Total liabilities | | 2,728,967 |
| Deferred inflows of resources | | |
| Deferred pension related inflows | | 176,426 |
| Deferred OPEB related inflows | | 2,708 |
| Total deferred inflows of resources | | 179,134 |
| Net position | | |
| Net investment in capital assets | | 8,572,922 |
| Unrestricted | | 8,754,416 |
| Total net position | $ | 17,327,338 |

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, 2022

| | Business-Type Activities Water/Sewer Fund |
|---|---|
| Operating revenues | |
| Charges for utility service | $ 6,497,720 |
| Operating expenses | |
| Personnel services | 1,712,978 |
| Contractual services | 48,144 |
| Maintenance | 472,840 |
| Equipment lease | 11,955 |
| Supplies | 97,601 |
| Office supplies | 145,903 |
| Postage | 18,922 |
| Utilities | 297,975 |
| Management fee | 257,566 |
| Professional fees | 413,565 |
| Permits and licenses | 10,125 |
| Water reservation fees | 1,205,020 |
| Insurance | 50,990 |
| Sludge disposal | 323,451 |
| Miscellaneous | 54,797 |
| Total operating expenses | 5,121,832 |
| Operating income (loss) before depreciation | 1,375,888 |
| Depreciation | 760,023 |
| Operating income (loss) | 615,865 |
| Nonoperating revenues (expenses) | |
| Grant income | 1,244,133 |
| Interest income | 55,063 |
| Interest and fiscal charges | (22,431) |
| Amortization of deferred loss on refunding issue | - |
| Total nonoperating revenues (expenses) | 1,276,765 |
| Income before transfers | 1,892,630 |
| Change in net position | 1,892,630 |
| Total net position - beginning | 15,434,708 |
| Total net position - ending | $ 17,327,338 |

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, 2022

| | Business-Type Activities<br>Water/Sewer Fund |
|---|---|
| Cash flows from operating activities | |
| Cash received from customers | $ 5,041,784 |
| Cash paid for employee wages and benefits | (1,785,654) |
| Cash paid for suppliers for goods and services | (3,220,004) |
| Cash paid to general fund for management fee | (257,566) |
| Net cash provided (used) in operating activities | (221,440) |
| Cash flows from noncapital financing activities | |
| Cash received from grant revenue | 1,244,133 |
| Cash flows from capital and related financing activities | |
| Purchase/construction of capital assets | (936,562) |
| Principal payments on long-term debt | (275,310) |
| Interest and fiscal charges paid | (22,431) |
| Net cash provided (used) by capital and related financing activities | (1,234,303) |
| Cash flows from investing activities | |
| Investment interest received | 55,063 |
| Net cash provided (used) by investing activities | 55,063 |
| Net increase (decrease) in cash and investments | (156,547) |
| Cash and investments at beginning of year | 8,633,713 |
| Cash and investments at end of year | $ 8,477,166 |
| Reconciliation of net operating income to net cash provided to net cash (used) by operating activities | |
| Operating income (loss) | $ 615,865 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 760,023 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (211,802) |
| (Increase) decrease in inventories | (36,151) |
| (Increase) decrease in prepaids | 51,217 |
| Increase (decrease) in accounts payable | 25,295 |
| Increase (decrease) in accrued liabilities | (27,125) |
| Increase (decrease) in other liabilities | (154,628) |
| Net cash provided (used) by operating activities | $ (221,440) |
| SCHEDULE OF NONCASH CAPITAL ACTIVITIES | |
| Actuarially determined change in net pension liability | $ 1,121 |
| Other postemployment benefit liability | 55,412 |

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

## CITY OF FAIR OAKS RANCH, TEXAS

## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUND

## September 30, 2022

| | Private-Purpose Trust Fund |
|---|---|
| Assets | |
| Cash and cash equivalents | $ 2,032 |
| Other receivable | 1,015 |
| Total assets | 3,047 |
| Liabilities | |
| Due to local government | 1,015 |
| Net position | |
| Restricted for individuals | $ 2,032 |

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, 2022

| | | Private-Purpose Trust Fund |
|---|---|---|
| Additions | | |
| Contributions from employees | $ | 17,490 |
| Deductions | | |
| Benefit payments | | 21,067 |
| Net change in fiduciary net position | | (3,577) |
| Net position - beginning | | 5,609 |
| Net position - ending | $ | 2,032 |

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, 2022, 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, 2021 and past due after January 31, 2022. 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 assets 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 assets 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, 2022, management fees totaled $257,566.

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.

## (1) Summary of significant accounting policies (continued)

New accounting policy

As of October 1, 2021, the City implemented GASB Statement No. 87, *Leases.* The objectives of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

## (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, 2022, the carrying amount of the City's deposits in the bank was $1,416,311 and the bank balance was $1,749,106. 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 $2,275,836 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, 2022.

At September 30, 2022, the carrying amount of the Municipal Development District's deposits in the bank was $53,160 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.

(2) Cash and cash equivalents (continued)

Investments (continued)

The City's investments at September 30, 2022 were as shown below:

| | Rating | Value | Weighted Average Maturity (Days) |
|---|---|---|---|
| TexPool (valued at amortized cost) | AAAm | $ 19,115,840 | 24 |

The Municipal Development District's investments at September 30, 2022 were as shown below:

| | Rating | Value | Weighted Average Maturity (Days) |
|---|---|---|---|
| TexPool (valued at amortized cost) | AAAm | $ 2,053,557 | 24 |

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 cash equivalents (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 2022, the assessed tax rate for the City was $.3518 per $100 on an assessed valuation of $1,861,025,853. The tax rate is split $.3223 for general maintenance and operations and $.0295 for interest and sinking. Total tax levy for fiscal year 2022 is $6,547,412. As of September 30, 2022, the delinquent taxes were $140,497.

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, 2022, was $.3518 per $100 of assessed value, which means that the City has a tax margin of $2.1482 for each $100 value and could increase its annual tax levy by approximately $39,978,557 based upon the present assessed valuation of $1,861,025,853 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, 2022, the City did not have any due to/due from balances outstanding.

Transfers between City funds during the year ended September 30, 2022 consist of the following:

| Transfer Out | Transfer In | Amount | Purpose |
|---|---|---|---|
| General Fund | Strategic Projects Fund | $ 1,236,222 | Capital Improvement Plan |
| General Fund | Equipment Replacement Fund | 275,185 | Capital Equipment Replacement |
| Equipment Replacement Fund | General Fund | 58,907 | Capital Replacement |
| | Total | $ 1,570,314 | |

## (5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2022, was as follows:

| | Balance October 1, 2021 | Additions | Disposals | Balance September 30, 2022 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 116,798 | $ - | $ - | $ 116,798 |
| Construction in progress | - | 372,035 | - | 372,035 |
| Capital assets being depreciated | | | | |
| Buildings and land improvements | 4,037,292 | - | - | 4,037,292 |
| Vehicles and equipment | 2,208,651 | 182,046 | - | 2,390,697 |
| Infrastructure | 10,148,595 | - | - | 10,148,595 |
| Right to use asset | 104,176 | - | - | 104,176 |
| Total capital assets | 16,615,512 | 554,081 | - | 17,169,593 |
| Less accumulated depreciation | | | | |
| Buildings and land improvements | (1,329,199) | (112,682) | - | (1,441,881) |
| Vehicles and equipment | (1,355,321) | (264,815) | - | (1,620,136) |
| Infrastructure | (1,683,852) | (252,868) | - | (1,936,720) |
| Right to use asset | (17,531) | (25,786) | - | (43,317) |
| Total accumulated depreciation | (4,385,903) | (656,151) | - | (5,042,054) |
| Governmental capital assets, net | $ 12,229,609 | $ (102,070) | $ - | $ 12,127,539 |

(5) Capital assets (continued)

Capital asset activity in the proprietary fund for the year ended September 30, 2022, was as follows:

| | Balance October 1, 2021 | Additions | Disposals | Balance September 30, 2022 |
|---|---|---|---|---|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 53,600 | $ - | $ - | $ 53,600 |
| Construction in progress | 538,019 | 703,476 | - | 1,241,495 |
| Capital assets being depreciated | | | | |
| Utility plant and easements | 18,424,624 | 144,043 | - | 18,568,667 |
| Vehicles and equipment | 1,124,837 | 89,042 | - | 1,213,879 |
| Totals capital assets | 20,141,080 | 936,561 | - | 21,077,641 |
| Less accumulated depreciation | | | | |
| Utility plant and easements | (8,939,037) | (661,627) | - | (9,600,664) |
| Vehicles and equipment | (690,660) | (98,395) | - | (789,055) |
| Total accumulated depreciation | (9,629,697) | (760,022) | - | (10,389,719) |
| Business-type capital assets, net | $ 10,511,383 | $ 176,539 | $ - | $ 10,687,922 |

Depreciation expense was charged to the governmental functions as follows:

| | |
|---|---|
| Administration | $ 62,038 |
| Public safety | 229,850 |
| Information technology | 24,970 |
| Public works | 339,293 |
| Total depreciation expense - governmental activities | $ 656,151 |

(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, 2022. 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.

## (7) Long-term liabilities

Primary government

At September 30, 2022, 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% | $ 3,985,000 | $ 460,000 | $ 3,525,000 |

| Business-type activities | Range of Interest Rates | Unpaid Principal | Current Maturities | Long-Term Maturities |
|---|---|---|---|---|
| Certificate of Obligation Bond Series 2020 | 1.01% | $ 2,115,000 | $ 320,000 | $ 1,795,000 |

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, 2022:

| Governmental activities: | Original Amount | Balance Outstanding Oct. 1, 2021 | Current Additions | Current Reductions | Balance Outstanding Sept. 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|---|
| Long-term debt: | | | | | | |
| GO Bonds, Series 2015 | $ 7,000,000 | $ 4,435,000 | $ - | $ (450,000) | $ 3,985,000 | $ 460,000 |
| Premium on bonds | | 60,052 | - | (6,673) | 53,379 | 6,673 |
| Total long-term debt | | 4,495,052 | - | (456,673) | 4,038,379 | 466,673 |
| Other long-term liabilities: | | | | | | |
| Right to use lease liability | | 88,151 | - | (24,644) | 63,507 | 20,025 |
| Compensated absences | | 297,559 | 135,681 | (74,390) | 358,850 | 89,712 |
| Total governmental activities | | $ 4,880,762 | $ 135,681 | $ (555,707) | $ 4,460,736 | $ 576,410 |
| Business-type activities: | | | | | | |
| Long-term debt: | | | | | | |
| CO Bonds, Series 2020 | $ 2,660,000 | $ 2,430,000 | $ - | $ (315,000) | $ 2,115,000 | $ 320,000 |
| Other long-term liabilities: | | | | | | |
| Compensated absences | | 75,172 | 58,483 | (18,793) | 114,862 | 28,715 |
| Total business-type activities | | 2,505,172 | 58,483 | (333,793) | 2,229,862 | 348,715 |
| Total changes in long-term liabilities | | $ 7,297,783 | $ 194,164 | $ (889,500) | $ 6,690,598 | $ 925,125 |

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, 2022, including principal and interest payments, are as follows:

| Year Ending | Governmental Activities | | | Business-Type Activities | | |
|---|---|---|---|---|---|---|
| September 30, | Principal | Interest | Total | Principal | Interest | Total |
| 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 | 500,000 | 48,575 | 548,575 | 330,000 | 6,666 | 336,666 |
| 2028 - 2030 | 1,585,000 | 66,813 | 1,651,813 | 495,000 | 4,116 | 499,116 |
| | $ 3,985,000 | $ 424,106 | $ 4,409,106 | $ 2,115,000 | $ 70,270 | $ 2,185,270 |

## (7) Long-term liabilities (continued)

Right to use lease obligations

At September 30, 2022, the City was obligated under the right to use leases for apple ipads ($2,895), copier leases ($57,888), and postage meter ($2,724). The ipads were leased for a term of 2 years at a fixed interest rate of 5.25%. The monthly payments are $732. The copiers were leased for a term of 5 years at a fixed interest rate of 5.25%. The monthly payments are $1,581. The postage meter was leased for a term of 63 months at a fixed interest rate of 5.25%. The monthly payments are $78. The leases are not renewable and the City will not acquire the equipment at the end of the terms. Future minimum lease payments on these leases are as follows:

| Year Ending | Governmental Activities | | |
|---|---|---|---|
| September 30, | Principal | Interest | Total |
| 2023 | $ 20,025 | $ 2,806 | $ 22,831 |
| 2024 | 18,051 | 1,853 | 19,904 |
| 2025 | 19,022 | 882 | 19,904 |
| 2026 | 6,409 | 70 | 6,479 |
| | $ 63,507 | $ 5,611 | $ 69,118 |

## (8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 901 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's 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.

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

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, 2021 valuation and measurement dates, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries receiving benefits | 19 |
| Inactive employees entitled to but not yet receiving benefits | 52 |
| Active employees | 65 |
| Total | 136 |

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, 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 liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $568,318, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2021, 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, 2021 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

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

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.

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.

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 | 35.00% | 7.55% |
| Core Fixed Income | 6.00% | 2.00% |
| Non-Core Fixed Income | 20.00% | 5.68% |
| Other public and private markets | 12.00% | 7.22% |
| Real Estate | 12.00% | 6.85% |
| Hedge funds | 5.00% | 5.35% |
| Private Equity | 10.00% | 10.00% |
| 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, 2021:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2020 | $ 10,117,822 | $ 9,564,818 | $ 553,004 |
| Changes for the year: | | | |
| Service cost | 747,891 | - | 747,891 |
| Interest | 700,139 | - | 700,139 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | 186,130 | - | 186,130 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 499,891 | (499,891) |
| Contributions - employee | - | 302,440 | (302,440) |
| Net investment income | - | 1,250,635 | (1,250,635) |
| Benefit payments, including refunds of employee contributions | (238,666) | (238,666) | - |
| Administrative expenses | - | (5,769) | 5,769 |
| Other changes | - | 40 | (40) |
| Net changes | 1,395,494 | 1,808,571 | (413,077) |
| Balance at 12/31/2021 | $ 11,513,316 | $ 11,373,389 | $ 139,927 |

(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) | $ 2,191,960 | $ 139,927 | $ (1,491,391) |

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 tmrs.com.

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

For the year ended September 30, 2022, the City recognized pension expense of $358,685.

At September 30, 2022, 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 | $ 220,552 | $ 39,536 |
| Changes in actuarial assumptions | 21,659 | - |
| Difference between projected and actual investment earnings | - | 639,204 |
| Contributions made subsequent to the measurement date | 426,485 | - |
| Total | $ 668,696 | $ 678,740 |

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position (continued)

The City reported $426,485 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, 2023. 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 |
|---|---|
| 2023 | $ (61,969) |
| 2024 | (198,613) |
| 2025 | (83,335) |
| 2026 | (92,612) |
| 2027 | - |
| Thereafter | - |
| | $ (436,529) |

(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. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

(9) Other postemployment benefits (continued)

Contributions (continued)

The contribution rate for the City was 0.14% for calendar years 2022 and 2021. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2022 were $6,833 and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement dates, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits | 9 |
| Active employees | 65 |
| Total | 87 |

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of $163,168 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2021 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 * | 1.84% |
| 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, 2021. The actuarial assumptions used in the December 31, 2021 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 12/31/2020 | $ 139,610 |
| Changes for the year: | |
| Service cost | 13,826 |
| Interest on total OPEB liability | 2,913 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 2,905 |
| Changes of assumptions | 5,642 |
| Benefit payments | (1,728) |
| Net changes | 23,558 |
| Balance at 12/31/2021 | $ 163,168 |

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 1.84%, 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 (.84%) or 1-percentage-point higher (2.84%) than the current rate:

| | 1% Decrease in Discount Rate (.84%) | Current Single Rate Assumption (1.84%) | 1% Increase in Discount Rate (2.84%) |
|---|---|---|---|
| Total OPEB liability (asset) | $ 205,702 | $ 163,168 | $ 131,464 |

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

For the year ended September 30, 2022, the City recognized OPEB expense of $22,224.

At September 30, 2022, 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 | $ 3,698 | $ 8,132 |
| Changes in actuarial assumptions | 33,609 | 3,091 |
| Difference between projected and actual investment earnings | - | - |
| Contributions made subsequent to the measurement date | 5,116 | - |
| Total | $ 42,423 | $ 11,223 |

(9) Other postemployment benefits (continued)

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

The City reported $5,116 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, 2023. 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 |
|---|---|
| 2023 | $ 5,485 |
| 2024 | 5,485 |
| 2025 | 4,917 |
| 2026 | 4,930 |
| 2027 | 3,901 |
| Thereafter | 1,366 |
| | $ 26,084 |

(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, 2022 were $102,930 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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues | | | | |
| Taxes | $ 7,364,494 | $ 7,364,494 | $ 7,686,927 | $ 322,433 |
| Franchise fees | 618,200 | 618,200 | 761,408 | 143,208 |
| Permits | 400,000 | 400,000 | 348,333 | (51,667) |
| Animal control | 1,250 | 1,250 | 930 | (320) |
| Fines and forfeits | 129,923 | 129,923 | 174,573 | 44,650 |
| Utility management fee | 215,601 | 215,601 | 257,566 | 41,965 |
| Other fees & services | 62,650 | 62,650 | 59,517 | (3,133) |
| Interest | 8,000 | 8,000 | 79,926 | 71,926 |
| Grant revenue | - | - | 1,283,952 | 1,283,952 |
| Miscellaneous | 13,400 | 13,400 | 29,226 | 15,826 |
| Total revenues | 8,813,518 | 8,813,518 | 10,682,358 | 1,868,840 |
| Expenditures | | | | |
| Mayor and council: | | | | |
| Supplies and maintenance | 4,850 | 4,850 | 460 | 4,390 |
| Services | 29,950 | 29,950 | 6,808 | 23,142 |
| Total mayor and council | 34,800 | 34,800 | 7,268 | 27,532 |
| Administration: | | | | |
| Personnel | 594,029 | 594,029 | 518,723 | 75,306 |
| Maintenance and supplies | 6,380 | 2,130 | 1,309 | 821 |
| Services | 105,769 | 105,769 | 120,951 | (15,182) |
| Capital outlay | - | 27,360 | 27,360 | - |
| Total administration | 706,178 | 729,288 | 668,343 | 60,945 |
| City secretary: | | | | |
| Personnel | 169,240 | 169,240 | 185,587 | (16,347) |
| Supplies, maintenance and operations | 1,300 | 1,300 | 1,007 | 293 |
| Services | 56,574 | 56,574 | 12,914 | 43,660 |
| Total city secretary | 227,114 | 227,114 | 199,508 | 27,606 |
| Human resources and communications: | | | | |
| Personnel | 154,092 | 154,092 | 120,858 | 33,234 |
| Supplies, maintenance and operations | 10,830 | 6,391 | 9,384 | (2,993) |
| Services | 68,780 | 68,415 | 38,614 | 29,801 |
| Total human resources and communications | 233,702 | 228,898 | 168,856 | 60,042 |
| Finance: | | | | |
| Personnel | 275,569 | 275,569 | 209,084 | 66,485 |
| Supplies, maintenance and operations | 3,075 | 2,075 | 1,235 | 840 |
| Professional services | 103,789 | 103,789 | 88,875 | 14,914 |
| Total finance | 382,433 | 381,433 | 299,194 | 82,239 |

(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, 2022

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget-Positive (Negative) |
|---|---|---|---|---|
| Expenditures (continued) | | | | |
| Municipal court: | | | | |
| Personnel | $ 155,136 | $ 155,136 | $ 125,407 | $ 29,729 |
| Supplies, maintenance and operations | 6,700 | 6,700 | 4,009 | 2,691 |
| Services | 86,680 | 86,680 | 81,144 | 5,536 |
| Capital outlay | - | - | 8,360 | (8,360) |
| Total municipal court | 248,516 | 248,516 | 218,920 | 29,596 |
| Public safety: | | | | |
| Personnel | 2,538,286 | 2,538,286 | 2,399,524 | 138,762 |
| Supplies, maintenance and operations | 101,890 | 105,491 | 117,963 | (12,472) |
| Services | 725,705 | 727,804 | 718,194 | 9,610 |
| Capital outlay | 177,000 | 178,698 | - | 178,698 |
| Total public safety | 3,542,881 | 3,550,279 | 3,235,681 | 314,598 |
| Engineering and planning: | | | | |
| Personnel | 375,318 | 375,318 | 323,125 | 52,193 |
| Supplies, maintenance and operations | 1,011,501 | 1,006,001 | 941,734 | 64,267 |
| Services | 217,949 | 257,949 | 238,926 | 19,023 |
| Capital outlay | - | - | - | - |
| Total engineering and planning | 1,604,768 | 1,639,268 | 1,503,785 | 135,483 |
| Public works: | | | | |
| Personnel | 586,359 | 586,359 | 462,203 | 124,156 |
| Supplies, maintenance and operations | 163,191 | 164,891 | 121,238 | 43,653 |
| Services | 8,572 | 8,572 | 11,073 | (2,501) |
| Capital outlay | 165,000 | 165,000 | 81,755 | 83,245 |
| Total public works | 923,122 | 924,822 | 676,269 | 248,553 |
| Building codes and permits: | | | | |
| Personnel | 250,863 | 250,863 | 257,965 | (7,102) |
| Supplies, maintenance and operations | 7,230 | 5,330 | 5,020 | 310 |
| Services | 15,425 | 24,525 | 18,047 | 6,478 |
| Total building codes and permits | 273,518 | 280,718 | 281,032 | (314) |
| Information technology: | | | | |
| Personnel | 107,030 | 107,030 | 107,942 | (912) |
| Supplies, maintenance and operations | 4,550 | 1,050 | 518 | 532 |
| Services | 8,025 | 8,025 | 4,295 | 3,730 |
| Shared services | 270,261 | 270,261 | 233,447 | 36,814 |
| Capital Outlay | 47,500 | 47,500 | 41,066 | 6,434 |
| Total information technology | 437,366 | 433,866 | 387,268 | 46,598 |
| Non-departmental and shared services: | | | | |
| Supplies, maintenance and operations | 3,600 | 3,600 | 5,021 | (1,421) |
| Shared services | 243,512 | 176,412 | 154,772 | 21,640 |
| Total non-departmental and shared services | 247,112 | 180,012 | 159,793 | 20,219 |
| Total expenditures | 8,861,510 | 8,859,014 | 7,805,917 | 1,053,097 |

(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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Excess (deficiency) of revenues over (under) expenditures | $ (47,992) | $ (45,496) | $ 2,876,441 | $ 2,921,937 |
| Other financing sources (uses) | | | | |
| Sale of assets | - | - | 673 | 673 |
| Transfers in (out) | (1,140,185) | (1,482,407) | (1,511,407) | (29,000) |
| Transfers in (out) | 250,000 | 281,060 | 58,907 | (222,153) |
| Total other financing sources (uses) | (890,185) | (1,201,347) | (1,451,827) | (250,480) |
| Net change in fund balance | (938,177) | (1,246,843) | 1,424,614 | 2,671,457 |
| Fund balance, beginning | 7,355,562 | 7,355,562 | 7,355,562 | - |
| Fund balance, ending | $ 6,417,385 | $ 6,108,719 | $ 8,780,176 | $ 2,671,457 |

# 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,

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 747,891 | $ 687,662 | $ 648,430 | $ 577,241 |
| Interest (on the total pension liability) | 700,139 | 618,696 | 550,195 | 478,426 |
| Changes of benefit terms | - | - | - | - |
| Difference between expected and actual experience | 186,130 | 100,676 | (79,808) | 86,113 |
| Changes of assumptions | - | - | 51,465 | - |
| Benefit payments, including refunds of employee contributions | (238,666) | (222,498) | (127,623) | (100,655) |
| Net change in total pension liability | 1,395,494 | 1,184,536 | 1,042,659 | 1,041,125 |
| Total pension liability - beginning | 10,117,822 | 8,933,286 | 7,890,627 | 6,849,502 |
| Total pension liability - ending | $ 11,513,316 | $ 10,117,822 | $ 8,933,286 | $ 7,890,627 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 499,891 | $ 464,390 | $ 437,261 | $ 400,446 |
| Contributions - employee | 302,440 | 277,603 | 261,163 | 232,624 |
| Net investment income | 1,250,635 | 640,072 | 1,052,635 | (193,745) |
| Benefit payments, including refunds of employee contributions | (238,666) | (222,498) | (127,623) | (100,655) |
| Administrative expense | (5,769) | (4,131) | (5,933) | (3,738) |
| Other | 40 | (161) | (178) | (195) |
| Net change in plan fiduciary net position | 1,808,571 | 1,155,275 | 1,617,325 | 334,737 |
| Plan fiduciary net position - beginning | 9,564,818 | 8,409,543 | 6,792,218 | 6,457,481 |
| Plan fiduciary net position - ending | $ 11,373,389 | $ 9,564,818 | $ 8,409,543 | $ 6,792,218 |
| Net pension liability | $ 139,927 | $ 553,004 | $ 523,743 | $ 1,098,409 |
| Plan fiduciary net position as a percentage of total pension liability | 98.78% | 94.53% | 94.14% | 86.08% |
| Covered payroll | $ 4,320,572 | $ 3,965,754 | $ 3,730,898 | $ 3,323,206 |
| Net pension liability as a percentage of covered payroll | 3.24% | 13.94% | 14.04% | 33.05% |

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

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| $ 483,263 | $ 415,604 | $ 372,932 | $ 314,855 |
| 428,795 | 377,577 | 347,674 | 303,986 |
| - | - | - | - |
| (101,894) | 47,016 | (72,739) | 66,156 |
| - | - | 51,102 | - |
| (143,110) | (87,360) | (99,327) | (80,511) |
| 667,054 | 752,837 | 599,642 | 604,486 |
| 6,182,448 | 5,429,611 | 4,829,969 | 4,225,483 |
| $ 6,849,502 | $ 6,182,448 | $ 5,429,611 | $ 4,829,969 |
| $ 318,292 | $ 276,800 | $ 265,412 | $ 234,399 |
| 194,528 | 172,450 | 158,118 | 143,051 |
| 742,178 | 316,200 | 6,418 | 219,419 |
| (143,110) | (87,360) | (99,327) | (80,511) |
| (3,841) | (3,568) | (3,909) | (2,290) |
| (195) | (192) | (193) | (188) |
| 1,107,852 | 674,330 | 326,519 | 513,880 |
| 5,349,629 | 4,675,299 | 4,348,780 | 3,834,900 |
| $ 6,457,481 | $ 5,349,629 | $ 4,675,299 | $ 4,348,780 |
| $ 392,021 | $ 832,819 | $ 754,312 | $ 481,189 |
| 94.28% | 86.53% | 86.11% | 90.04% |
| $ 2,778,969 | $ 2,463,571 | $ 2,258,825 | $ 2,043,586 |
| 14.11% | 33.81% | 33.39% | 23.55% |

# CITY OF FAIR OAKS RANCH, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF CONTRIBUTIONS - PENSION

### For the year ended September 30,

| **Schedule of contributions:** | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Actuarially determined contributions | $ 568,318 | $ 490,444 | $ 479,231 | $ 427,169 |
| Contributions in relation to the actuarially determined contribution | 568,318 | 490,444 | 479,231 | 427,169 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 4,880,414 | $ 4,045,825 | $ 4,091,573 | $ 3,616,851 |
| Contributions as a percentage of covered payroll | 11.64% | 12.12% | 11.71% | 11.81% |

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

| 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|
| $ 375,269 | $ 306,515 | $ 272,041 | $ 238,287 |
| 375,269 | 306,515 | 272,041 | 238,287 |
| $ - | $ - | $ - | $ - |
| $ 3,150,696 | $ 2,689,459 | $ 2,387,202 | $ 2,103,123 |
| 11.91% | 11.40% | 11.40% | 11.33% |

# 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,

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | |
| Service cost | $ 13,826 | $ 10,311 | $ 7,462 | $ 7,311 | $ 5,280 |
| Interest on the total OPEB liability | 2,913 | 3,233 | 3,385 | 2,830 | 2,653 |
| Changes of benefit terms | - | - | - | - | - |
| Difference between expected and actual experience | 2,905 | (6,486) | (5,875) | 2,643 | - |
| Changes of assumptions | 5,642 | 20,334 | 20,311 | (6,763) | 6,688 |
| Benefit payments, including refunds of employee contributions | (1,728) | (397) | (373) | (332) | (278) |
| Net change in total OPEB liability | 23,558 | 26,995 | 24,910 | 5,689 | 14,343 |
| Total OPEB liability - beginning | 139,610 | 112,615 | 87,705 | 82,016 | 67,673 |
| Total OPEB liability - ending | $ 163,168 | $ 139,610 | $ 112,615 | $ 87,705 | $ 82,016 |
| Covered payroll | $ 4,320,572 | $ 3,965,754 | $ 3,730,898 | $ 3,323,206 | $ 2,778,969 |
| OPEB liability as a percentage of covered payroll | 3.78% | 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 fifth 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:** | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Actuarially determined contributions | $ 6,833 | $ 5,664 | $ 5,728 | $ 4,871 | $ 4,017 |
| Contributions in relation to the actuarially determined contribution | 6,833 | 5,664 | 5,728 | 4,871 | 4,017 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 4,880,414 | $ 4,045,825 | $ 4,091,573 | $ 3,616,851 | $ 3,150,696 |
| Contributions as a percentage of covered payroll | 0.14% | 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 fifth year of implementation of GASB 75. The City will develop the schedule prospectively.

# CITY OF FAIR OAKS RANCH, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

## September 30, 2022

(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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues | | | | |
| Taxes | $ 547,171 | $ 547,171 | $ 557,497 | $ 10,326 |
| Interest | 1,000 | 1,000 | 410 | (590) |
| Total revenues | 548,171 | 548,171 | 557,907 | 9,736 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 450,000 | 450,000 | 450,000 | - |
| Interest and fiscal charges | 99,585 | 99,585 | 99,585 | - |
| Total debt service | 549,585 | 549,585 | 549,585 | - |
| Total expenditures | 549,585 | 549,585 | 549,585 | - |
| Excess (deficiency) of revenues over (under) expenditures | (1,414) | (1,414) | 8,322 | 9,736 |
| Net change in fund balance | (1,414) | (1,414) | 8,322 | 9,736 |
| Fund balance, beginning | 44,337 | 44,337 | 44,337 | - |
| Fund balance, ending | $ 42,923 | $ 42,923 | $ 52,659 | $ 9,736 |

## 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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues | | | | |
| Miscellaneous revenue | $ - | $ - | $ - | $ - |
| Expenditures | | | | |
| City administration | 1,254,416 | 2,065,015 | 460,270 | 1,604,745 |
| City secretary | - | 33,850 | 3,591 | 30,259 |
| HR and communications | 50,000 | 72,644 | 3,966 | 68,678 |
| Public safety | 15,000 | 39,975 | 3,151 | 36,824 |
| Engineering and planning | - | - | - | - |
| Information technology | - | 68,922 | 35,333 | 33,589 |
| Capital outlay | - | - | 395,540 | (395,540) |
| Total expenditures | 1,319,416 | 2,280,406 | 901,851 | 1,378,555 |
| Excess (deficiency) of revenues over (under) expenditures | (1,319,416) | (2,280,406) | (901,851) | 1,378,555 |
| Other financing sources (uses) | | | | |
| Transfers in | 865,000 | 1,207,222 | 1,236,222 | 29,000 |
| Net change in fund balances | (454,416) | (1,073,184) | 334,371 | 1,407,555 |
| Fund balance - beginning | 1,073,184 | 1,073,184 | 1,073,184 | - |
| Fund balance - ending | $ 618,768 | $ - | $ 1,407,555 | $ 1,407,555 |

## 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, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | $ 275,185 | $ 275,185 | $ 275,185 | $ - |
| Transfers out | (250,000) | (281,060) | (58,907) | 222,153 |
| Total other financing sources (uses) | 25,185 | (5,875) | 216,278 | 222,153 |
| Fund balance - beginning | 872,769 | 872,769 | 872,769 | - |
| Fund balance - ending | $ 897,954 | $ 866,894 | $ 1,089,047 | $ 222,153 |

# 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.

| Contents | Tables |
| --- | --- |
| **Financial Trends** | 1 through 4 |
| Net Position by Component | |
| Change in Net Position | |
| Fund Balances of Governmental Funds | |
| Changes in Fund Balances of Governmental Funds | |

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

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

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

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

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

| | |
| --- | --- |
| **Demographic and Economic Information** | 15 through 16 |
| Principal Employers | |
| Demographic and Economic Statistics | |

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

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

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

# CITY OF FAIR OAKS RANCH, TEXAS

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

| | 2013 | 2014 | 2015* | 2016 |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITES | | | | |
| Net investment in capital assets | $ 4,658,498 | $ 3,886,740 | $ 4,103,711 | $ 6,606,072 |
| Restricted | 64,787 | 68,071 | 66,909 | 77,162 |
| Unrestricted | 3,887,116 | 4,580,595 | 3,798,804 | 2,089,120 |
| Total government activities net position | $ 8,610,401 | $ 8,535,406 | $ 7,969,424 | $ 8,772,354 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Net investment in capital assets | $ 6,255,433 | $ 7,847,915 | $ 6,751,803 | $ 6,667,928 |
| Unrestricted | 3,331,135 | 2,551,317 | 4,753,811 | 5,372,865 |
| Total business-type activities net position | $ 9,586,568 | $ 10,399,232 | $ 11,505,614 | $ 12,040,793 |
| PRIMARY GOVERNMENT | | | | |
| Net investment in capital assets | $ 10,913,931 | $ 11,734,655 | $ 10,855,514 | $ 13,274,000 |
| Restricted | 64,787 | 68,071 | 66,909 | 77,162 |
| Unrestricted | 7,218,251 | 7,131,912 | 8,552,615 | 7,461,985 |
| Total primary government net position | $ 18,196,969 | $ 18,934,638 | $ 19,475,038 | $ 20,813,147 |

* 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

| 2017 | 2018** | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| $ 6,898,385 | $ 7,334,582 | $ 7,576,143 | $ 7,523,360 | $ 7,647,912 | $ 8,025,653 |
| 76,346 | 95,553 | 108,461 | 132,938 | 153,339 | 166,961 |
| 2,714,487 | 3,277,879 | 5,128,445 | 6,712,007 | 8,669,250 | 10,823,373 |
| $ 9,689,218 | $ 10,708,014 | $ 12,813,049 | $ 14,368,305 | $ 16,470,501 | $ 19,015,987 |
| $ 8,682,584 | $ 8,464,020 | $ 8,466,058 | $ 8,307,519 | $ 8,081,383 | $ 8,572,922 |
| 4,474,678 | 5,448,975 | 5,686,797 | 6,316,241 | 7,353,325 | 8,754,416 |
| $ 13,157,262 | $ 13,912,995 | $ 14,152,855 | $ 14,623,760 | $ 15,434,708 | $ 17,327,338 |
| $ 15,580,969 | $ 15,798,602 | $ 16,042,201 | $ 15,830,879 | $ 15,729,295 | $ 16,598,575 |
| 76,346 | 95,553 | 108,461 | 132,938 | 153,339 | 166,961 |
| 7,189,165 | 8,726,854 | 10,815,242 | 13,028,248 | 16,022,575 | 19,577,789 |
| $ 22,846,480 | $ 24,621,009 | $ 26,965,904 | $ 28,992,065 | $ 31,905,209 | $ 36,343,325 |

## CITY OF FAIR OAKS RANCH, TEXAS

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

| | 2013 | 2014 | 2015* | 2016 |
|---|---|---|---|---|
| EXPENSES | | | | |
| Governmental Activities | | | | |
| City administration | $ 638,151 | $ 921,009 | $ 1,796,709 | $ 950,918 |
| Mayor and council | - | - | - | - |
| City secretary | - | - | - | - |
| HR and communications | - | - | - | - |
| Finance | - | - | - | - |
| Municipal court | 79,538 | 81,522 | 81,316 | 86,288 |
| Public safety | 1,521,426 | 1,588,137 | 1,735,259 | 2,017,858 |
| Public health/emergency | 282,238 | 286,999 | 293,092 | 307,665 |
| Engineering and planning | - | - | - | - |
| Building codes | 98,196 | 119,338 | 161,821 | 179,577 |
| Public works | 933,879 | 1,074,375 | 869,328 | 869,215 |
| Information technology | - | - | - | - |
| Non-departmental | - | - | - | - |
| Culture/recreation/other | 139,671 | 63,517 | 33,233 | 57,833 |
| Interest on long term debt | - | - | 136,008 | 153,011 |
| Total governmental activities expenses | 3,693,099 | 4,134,897 | 5,106,766 | 4,622,365 |
| Business-Type Activities | | | | |
| Water/sewer utility | 3,013,859 | 3,242,807 | 3,352,439 | 3,933,872 |
| Total business-type activities expenses | 3,013,859 | 3,242,807 | 3,352,439 | 3,933,872 |
| Total primary government expenses | 6,706,958 | 7,377,704 | 8,459,205 | 8,556,237 |
| PROGRAM REVENUES | | | | |
| Governmental Activities: | | | | |
| Charges for services: | | | | |
| City administration | 249,506 | 198,992 | 171,929 | 177,050 |
| Municipal court | 156,452 | 158,407 | 158,352 | 161,818 |
| Public safety | 7,079 | 8,664 | 9,034 | 9,448 |
| Public health/emergency | 7,245 | 5,325 | 5,245 | 5,711 |
| Building codes | 196,062 | 281,831 | 298,806 | 314,738 |
| Operating grants and contributions | 605 | 1,715 | 2,149 | - |
| Capital grants and contributions | - | - | - | - |
| Total governmental activities program revenues | 616,949 | 654,934 | 645,515 | 668,765 |
| Business-Type Activities | | | | |
| Charges for services: | | | | |
| Water/sewer utility | 3,744,856 | 4,107,471 | 4,454,644 | 4,463,303 |
| Capital grants and contributions | - | - | - | - |
| Total primary government program revenues | $ 4,361,805 | $ 4,762,405 | $ 5,100,159 | $ 5,132,068 |

* 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

| 2017 | 2018** | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| $ 1,431,472 | $ 1,499,717 | $ 682,316 | $ 1,235,258 | $ 711,344 | $ 1,121,778 |
| - | - | 11,381 | 23,568 | 4,774 | 7,268 |
| - | - | 153,944 | 159,376 | 230,348 | 197,308 |
| - | - | 114,659 | 168,794 | 220,869 | 168,913 |
| - | - | 271,247 | 339,295 | 322,851 | 292,851 |
| 92,032 | 131,153 | 161,422 | 184,553 | 192,956 | 206,843 |
| 2,124,882 | 2,394,097 | 2,915,589 | 3,001,619 | 3,161,031 | 3,456,846 |
| 299,734 | 322,918 | - | - | - | - |
| - | - | 270,309 | 718,380 | 976,254 | 1,493,654 |
| 177,495 | 198,266 | 241,097 | 248,414 | 253,665 | 273,015 |
| 982,474 | 992,400 | 740,477 | 870,398 | 922,990 | 920,678 |
| - | - | - | - | 394,288 | 403,168 |
| - | - | 301,984 | 459,298 | 251,462 | 252,706 |
| 44,896 | 89,710 | - | - | - | - |
| 119,880 | 114,211 | 109,849 | - | - | - |
| 5,272,865 | 5,742,472 | 5,974,274 | 7,408,953 | 7,642,832 | 8,795,028 |
| 3,846,778 | 4,215,641 | 4,746,849 | 5,418,730 | 4,873,487 | 5,904,286 |
| 3,846,778 | 4,215,641 | 4,746,849 | 5,418,730 | 4,873,487 | 5,904,286 |
| 9,119,643 | 9,958,113 | 10,721,123 | 12,827,683 | 12,516,319 | 14,699,314 |
| 201,334 | 215,959 | 237,193 | 297,808 | 274,550 | 317,083 |
| 129,260 | 126,152 | 137,176 | 101,409 | 139,753 | 301,655 |
| 3,715 | 10,026 | 6,845 | 5,410 | 1,350 | 930 |
| 2,500 | 2,415 | - | - | - | - |
| 274,079 | 228,715 | 253,815 | 405,231 | 499,547 | 348,333 |
| 13,295 | 51,102 | 15,579 | 3,728 | 190,841 | 1,283,952 |
| - | 15,908 | - | - | - | - |
| 624,183 | 650,277 | 650,608 | 813,586 | 1,106,041 | 2,251,953 |
| 4,930,347 | 4,908,925 | 4,875,781 | 5,839,886 | 5,681,369 | 6,497,720 |
| - | - | - | - | - | - |
| $ 5,554,530 | $ 5,559,202 | $ 5,526,389 | $ 6,653,472 | $ 6,787,410 | $ 8,749,673 |

(continued)

# CITY OF FAIR OAKS RANCH, TEXAS

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

| | 2013 | 2014 | 2015* | 2016 |
|---|---|---|---|---|
| Net (Expense) Revenues | | | | |
| Governmental activities | $ (3,076,150) | $ (3,479,963) | $ (4,461,251) | $ (3,953,600) |
| Business-type activities | 730,997 | 864,664 | 1,102,205 | 529,431 |
| Total primary government net expenses | (2,345,153) | (2,615,299) | (3,359,046) | (3,424,169) |
| Governmental Revenues and Other Changes in Net Position | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property taxes | 2,561,039 | 2,634,353 | 2,823,221 | 3,587,677 |
| Non-property taxes | 750,966 | 903,592 | 1,028,559 | 1,109,048 |
| Interest and investment earnings | 7,094 | 1,633 | 25,359 | 38,950 |
| Gain on sale of capital assets | - | - | - | - |
| Miscellaneous | 225,123 | 24,100 | 18,130 | 20,855 |
| Transfers | (33,971) | - | - | - |
| Total governmental activities | 3,510,251 | 3,563,678 | 3,895,269 | 4,756,530 |
| Business-Type Activities | | | | |
| Interest and investment earnings | 6,034 | 4,447 | 4,177 | 5,748 |
| Transfers | 33,971 | - | - | - |
| Total business-type activities | 40,005 | 4,447 | 4,177 | 5,748 |
| Total primary government | 3,550,256 | 3,568,125 | 3,899,446 | 4,762,278 |
| Changes in Net Position | | | | |
| Governmental activities | 434,101 | 83,715 | (565,982) | 802,930 |
| Business-type activities | 771,002 | 869,111 | 1,106,382 | 535,179 |
| Total primary government | $ 1,205,103 | $ 952,826 | $ 540,400 | $ 1,338,109 |

* 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)

| 2017 | 2018** | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| $ (4,648,682) | $ (5,092,195) | $ (5,323,666) | $ (6,595,367) | $ (6,536,791) | $ (6,543,075) |
| 1,083,569 | 693,284 | 128,932 | 421,156 | 807,882 | 1,837,567 |
| (3,565,113) | 519,676 | (5,194,734) | (6,174,211) | (5,728,909) | (4,705,508) |
| 4,264,687 | 4,712,247 | 5,742,831 | 6,202,561 | 6,482,238 | 6,614,489 |
| 1,192,774 | 1,328,220 | 1,496,073 | 1,796,558 | 2,112,076 | 2,365,342 |
| 56,545 | 94,557 | 150,030 | 72,151 | 4,345 | 80,336 |
| 23,874 | 16,452 | 20,206 | 12,534 | 19,848 | 674 |
| 27,666 | 11,402 | 9,711 | 66,819 | 20,480 | 27,720 |
| - | - | 9,850 | - | - | - |
| 5,565,546 | 6,162,878 | 7,428,701 | 8,150,623 | 8,638,987 | 9,088,561 |
| 32,900 | 78,236 | 120,778 | 49,749 | 3,066 | 55,063 |
| - | - | (9,850) | - | - | - |
| 32,900 | 78,236 | 110,928 | 49,749 | 3,066 | 55,063 |
| 5,598,446 | 6,283,656 | 7,539,629 | 8,200,372 | 8,642,053 | 9,143,624 |
| 916,864 | 1,070,683 | 2,105,035 | 1,555,256 | 2,102,196 | 2,545,486 |
| 1,116,469 | 771,520 | 239,860 | 470,905 | 810,948 | 1,892,630 |
| $ 2,033,333 | $ 1,842,203 | $ 2,344,895 | $ 2,026,161 | $ 2,913,144 | $ 4,438,116 |

# CITY OF FAIR OAKS RANCH, TEXAS

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 |
| Nonspendable Fund Balance: | | | | |
| Prepaid items | $ 25,631 | $ 24,220 | $ 43,625 | $ 14,563 |
| Restricted Fund Balance: | | | | |
| Court technology | 15,845 | 15,285 | 14,802 | 14,047 |
| Court security | 44,497 | 44,420 | 47,270 | 49,816 |
| Court efficiency | 16 | 110 | 140 | 140 |
| Felony forfeiture | 3,937 | 3,937 | 378 | 378 |
| Other court restrictions | - | - | - | - |
| PEG fees | 3,492 | 4,319 | 4,319 | 4,319 |
| Public safety | - | - | - | - |
| Debt service | - | - | - | 8,462 |
| Capital projects | - | - | 6,919,193 | 6,252,941 |
| Total restricted fund balance | 67,787 | 68,071 | 6,986,102 | 6,330,103 |
| Committed Fund Balance: | | | | |
| Public safety committee | 30,451 | 30,451 | - | - |
| Wildlife research study | 16,928 | - | - | - |
| TxDOT projects | - | 810,000 | - | - |
| Partnership water study | - | 100,000 | - | - |
| Total committed fund balance | 47,379 | 940,451 | - | - |
| Assigned Fund Balance: | | | | |
| Capital projects | 1,000,000 | 720,000 | 2,448,838 | 553,000 |
| Capital equipment | - | - | - | - |
| Legal issues | 50,000 | 50,000 | 50,000 | 50,000 |
| Encumbrances | - | - | - | - |
| Six month operating reserve | - | - | - | - |
| Total assigned fund balance | 1,050,000 | 770,000 | 2,498,838 | 603,000 |
| Unassigned | 2,794,225 | 3,052,965 | 1,581,382 | 1,807,719 |
| Total government funds | $ 3,985,022 | $ 4,855,707 | $ 11,109,947 | $ 8,755,385 |

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

TABLE 3

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| $ 19,281 | $ 54,260 | $ 53,275 | $ 82,635 | $ 96,070 | $ 25,328 |
| 11,535 | 15,700 | 11,386 | 14,520 | 17,819 | 13,873 |
| 51,473 | 52,996 | 54,849 | 57,330 | 57,924 | 59,243 |
| 292 | 333 | 401 | 438 | 439 | 439 |
| 378 | 5,514 | 8,954 | 10,774 | 10,901 | 11,783 |
| - | - | - | 1,428 | 4,753 | 10,216 |
| 4,319 | 4,319 | 4,319 | 4,319 | 4,319 | 4,319 |
| 1,104 | 8,087 | 9,912 | 11,819 | 12,847 | 14,429 |
| 7,245 | 8,604 | 18,640 | 32,310 | 44,337 | 52,659 |
| 2,319,870 | 456,345 | 128,162 | - | - | - |
| 2,396,216 | 551,898 | 236,623 | 132,938 | 153,339 | 166,961 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 906,921 | 223,508 | 1,110,229 | 1,154,394 | 1,073,184 | 1,407,555 |
| - | 760,599 | 816,395 | 869,615 | 872,769 | 1,089,047 |
| 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| - | - | - | - | - | - |
| - | 2,566,167 | 3,517,472 | 3,678,069 | 3,835,321 | 4,225,321 |
| 956,921 | 3,600,274 | 5,494,096 | 5,752,078 | 5,831,274 | 6,771,923 |
| 2,065,994 | - | - | 1,309,011 | 3,265,169 | 4,365,225 |
| $ 5,438,412 | $ 4,206,432 | $ 5,783,994 | $ 7,276,662 | $ 9,345,852 | $ 11,329,437 |

# CITY OF FAIR OAKS RANCH, TEXAS

## CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
## LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 2,960,445 | $ 3,084,356 | $ 3,358,145 | $ 4,148,224 |
| Franchise fees | 346,006 | 453,279 | 496,714 | 527,109 |
| Licenses and permits | 203,307 | 287,156 | 304,051 | 320,449 |
| Animal control | - | - | - | - |
| Fines and forfeits | 156,452 | 158,407 | 158,352 | 161,818 |
| Utility management fee and other | 169,357 | 166,093 | 171,929 | 177,050 |
| Other Fees and services | - | - | - | - |
| Interest | 7,094 | 1,633 | 25,359 | 38,950 |
| Donations | - | - | - | - |
| Capital contributions | - | - | - | - |
| Grant revenue | - | - | - | - |
| Miscellaneous | 316,504 | 622,574 | 30,789 | 53,714 |
| Total revenues | 4,159,165 | 4,773,498 | 4,545,339 | 5,427,314 |
| EXPENDITURES | | | | |
| Current: | | | | |
| City administration | 609,674 | 717,511 | 1,749,973 | 931,255 |
| Mayor and council | - | - | - | - |
| City secretary | - | - | - | - |
| HR and communications | - | - | - | - |
| Finance | - | - | - | - |
| Municipal court | 83,854 | 80,509 | 81,918 | 84,869 |
| Public safety | 1,402,730 | 1,463,524 | 1,653,785 | 1,811,200 |
| Public heath/emergency | 271,023 | 275,784 | 281,876 | 296,450 |
| Engineering and planning | - | - | - | - |
| Building codes | 95,948 | 119,507 | 162,100 | 176,077 |
| Public works | 747,165 | 962,447 | 759,233 | 748,454 |
| Information techonology | - | - | - | - |
| Non-departmental | - | - | - | - |
| Culture and recreation | 139,671 | 63,517 | 33,233 | 57,833 |
| Capital projects/outlays | 319,918 | 217,014 | 568,981 | 3,111,050 |
| Debt service | | | | |
| Principal payments | - | - | - | 390,000 |
| Interest | - | - | - | 174,688 |
| Bond issuance costs | - | - | 100,090 | - |
| Total expenditures | 3,669,983 | 3,899,813 | 5,391,189 | 7,781,876 |
| Excess (deficiency) of revenues over (under) expenditures | 489,182 | 873,685 | (845,850) | (2,354,562) |
| 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 | $ 455,211 | $ 873,685 | $ 6,254,240 | $ (2,354,562) |
| Debt service as a percentage of noncapital expenditures | 0.0% | 0.0% | 2.1% | 11.9% |

TABLE 4

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| $ 4,907,367 | $ 5,472,987 | $ 6,570,863 | $ 7,387,684 | $ 7,904,760 | $ 8,244,424 |
| 540,605 | 576,181 | 618,758 | 605,103 | 651,534 | 761,408 |
| 280,294 | 236,020 | 257,220 | 410,641 | 499,777 | 348,333 |
| - | - | - | - | 1,120 | 930 |
| 129,260 | 126,152 | 137,176 | 101,409 | 139,753 | 174,573 |
| 195,334 | 205,959 | 192,808 | 214,908 | 206,955 | 257,566 |
| - | - | - | - | 59,735 | 59,517 |
| 56,545 | 94,557 | 150,030 | 72,151 | 4,345 | 80,336 |
| - | 32,920 | 5,915 | 59,925 | - | - |
| - | 15,908 | - | - | - | - |
| - | - | - | - | - | 1,283,952 |
| 46,961 | 44,721 | 67,200 | 93,522 | 219,181 | 29,226 |
| 6,156,366 | 6,805,405 | 7,999,970 | 8,945,343 | 9,687,160 | 11,240,265 |
| | | | | | |
| 1,380,476 | 1,461,708 | 644,481 | 1,188,519 | 663,012 | 1,101,253 |
| - | - | 11,381 | 23,568 | 4,774 | 7,268 |
| - | - | 150,845 | 158,624 | 230,348 | 203,099 |
| - | - | 112,797 | 168,057 | 220,869 | 172,822 |
| - | - | 266,445 | 337,815 | 322,851 | 299,194 |
| 90,428 | 131,267 | 158,322 | 183,851 | 192,956 | 210,560 |
| 1,920,485 | 2,234,431 | 2,696,334 | 2,781,577 | 2,800,098 | 3,238,832 |
| 288,066 | 311,250 | - | - | - | - |
| - | - | 264,128 | 717,010 | 976,254 | 1,503,785 |
| 172,849 | 198,648 | 235,603 | 247,209 | 253,665 | 281,032 |
| 852,315 | 871,371 | 413,041 | 521,395 | 582,532 | 594,514 |
| - | - | - | - | 394,288 | 381,535 |
| - | - | 301,985 | 372,665 | 152,060 | 159,793 |
| 44,896 | 89,710 | - | - | - | - |
| 4,196,145 | 2,214,919 | 644,693 | 312,344 | 316,341 | 554,081 |
| | | | | | |
| 425,000 | 430,000 | 435,000 | 440,000 | 445,000 | 450,000 |
| 126,553 | 122,278 | 117,409 | 111,940 | 106,075 | 99,585 |
| - | - | - | - | - | - |
| 9,497,213 | 8,065,582 | 6,452,464 | 7,564,574 | 7,661,123 | 9,257,353 |
| | | | | | |
| (3,340,847) | (1,260,177) | 1,547,506 | 1,380,769 | 2,026,037 | 1,982,912 |
| | | | | | |
| - | - | - | 128,721 | 26,330 | 673 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 9,850 | - | - | - |
| 23,874 | 28,197 | 20,206 | - | - | - |
| 23,874 | 28,197 | 30,056 | 128,721 | 26,330 | 673 |
| | | | | | |
| $ (3,316,973) | $ (1,231,980) | $ 1,577,562 | $ 1,509,490 | $ 2,052,367 | $ 1,983,585 |
| | | | | | |
| 10.4% | 9.4% | 9.5% | 7.6% | 7.5% | 6.3% |

# 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 |
|---|---|---|---|---|---|
| 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 |
| 2022 | 6,640,490 | 1,576,151 | 761,408 | 27,783 | 9,005,832 |

# CITY OF FAIR OAKS RANCH, TEXAS

# TOP TEN SALES TAX PROVIDERS

# CURRENT AND FIVE YEARS AGO

TABLE 6

| | 2022 | | 2017 | |
|---|---|---|---|---|
| Business | Rank | % of Total | Rank | % of Total |
| Full-service restaurant | 1 | 11.9% | 1 | 19.0% |
| Electronic shopping and mail-order houses | 2 | 11.1% | 2 | 5.1% |
| Electronic shopping and mail-order houses | 3 | 7.2% | | |
| Gasoline station with convenience store | 4 | 1.9% | 9 | 2.0% |
| Pharmacies and drugstores | 5 | 1.8% | 4 | 3.2% |
| New single-family housing construction | 6 | 1.5% | 10 | 1.8% |
| Gasoline stations with convenience stores | 7 | 1.4% | | |
| Wireless telecommunications carriers | 8 | 1.2% | 5 | 3.2% |
| New single-family housing construction | 9 | 1.1% | | |
| Electronic shopping and mail-order houses | 10 | 1.1% | | |
| Wired telecommunication carrier | | | 6 | 3.9% |
| Cable and other subscription programming | | | 8 | 2.3% |
| Limited-service restaurant | | | 7 | 2.5% |
| Security guard and patrol | | | 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 |
| 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% | 29,143 | 3,856,984 | 99.88% |
| 2017 | 4,332,469 | 4,297,290 | 99.19% | 27,680 | 4,324,970 | 99.83% |
| 2018 | 4,813,737 | 4,788,010 | 99.47% | 16,178 | 4,804,188 | 99.80% |
| 2019 | 5,718,331 | 5,652,427 | 98.85% | 59,880 | 5,712,307 | 99.89% |
| 2020 | 6,182,363 | 6,126,458 | 99.10% | 50,434 | 6,176,892 | 99.91% |
| 2021 | 6,453,874 | 6,389,402 | 99.00% | 41,462 | 6,430,864 | 99.64% |
| 2022 | 6,547,412 | 6,504,177 | 99.34% | - | 6,504,177 | 99.34% |

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 | 0.276331 | 0.41270 | 0.358515 | 2.672946 |
| 2022 | 0.35180 | 1.2046 | 0.276331 | 0.41270 | 0.314000 | 2.559431 |

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 |
|---|---|---|---|---|---|
| 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% |
| 2022 | 1,793,760,962 | 235,303,959 | 168,039,067 | 1,861,025,854 | 0.35180% |

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

| | 2022 | | | 2013 | | |
|---|---|---|---|---|---|---|
| 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 | 0.43% | | | |
| HPI Fair Oaks Storage LLC | 6,100,000 | 2 | 0.33% | | | |
| T&J Fair Oaks LLC | 5,200,000 | 3 | 0.28% | | | |
| Hicks, Jerry S & Esther W | 5,000,230 | 4 | 0.27% | | | |
| SA Front Gate LLC | 4,675,590 | 5 | 0.25% | 2,113,030 | 8 | 0.21% |
| Frost Bank | 3,981,604 | 6 | 0.21% | 2,589,010 | 5 | 0.26% |
| Bella Vista CMI LTD | 3,383,460 | 7 | 0.18% | | | |
| Fair Oaks Country Store LLC | 2,982,970 | 8 | 0.16% | | | |
| Fair Oaks Parkway Associates LLC | 2,825,360 | 9 | 0.15% | | | |
| Ashton San Antonio LLC | 2,784,820 | 10 | 0.15% | 2,873,380 | 4 | 0.29% |
| Fair Oaks Club Corp. | | | | 6,775,600 | 1 | 0.68% |
| Fair Oaks Village II LTD | | | | 4,250,000 | 2 | 0.42% |
| Greenland Ventures | | | | 3,105,510 | 3 | 0.31% |
| Meritage Homes | | | | 2,299,230 | 6 | 0.23% |
| B&M Fair Oaks | | | | 2,069,865 | 7 | 0.21% |
| Weekly Homes | | | | 1,818,870 | 9 | 0.18% |
| Guadalupe Valley Telephone | | | | 1,749,185 | 10 | 0.17% |
| TOTAL | $ 44,929,674 | | 2.41% | $ 29,643,680 | | 2.96% |

# 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* |
| 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% | 659 |
| 2022 | 4,038,379 | - | - | 2,115,000 | 6,153,379 | 1.1% | 586 |

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 | Less: Amounts Available in Debt Service | Net Debt Outstanding | Percentage of Estimated Actual Taxable Value of | Per Capita |
| 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% | 655 |
| 2022 | 4,038,379 | 2,115,000 | 6,153,379 | (52,659) | 6,100,720 | 0.35% | 581 |

# CITY OF FAIR OAKS RANCH, TEXAS

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

| | | |
|---|---|---|
| Total assessed value | $ | 1,861,025,853 |
| Debt limit ($1.50 of total assessed value) | $ | 27,915,388 |
| Debt applicable to limit: | | |
| General bonded debt outstanding | $ | 4,038,379 |
| Less: Amount set aside for repayment of general bonded debt | | - |
| Total net debt applicable to limit | | 4,038,379 |
| Legal debt margin | $ | 23,877,009 |

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Debt limit | $ 14,675,649 | $ 15,051,276 | $ 16,206,450 | $ 18,849,921 | $ 20,165,764 |
| Total net debt applicable to limit | - | - | 7,000,000 | 6,610,000 | 6,185,000 |
| Legal debt margin | $ 14,533,054 | $ 14,675,649 | $ 9,206,450 | $ 12,239,921 | $ 13,980,764 |

TABLE 13

| 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| $ 23,247,169 | $ 23,385,382 | $ 24,825,905 | $ 25,918,276 | $ 27,915,388 |
| 5,835,071 | 5,393,398 | 4,946,725 | 4,495,052 | 4,038,379 |
| $ 17,412,098 | $ 17,991,984 | $ 19,879,180 | $ 21,423,224 | $ 23,877,009 |

# CITY OF FAIR OAKS RANCH, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

### September 30, 2022

TABLE 14

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| Debt repaid with property taxes: | | | |
| Alamo CCD | $ 777,390,000 | 0.58% | $ 4,508,862 |
| Bexar Co | 2,015,625,000 | 0.58% | 11,690,625 |
| Bexar Co Hosp Dist | 1,168,200,000 | 0.58% | 6,775,560 |
| Boerne ISD | 332,461,461 | 17.81% | 59,211,386 |
| Comal Co | 121,175,000 | 0.98% | 1,187,515 |
| Comal ISD | 1,049,362,848 | 0.41% | 4,302,388 |
| Kendall Co | 30,785,000 | 5.56% | 1,711,646 |
| Subtotal - overlapping debt | | | 89,387,982 |
| City of Fair Oaks Ranch - direct debt | | | 4,038,379 |
| Total direct and overlapping debt | | | $ 93,426,361 |

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

| | 2022 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Employer | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph | 74,289 | 1 | 7.14% | 92,301 | 1 | 10.87% |
| H.E.B. Food Stores | 20,000 | 2 | 1.92% | 14,588 | 3 | 1.72% |
| United Services Automobile Assoc | 19,000 | 3 | 1.83% | 15,000 | 2 | 1.77% |
| Northside Independent School District | 13,644 | 4 | 1.31% | 12,751 | 5 | 1.50% |
| Methodist Healthcare System | 12,500 | 6 | 1.20% | 7,747 | 7 | 0.91% |
| City of San Antonio | 11,042 | 5 | 1.06% | 13,573 | 4 | 1.60% |
| North East Independent School District | 8,600 | 7 | 0.83% | 10,522 | 6 | 1.24% |
| San Antonio Independent School District | 7,410 | 8 | 0.71% | 7,000 | 8 | 0.82% |
| Baptist Health System | 6,162 | 9 | 0.59% | 6,310 | 9 | 0.74% |
| Wells Fargo | 5,152 | 10 | 0.50% | | | |
| University of Texas Health Science | - | | | 6,153 | 10 | 0.72% |
| Total | 177,799 | | 17.09% | 185,945 | | 21.89% |

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 Annual Comprehensive Financial Report for the Year Ended September 30, 2021. 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 |
|---|---|---|---|---|---|
| 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 | 10,505 | 57,939 | 46.3 | 1,586 | 4.5% |
| 2022 | 10,505 | 75,205 | 45.5 | 1,605 | 3.5% |

Sources:
(1) Population, per capita income and median age provided by the United States Census Bureau and World Population Review. Population figures for 2021 and 2022 are estimates.
(2) Boerne Independent School District
(3) United States Bureau of Labor/TWC

# CITY OF FAIR OAKS RANCH, TEXAS

# OPERATING INDICATORS BY FUNCTION

## For the fiscal year ended September 30, 2022

TABLE 17

| Function | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Police | | | | | | |
| Incidents/offenses | 856 | 666 | 589 | 504 | 501 | 444 |
| Arrests | 289 | 199 | 157 | 207 | 224 | 191 |
| Calls for service | 4,031 | 3,955 | 3,482 | 3,913 | 3,716 | 3,664 |
| Trafficstops | 4,708 | 4,026 | 2,924 | 4,893 | 5,271 | 4,217 |
| Public Works | | | | | | |
| Street resurfacing (square yards) | 254,422 | 107,108 | 80,557 | 155,468 | 64,496 | 118,827 |
| Preventative street maintenance (square yards) | 1,337 | 999 | 211,529 | 49,477 | 65,244 | 101,646 |
| Building Codes | | | | | | |
| Permits issued | 133 | 247 | 157 | 118 | 190 | 142 |
| Permits issued - other | 645 | 692 | 734 | 506 | 416 | 376 |
| Inspections/reinspections conducted | 2,732 | 2,751 | 2,297 | 1,898 | 1,586 | 1,679 |
| Utilities | | | | | | |
| Account service orders | | | | | | |
| Meter install / change | 111 | 217 | 86 | 252 | 222 | 288 |
| Occupancy change | 261 | 370 | 320 | 288 | 330 | 322 |
| Customer service inquiry | 199 | 401 | 338 | 297 | 247 | 291 |
| Billing (water, sewer, fees, all charges) | $ 5,862,105 | $ 4,758,791 | $ 5,002,084 | $ 4,550,072 | $ 4,683,010 | $ 4,632,435 |
| Water | | | | | | |
| Service connections | 3,201 | 3,157 | 3,083 | 3,002 | 2,948 | 2,929 |
| Purchased (gallons) | 328,996,000 | 324,549,963 | 337,047,000 | 318,044,000 | 276,418,000 | 296,164,000 |
| Pumped (gallons) | 323,937,547 | 217,061,572 | 231,668,112 | 174,702,326 | 168,328,487 | 241,088,931 |
| Billed consumption (gallons) | 594,010,700 | 485,043,800 | 523,698,900 | 436,094,700 | 457,611,000 | 502,639,000 |
| Non-billed & bulk water sold (gallons) | 2,873,400 | 2,310,900 | 3,192,400 | 3,350,000 | 3,476,900 | 5,182,505 |
| Wastewater/Sewer | | | | | | |
| Service connections | 1,979 | 1,943 | 1,886 | 1,820 | 1,775 | 1,733 |
| Average daily treatment in gallons | 249,076 | 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, 2022

TABLE 18

| Function | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Administration | | | | | | |
| Vehicles | 2 | 2 | 1 | 1 | 1 | 1 |
| Police | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 13 | 15 | 14 | 14 | 13 | 15 |
| Animal Control | | | | | | |
| Control vehicle | 1 | 1 | 1 | 1 | 1 | 1 |
| Building Inspections | | | | | | |
| Vehicles | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Works | | | | | | |
| Vehicles | 14 | 12 | 12 | 12 | 10 | 9 |
| Other equipment | 17 | 16 | 16 | 16 | 12 | 10 |
| Utilities | | | | | | |
| Vehicles | 12 | 11 | 11 | 11 | 11 | 11 |
| Other equipment | 18 | 18 | 18 | 18 | 16 | 16 |
| Streets | | | | | | |
| Paved streets (in miles) | 81.6 | 81.6 | 81.6 | 81.6 | 81.6 | 81.6 |
| Paved streets maintained by the City | 60 | 60 | 60 | 68.1 | 68.1 | 68.1 |
| Water | | | | | | |
| Water mains (in miles) | 76 | 76 | 76 | 76 | 76 | 76 |
| Wells | 40 | 40 | 40 | 40 | 40 | 40 |
| Treatment plants | 5 | 5 | 5 | 5 | 5 | 5 |
| Number of hydrants | 266 | 266 | 266 | 266 | 266 | 228 |
| Sewer | | | | | | |
| Lift stations | 6 | 6 | 6 | 6 | 6 | 6 |
| Sewer lines (in miles) | 33 | 33 | 33 | 33 | 33 | 33 |
| Treatment plants | 1 | 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, 2022

TABLE 19

| Function | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| General Government | | | | | | | |
| City Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Assistant City Manager | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| City Secretary | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Human Resources and Communications | 3 | 2 | 2 | 2 | 1 | 1 | 1 |
| Finance | 5 | 5 | 5 | 5 | 3 | 3 | 2 |
| Municipal Court | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Information Technology | 2 | 2 | 1 | 1 | 0 | 0 | 0 |
| Customer Service | 2 | 2 | 3 | 3 | 2 | 1 | 1 |
| Public Safety | | | | | | | |
| Police | 23 | 23 | 23 | 23 | 21 | 20 | 19 |
| Animal control | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Code enforcement | 4 | 4 | 4 | 4 | 1.5 | 1.5 | 1.5 |
| Administration | 4 | 4 | 4 | 4 | 3 | 2 | 2 |
| Public Works | 16 | 14 | 14 | 14 | 13 | 9 | 9 |
| Water and Sewer | | | | | | | |
| Customer Service | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water and Sewer | 10 | 10 | 10 | 10 | 10 | 9 | 9 |
| | 78 | 75 | 74 | 74 | 61.5 | 52.5 | 50.5 |

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

CITY OF FAIR OAKS RANCH • TEXAS

# COMPLIANCE SECTION

CITY OF FAIR OAKS RANCH • TEXAS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
March 16, 2023

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT

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

We have examined of the City of Fair Oaks Ranch, Texas (the "City") compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB Compliance Supplement (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2022.



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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards.*

**Intended Purpose**

The purpose of this examination report is solely to express an opinion on whether the City of Fair Oaks Ranch, Texas complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2022. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
March 16, 2023