



City of Fair Oaks Ranch

Fair Oaks Ranch, Texas

Annual Comprehensive Financial Report For Fiscal Year Ended September 30, 2023



Prepared By: City of Fair Oaks Ranch Finance Department



CITY OF FAIR OAKS RANCH, TEXAS

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INTRODUCTORY SECTION





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www.fairoaksranchtx.org

March 21, 2024

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, 2023.

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

The City's financial statements have been audited by 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, 2023, 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, 2023, 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 11,104. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

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

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

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

LOCAL ECONOMY

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

The City is located near one of the state's most active growth areas. It is adjacent to the City of San Antonio, the second largest city in Texas and seventh largest city in the nation. The City has proximity to major airports and major military bases. The City is also close to one of the busiest intersections in the San Antonio area, the Interstate 10 and Loop 1604 intersection. Because the City is adjacent to the City of San Antonio, the local economy is heavily influenced by the San Antonio Metropolitan Statistical Area. This area enjoys the benefit of a diversified economy. Major anchors of the economy in this area are the medical/biomedical industry, the military institutions, tourism, telecommunications, insurance, finance, and manufacturing.

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

Data from the U.S. Census Bureau shows the City's median household income is \$150,237, which is noticeably higher than the \$73,035 median income for the State of Texas. According to this same data, the City's residents are well-educated with 67.6% of adults aged 25 years and older having a bachelor's degree or higher level of education, compared to 32.3% for Texas.

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

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 75% of total general fund operating expenditures. This amount represents an operating reserve of 50% per policy guidelines, and an additional 25% available for future budgetary uses.

Long term financial planning is essential to the stability and sustainability of every city. As part of its strategic plan, the Council has approved five-year Capital Improvement Plans for Drainage, Roadways, and Utility Improvements to enable the City to forecast and prioritize maintenance and construction needs of the City's infrastructure. In March 2023 staff presented to Council a five-year financial plan that was developed to provide outcomes given certain sets of assumptions. The financial plan is a "living document" and is intended to be enhanced consistently with updated assumptions based on policy direction and new information. The plan provides residents, City Council, and staff the analysis and direction to make informed decisions regarding long-term financial policies for operations and capital improvements.

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. Six projects, which began design in FY 2022, continued into final design phase or began construction in FY 2023. This fiscal year the City expended \$289,755 on the projects, completing four with two projects scheduled to be completed in FY 2024.

Roadway Projects

The City budgeted for and began work on four roadway projects as identified in the five-year roadway capital improvement plan. One of the projects qualified for funding through the Highway Safety Improvement Program (HSIP), administered by the Texas Department of Transportation (TxDOT). In September 2022, the City Council entered into an Advance Funding Agreement with TxDOT for the Post Oak Trail widening project, leveraging federal and state funding to reduce the cost impact on the City's residents. This fiscal year the City expended \$664,506 on the project and anticipates the completion of the project in the second quarter of FY 2024.

Another major roadway project initiated during the fiscal year is the Dietz Elkhorn Road reconstruction project. The project will reconstruct a portion of Dietz Elkhorn Road while incorporating drainage improvements and adding potential transportation alternatives and pedestrian facilities. In April 2023 City staff and the General Engineering Consultant completed scope and fee negotiations for the first half of engineering services, and the City expended a total of \$100,721 on the project. In accordance with the City's five-year roadway capital improvement plan, the second half of engineering services is scheduled for FY 2024 with construction to begin in FY 2025.

City Hall Renovation Project

The COVID-19 pandemic put a spotlight on the City's growing issues with adequate office space needed for its 81 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 was staggered into three phases. During the fiscal year the City expended \$321,403 of the contract totaling \$952,945. The project is estimated to be completed in the second quarter of FY 2024.

Community Center

Bringing together the City's public services and public spaces, a community center will create a balance between meeting the community's service needs at one location and providing a space for civic pride and engagement. The overall objective is a building that provides space for the City's administrative and public meetings while also providing a welcoming environment for Fair Oaks Ranch residents to host their own meetings and events.

In June 2023 the City entered into a professional services agreement with Lopez Salas Architects, Inc. for facility planning, design and construction phase services for the community center project. During the fiscal year, \$17,748 was expended on the contract totaling \$272,219. The design phase will continue into FY 2024 and construction is expected to begin in FY 2025.

Wastewater Treatment Plant Expansion

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 to the surrounding neighborhood. This fiscal year the City contracted with Udelhoven, Inc. for construction of a volute dewatering press at the WWTP to address these issues, and \$1,052,341 was expended on the project. A ribbon cutting ceremony was held in July 2023 to commemorate the completion of the project.

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 completed the study with Garver LLC and expended \$65,527 this year for a total contract cost of \$251,931.

Utility Rate Study

In early 2021, the City engaged a consultant to conduct a water and wastewater rate study for the Fair Oaks Ranch Utility. Rate studies are conducted as a best practice to ensure the utility's financial health is maintained and that the utility is prepared to meet its future financial needs. Over the course of the study, multiple meetings were held with the consultant and a Council-appointed volunteer Rate Advisory Panel. The study was completed in June 2023 and resulted in a new rate structure and rates for the wastewater utility effective in October 2024. During the fiscal year, the final payment of \$13,471 was expended on the contract totaling \$153,522.

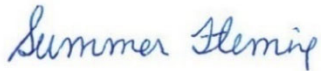
AWARDS AND ACKNOWLEDGEMENTS

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, 2022. This was the sixth 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, Director of Finance





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fair Oaks Ranch
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Merrill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

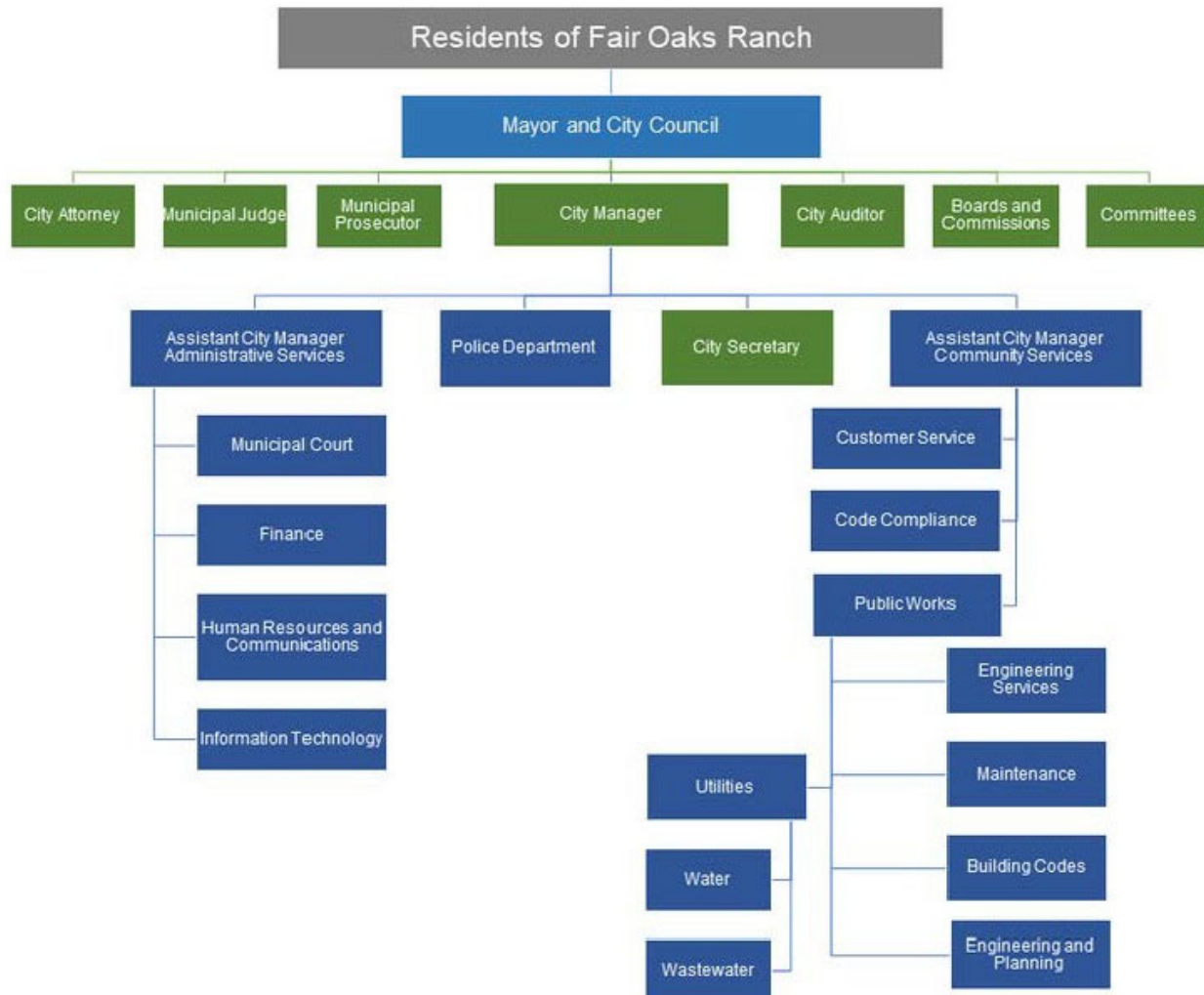
September 30, 2023

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

CITY OF FAIR OAKS RANCH, TEXAS

ORGANIZATIONAL CHART

September 30, 2023





FINANCIAL SECTION



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, 2023, 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, 2023, 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. 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.

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 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, 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.

ABIP, PC

San Antonio, Texas
March 21, 2024



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, 2023. 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

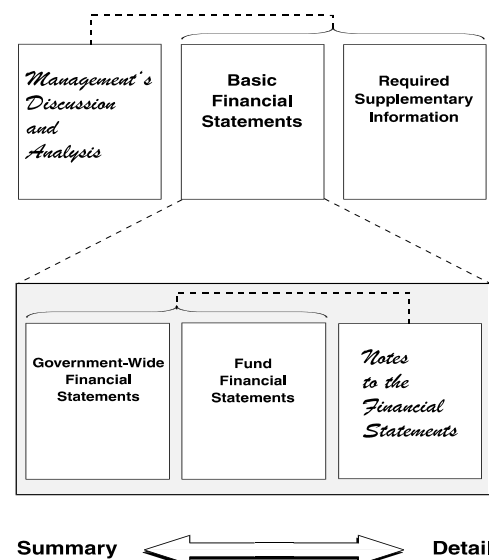
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2023, by total combined net position of \$36,591,503. Of this amount, \$18,711,601 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- During the year, the City’s total net position increased by \$608,178 or 1.67% after the restatement. The net position of governmental activities increased by \$186,309 or 0.98% after the restatement. The net position of business-type activities increased by \$421,869, or 2.43%.
- At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$11,116,630. Of this amount, \$77,024 is non-spendable, \$192,536 is restricted in use, \$8,965,369 is assigned and \$1,881,701 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, \$4,505,321 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 months of operating expenses in the Operating Reserve at September 30, 2023.

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

Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, 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 funds 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, 2023, total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$36,951,503 (see Table A-1). Investment in capital assets representing a large portion of the City's net position, \$18,047,366, 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 \$192,536, represents resources that are subject to external restrictions on how they may be used. The remaining amount of net position, \$18,711,601, 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 2023-2022
	2023	2022	2023	2022	2023	2022	
Current assets:							
Cash and cash equivalents	\$ 11,365,102	\$ 12,054,128	\$ 7,978,124	\$ 8,477,166	\$ 19,343,226	\$ 20,531,294	-5.8%
Receivables	1,037,879	720,069	787,539	680,341	1,825,418	1,400,410	30.3%
Inventories and prepaids	77,024	25,328	279,632	183,701	356,656	209,029	70.6%
Total current assets	12,480,005	12,799,525	9,045,295	9,341,208	21,525,300	22,140,733	-2.8%
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	-	-	19,453,243	18,568,667	19,453,243	18,568,667	4.8%
Vehicles and equipment	2,538,109	2,390,697	1,306,453	1,213,879	3,844,562	3,604,576	6.7%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Right to use asset - leases	104,176	104,176	-	-	104,176	104,176	0.0%
Right to use asset - SBITA	206,114	-	271,518	-	477,632	-	100.0%
Construction in progress	679,451	372,035	1,649,487	1,241,495	2,328,938	1,613,530	44.3%
Less accumulated depreciation	(5,585,655)	(5,042,054)	(11,203,855)	(10,389,719)	(16,789,510)	(15,431,773)	8.8%
Total non-current assets	12,244,880	12,127,539	11,530,446	10,687,922	23,775,326	22,815,461	4.2%
Total assets	24,724,885	24,927,064	20,575,741	20,029,130	45,300,626	44,956,194	0.8%
Deferred outflows of resources:							
Deferred OPEB related outflows	26,406	31,969	8,682	10,454	35,088	42,423	100.0%
Deferred pension related outflows	1,290,232	472,841	453,950	195,855	1,744,182	668,696	160.8%
Total deferred outflows of resources	1,316,638	504,810	462,632	206,309	1,779,270	711,119	150.2%
Liabilities:							
Current liabilities	985,568	1,202,509	636,887	437,823	1,622,455	1,640,332	-1.1%
Non-current liabilities:							
Due within one year	634,601	576,410	416,150	348,715	1,050,751	925,125	13.6%
Due in more than one year	3,455,090	3,884,326	1,681,428	1,881,147	5,136,518	5,765,473	-10.9%
OPEB liability	83,716	119,932	27,365	43,236	111,081	163,168	-31.9%
Net pension liability	1,617,125	121,881	506,802	18,046	2,123,927	139,927	1417.9%
Total liabilities	6,776,100	5,905,058	3,268,632	2,728,967	10,044,732	8,634,025	16.3%
Deferred inflows of resources:							
Deferred OPEB related inflows	13,734	8,515	4,446	2,708	18,180	11,223	62.0%
Deferred pension related inflows	49,393	502,314	16,088	176,426	65,481	678,740	-90.4%
Total deferred outflows of resources	63,127	510,829	20,534	179,134	83,661	689,963	-87.9%
Net position:							
Net investment in capital assets	8,496,444	8,025,653	9,550,922	8,572,922	18,047,366	16,598,575	8.7%
Restricted	192,536	166,961	-	-	192,536	166,961	15.3%
Unrestricted	10,513,316	10,823,373	8,198,285	8,754,416	18,711,601	19,577,789	-4.4%
Total net position	\$ 19,202,296	\$ 19,015,987	\$ 17,749,207	\$ 17,327,338	\$ 36,951,503	\$ 36,343,325	1.7%

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

The City's total revenues were \$17,950,468. Revenues from governmental activities totaled \$11,436,434 (63.7%) and revenues from business-type activities totaled \$6,514,034 (36.3%). Expenses for the City totaled \$17,365,000; governmental activity expenses totaled \$11,261,480 (64.9%) and business-type activity expenses totaled \$6,103,520 (35.1%).

TABLE A-2

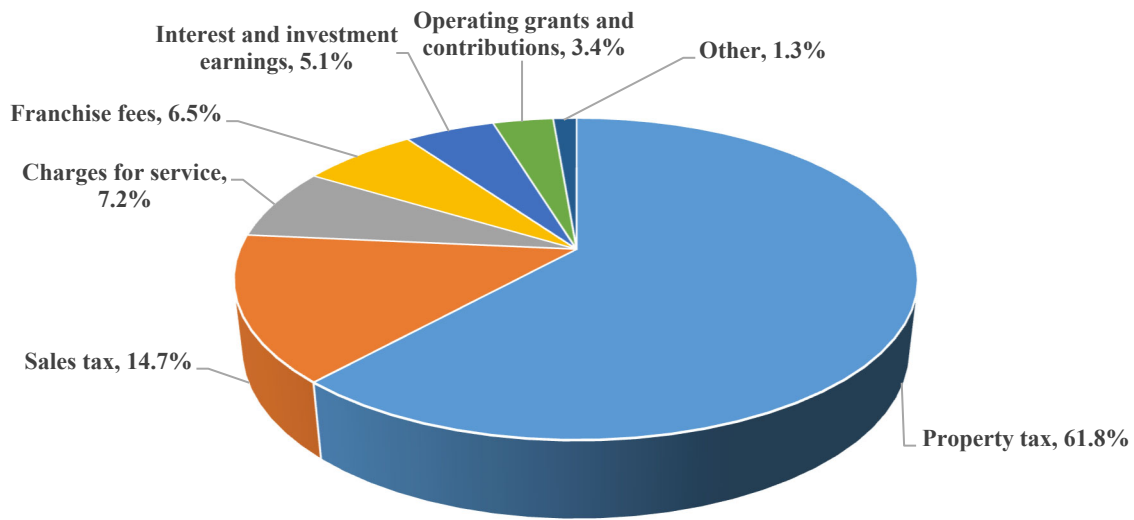
CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues:							
Charges for services	\$ 829,500	\$ 968,001	\$ 6,165,245	\$ 6,497,720	\$ 6,994,745	\$ 7,465,721	-6.3%
Operating grants and contributions	379,340	1,283,952	-	1,244,133	379,340	2,528,085	-85.0%
General revenues:							
Property taxes	7,062,241	6,614,489	-	-	7,062,241	6,614,489	6.8%
Non property taxes	2,432,520	2,365,342	-	-	2,432,520	2,365,342	2.8%
Investment earnings	581,995	80,336	358,595	55,063	940,590	135,399	594.7%
Gain (loss) on sale of capital assets	16,931	674	(9,806)	-	7,125	674	957.1%
Miscellaneous	133,907	27,720	-	-	133,907	27,720	383.1%
Total revenues	<u>11,436,434</u>	<u>11,340,514</u>	<u>6,514,034</u>	<u>7,796,916</u>	<u>17,950,468</u>	<u>19,137,430</u>	<u>-6.2%</u>
Expenses:							
Mayor and council	7,643	7,268	-	-	7,643	7,268	5.2%
City administration	749,366	1,121,778	-	-	749,366	1,121,778	-33.2%
City secretary	277,612	197,308	-	-	277,612	197,308	40.7%
HR and communications	228,388	168,913	-	-	228,388	168,913	35.2%
Finance	341,093	292,851	-	-	341,093	292,851	16.5%
Municipal court	256,851	206,843	-	-	256,851	206,843	24.2%
Public safety	4,147,473	3,456,846	-	-	4,147,473	3,456,846	20.0%
Engineering and planning	1,529,149	1,493,654	-	-	1,529,149	1,493,654	2.4%
Public works	2,366,969	920,678	-	-	2,366,969	920,678	157.1%
Building codes and permits	280,890	273,015	-	-	280,890	273,015	2.9%
Information technology	391,185	403,168	-	-	391,185	403,168	100.0%
Non-departmental	684,861	252,706	-	-	684,861	252,706	171.0%
Utility	-	-	6,103,520	5,904,286	6,103,520	5,904,286	3.4%
Total expenses	<u>11,261,480</u>	<u>8,795,028</u>	<u>6,103,520</u>	<u>5,904,286</u>	<u>17,365,000</u>	<u>14,699,314</u>	<u>18.1%</u>
Increases (decreases) in net position before transfers	<u>174,954</u>	<u>2,545,486</u>	<u>410,514</u>	<u>1,892,630</u>	<u>585,468</u>	<u>4,438,116</u>	<u>-86.8%</u>
Change in net position	174,954	2,545,486	410,514	1,892,630	585,468	4,438,116	-86.8%
Net position - beginning	<u>19,015,987</u>	<u>16,470,501</u>	<u>17,327,338</u>	<u>15,434,708</u>	<u>36,343,325</u>	<u>31,905,209</u>	<u>13.9%</u>
Prior period adjustment	<u>11,355</u>	<u>-</u>	<u>11,355</u>	<u>-</u>	<u>22,710</u>	<u>-</u>	<u>-100.0%</u>
Net position - ending	<u>\$ 19,202,296</u>	<u>\$ 19,015,987</u>	<u>\$ 17,749,207</u>	<u>\$ 17,327,338</u>	<u>\$ 36,951,503</u>	<u>\$ 36,343,325</u>	<u>1.7%</u>

Governmental Activities

Overall governmental activities increased the City's net position by \$186,309 after the restatement. 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.

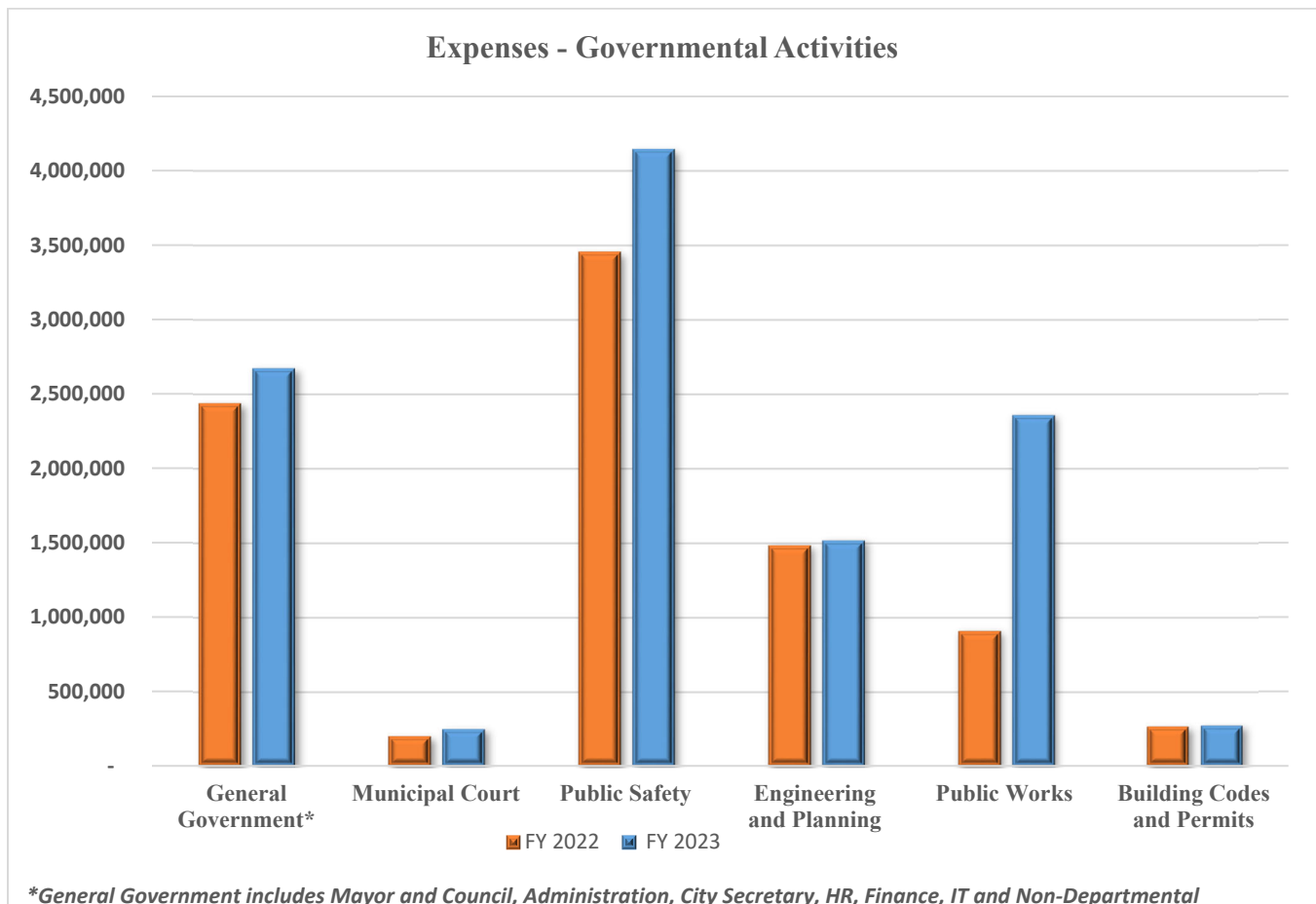
Government-wide Revenues by Source - Governmental Activities



Revenues for governmental activities were \$11,436,434 compared to the prior year's revenues of \$11,340,514. The increase of \$95,920 is largely attributable to an increase in ad valorem taxes and investment earnings, offset with an \$894,905 decrease in operating grants.

Expenses for governmental activities were \$11,261,480 compared to prior year's expenses of \$8,795,028. The increase of \$2,466,452 is due to the following:

- Expenses for public works increased \$1,466,291 due to the advancement of multiple roadway and drainage projects from the approved Capital Improvement Plan.
- Expenses for public safety increased by \$690,627, largely in personnel costs. The department added two School Resource Officer positions for a total staff of 30 full-time employees, all of which are eligible for annual merit increases and cost-of-living adjustments.
- Non-departmental expenses increased \$432,155 for costs associated with a winter storm in February 2023. As a result of the damaging ice storm, approximately 43,000 cubic yards of downed tree limbs and other vegetative debris had to be removed. The City was able to secure grant funding from FEMA for partial reimbursement of the storm clean-up costs.



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 \$421,869, or 69.4% after the restatement.

Revenues for business-type activities totaled \$6,514,034 compared to prior year's revenues of \$7,796,916. The decrease of \$1,282,882 is largely attributable to a \$1,244,133 decrease in operating grants. Other notable changes in revenue include the following:

- Investment earnings increased \$303,532 due to increasing yields over the period.
- Water and wastewater impact fee revenue decreased \$382,969 due to a decrease in development of new residential homes within the City.

Expenses for business-type activities were \$6,103,520 compared to prior year expenses of \$5,904,286. The increase of \$199,234 is due largely to the following:

- Personnel costs increased \$113,199 due to fewer vacancies throughout the year and the addition of a mechanic position.
- The water utility had an increase of \$327,421 in water reservation fees paid to Guadalupe-Blanco River Authority (GBRA). The rates charged to the City by GBRA change annually and are based on the number of gallons purchased each month. The City purchased approximately 90.5 million more gallons in FY 2023 than the prior year.
- The wastewater utility had a \$136,258 decrease in sludge hauling costs after the construction of a dewatering press was completed in May 2023 eliminating the need to pay a vendor to remove sludge.
- Professional services decreased \$179,929 due to a decrease in legal fees associated with water well settlements that took place in the prior year.

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. 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 \$11,116,630, a net decrease of \$212,807 or 1.9%.

The total decrease is shown by fund below.

General Fund	\$ (2,151,569)
Debt Service Fund	25,316
Capital Projects Funds	<u>1,913,446</u>
Combined fund balance change	<u>\$ (212,807)</u>

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 \$6,628,607. The fund balance is categorized as follows: \$77,024 in nonspendable, \$114,561 in restricted, \$4,555,321 in assigned, and \$1,881,701 in unassigned. The unassigned fund balance includes \$1,049,228 allocated for appropriations and encumbrances in FY 2024 budget.

The fund balance of the General Fund decreased by \$2,151,569 during the fiscal year. This decrease in fund balance is due largely to an interfund transfer of \$3.8 million dollars to the Capital Projects Fund for the advancement of multiple roadway and drainage projects as part of the approved Capital Improvement Plans. The City continues to show strong earnings in tax revenues and had unprecedented investment and interest earnings.

The total fund balance of the City’s Capital Projects Funds at year-end was \$4,410,048. These funds are assigned for strategic and capital projects and replacement of capital equipment. The fund balance increased by \$1,913,446 during the fiscal year due to continued savings for future capital purchases and on-going projects spanning multiple fiscal years.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances in Budget Appropriations Year-Ended September 30, 2023 (Budgetary Basis) General Fund					
	Original Budget	Final Budget	Actual Results	Variances	
				Budget	Final to Actual
Resources (Inflows):					
Taxes	\$ 7,963,116	\$ 7,963,116	\$ 8,144,135	-	\$ 181,019
Franchise Fees	692,050	692,050	748,401	-	56,351
Permits	309,075	309,075	241,674	-	(67,401)
Animal Control	1,135	1,135	1,415	-	280
Fines & Forfeitures	176,300	176,300	208,035	-	31,735
Other Fees and Services	277,903	277,903	309,244	-	31,341
Grant Revenue	3,600	3,600	310,696	-	307,096
Miscellaneous	119,420	119,420	207,593	-	88,173
Investment Earnings	72,000	72,000	577,165	-	505,165
Other Financing Sources - SBITA	-	-	193,012	-	193,012
Transfers from Other Funds	125,000	353,924	303,067	228,924	(50,857)
Total	\$ 9,739,599	\$ 9,968,523	\$ 11,244,437	\$ 228,924	\$ 1,275,914
Charges to Appropriations (Outflows):					
General Government*	\$ 2,293,204	\$ 2,575,503	\$ 2,667,316	\$ 282,299	\$ 91,813
Public Safety	3,852,476	4,178,635	4,042,987	326,159	(135,648)
Public Works	884,108	935,034	835,424	50,926	(99,610)
Engineering and Planning	1,638,950	1,564,811	1,522,806	(74,139)	(42,005)
Building Codes and Permits	322,479	330,021	279,180	7,542	(50,841)
Municipal Court	283,126	296,142	250,804	13,016	(45,338)
Transfers to Other Funds	3,797,490	3,797,490	3,797,490	-	-
Total	\$ 13,071,833	\$ 13,677,636	\$ 13,396,007	\$ 605,803	\$ (281,629)

* General Government includes Mayor & Council, Administration, City Secretary, HR & Communications, Finance, IT and Non-departmental.

Over the course of the year, the City did amend its budget. Changes from the adopted budget to the final amended budget resulted in a net increase of \$228,924 in budgeted revenue for a transfer from the equipment replacement fund.

Final budgeted revenue appropriations for the General Fund were \$9,968,523 while actual revenues on a budgetary basis were \$11,244,437 creating a favorable variance of \$1,275,914. 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.
- Grant revenue was higher than final budgeted amounts due to funds received from FEMA for costs associated with brush removal after a winter storm in February 2023. Other grants received included funds from the State Comptroller for local governments disproportionately affected by disabled veterans' exemption, and grants received from the Office of the Governor for public safety.
- Investment earnings was significantly higher than budget due to high yields that were maintained throughout the fiscal year.
- The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA's)*, that records SBITA's as financing of the right to use an underlying asset. This is shown as a favorable variance in the Other Financing Sources category of revenue. A corresponding capital expenditure has been recorded in General Government charges to appropriations.

Changes in original expenditure budget appropriations to the final amended budget appropriations resulted in a net \$605,803 increase in appropriations. Variances are explained as follows:

- General Government increased \$282,299 largely due to brush removal costs associated with the winter storm in February 2023.
- Public safety and public works final budgeted appropriations increased a combined \$377,085 to capture prior year encumbrances.

Final budgeted appropriations for the General Fund were \$13,677,636 while actual expenditures on a budgetary basis were \$13,396,007, creating a favorable variance of \$281,629. Variance explanations are listed below:

- General government appropriations were higher than budget largely due to the implementation of GASB Statement No. 96 which recorded \$193,012 in capital expenditures for SBITA's. This overage is partially offset with a \$118,101 savings in personnel due to vacancies.
- Public safety had \$135,647 savings in budgeted capital not purchased due to supply chain issues.
- Public works, engineering and planning, and building codes departments had combined personnel savings of \$111,202 due to routine vacancies. Other savings include \$55,129 in budgeted capital not purchased due to supply chain issues, and \$40,945 savings in street maintenance costs.
- Municipal court had \$58,724 savings in court security costs related to budgeted security upgrades that have been pushed to fiscal year 2024. These savings are offset with overages in personnel, judge and prosecutor costs.

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, 2023 amounts to \$23,775,326 (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 \$959,865, which is comprised of a \$117,341 increase in governmental activities and an increase of \$842,524 in business-type activities.

TABLE A-3

CITY OF FAIR OAKS RANCH'S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Capital assets - not depreciated							
Land	\$ 116,798	\$ 116,798	\$ 53,600	\$ 53,600	\$ 170,398	\$ 170,398	0.0%
Construction in progress	679,451	372,035	1,649,487	1,241,495	2,328,938	1,613,530	44.3%
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	2,538,109	2,390,697	1,306,453	1,213,879	3,844,562	3,604,576	6.7%
Infrastructure	10,148,595	10,148,595	-	-	10,148,595	10,148,595	0.0%
Right to use asset - Lease	104,176	104,176	-	-	104,176	104,176	0.0%
Right to use asset - SBITA	206,114	-	271,518	-	477,632	-	100.0%
Utility plant	-	-	19,453,243	18,568,667	19,453,243	18,568,667	4.8%
Totals at historical cost	17,830,535	17,169,593	22,734,301	21,077,641	40,564,836	38,247,234	6.1%
Total accumulated depreciation	(5,585,655)	(5,042,054)	(11,203,855)	(10,389,719)	(16,789,510)	(15,431,773)	8.8%
Net capital assets	<u>\$ 12,244,880</u>	<u>\$ 12,127,539</u>	<u>\$ 11,530,446</u>	<u>\$ 10,687,922</u>	<u>\$ 23,775,326</u>	<u>\$ 22,815,461</u>	<u>4.2%</u>

Additional detail regarding capital assets can be found in note 5 on page 44-45 of the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had a total of \$5,320,000 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 pages 45-47.

TABLE A-4
CITY OF FAIR OAKS RANCH’S LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Bonds payable	<u>\$ 3,525,000</u>	<u>\$ 3,985,000</u>	<u>\$ 1,795,000</u>	<u>\$ 2,115,000</u>	<u>\$ 5,320,000</u>	<u>\$ 6,100,000</u>	-12.8%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected officials considered many factors when setting the fiscal year 2024 budget, tax rates, and fees that will be charged for the business-type activities. The City adopted an ad valorem tax rate of \$0.3005 per \$100 of assessed values for fiscal year 2024, which is a decrease from \$0.3291 in fiscal year 2023. Due to growth and increased valuations, property tax revenue is expected to increase approximately 3.5% compared to fiscal year 2023.

Sales tax revenue in fiscal year 2023 fell 5% short to budget but increased 5% from fiscal year 2022. The City budgeted a 3% decrease in sales tax revenue for fiscal year 2024 as we begin to see sales falling off and online sales continuing to move toward pre-pandemic levels.

For fiscal year 2024, water volumetric rates remain unchanged; however, the wastewater utility has adopted a new rate structure and volumetric rates. This change is expected to increase revenues to cover the cost of service and encourages conservation by charging low-volume users less and high-volume users more. The City has budgeted lower water revenues in fiscal year 2024 to align with pre-drought revenues, while increasing budgeted wastewater revenue based on the new volumetric rates.

Priorities for fiscal year 2024 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).



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, 2023

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Municipal
	Activities	Activities		Development
				District
ASSETS				
Cash and cash equivalents	\$ 11,365,102	\$ 7,978,124	\$ 19,343,226	\$ 2,623,523
Receivables				
(net of allowance for uncollectibles):				
Taxes	177,865	-	177,865	77,739
Accounts	860,014	787,539	1,647,553	-
Inventories	-	219,209	219,209	-
Prepays	77,024	60,423	137,447	-
Capital assets, net:				
Land	116,798	53,600	170,398	-
Buildings and land improvements	2,483,257	-	2,483,257	-
Utility plant and easements	-	9,149,962	9,149,962	-
Vehicles and equipment	627,698	463,149	1,090,847	-
Infrastructure	8,138,402	-	8,138,402	-
Right to use asset - leases	40,619	-	40,619	-
Right to use asset - SBITA	158,655	214,248	372,903	-
Construction in progress	679,451	1,649,487	2,328,938	-
Total capital assets	<u>12,244,880</u>	<u>11,530,446</u>	<u>23,775,326</u>	<u>-</u>
Total assets	<u>24,724,885</u>	<u>20,575,741</u>	<u>45,300,626</u>	<u>2,701,262</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	26,406	8,682	35,088	-
Deferred outflows related to pensions	<u>1,290,232</u>	<u>453,950</u>	<u>1,744,182</u>	<u>-</u>
Total deferred outflows of resources	<u>1,316,638</u>	<u>462,632</u>	<u>1,779,270</u>	<u>-</u>

(continued)

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			Component Unit
	Governmental	Business-Type		Municipal
	Activities	Activities	Total	Development
				District
LIABILITIES				
Accounts payable and other	\$ 852,024	\$ 445,199	\$ 1,297,223	\$ 175
Accrued liabilities	130,059	33,987	164,046	-
Other liabilities	3,485	11,989	15,474	-
Unearned revenue	-	145,712	145,712	-
Noncurrent liabilities:				
Due within one year	634,601	416,150	1,050,751	-
Due in more than one year	3,455,090	1,681,428	5,136,518	-
OPEB liability	83,716	27,365	111,081	-
Net pension liability	1,617,125	506,802	2,123,927	-
Total liabilities	<u>6,776,100</u>	<u>3,268,632</u>	<u>10,044,732</u>	<u>175</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	13,734	4,446	18,180	-
Deferred inflows related to OPEB	49,393	16,088	65,481	-
Total deferred inflows of resources	<u>63,127</u>	<u>20,534</u>	<u>83,661</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	8,496,444	9,550,922	18,047,366	-
Restricted for:				
Court technology	18,587	-	18,587	-
Court security building	15,322	-	15,322	-
Court efficiency and felony forfeiture	44,353	-	44,353	-
Other court restrictions	15,975	-	15,975	-
PEG fees	4,319	-	4,319	-
Public safety	16,005	-	16,005	-
Debt service	77,975	-	77,975	-
Unrestricted	<u>10,513,316</u>	<u>8,198,285</u>	<u>18,711,601</u>	<u>2,701,087</u>
Total net position	<u>\$ 19,202,296</u>	<u>\$ 17,749,207</u>	<u>\$ 36,951,503</u>	<u>\$ 2,701,087</u>

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2023

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Mayor and council	\$ 7,643	\$ -	\$ -	\$ -
Administration	749,366	297,356	101,694	-
City secretary	277,612	-	-	-
HR and communications	228,388	-	-	-
Finance	341,093	-	-	-
Municipal court	256,851	289,055	-	-
Public safety	4,147,473	1,415	118,176	-
Engineering and planning	1,529,149	-	-	-
Public works	2,366,969	-	159,470	-
Building codes and permits	280,890	241,674	-	-
Information technology	391,185	-	-	-
General government	684,861	-	-	-
Total governmental activities	<u>11,261,480</u>	<u>829,500</u>	<u>379,340</u>	<u>-</u>
Business-type activities:				
Water/sewer utility	<u>6,103,520</u>	<u>6,165,245</u>	-	-
Total business-type activities	6,103,520	6,165,245	-	-
Total primary government	<u>\$ 17,365,000</u>	<u>\$ 6,994,745</u>	<u>\$ 379,340</u>	<u>\$ -</u>
Component unit:				
Municipal Development District	<u>\$ 38,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Taxes:				
Property taxes				
Sales taxes				
Mixed beverage taxes				
Franchise taxes				
Interest and investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - beginning				
Prior period adjustment				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			Component Unit Municipal Development District
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (7,643)	\$ -	\$ (7,643)	
(350,316)	-	(350,316)	
(277,612)	-	(277,612)	
(228,388)	-	(228,388)	
(341,093)	-	(341,093)	
32,204	-	32,204	
(4,027,882)	-	(4,027,882)	
(1,529,149)	-	(1,529,149)	
(2,207,499)	-	(2,207,499)	
(39,216)	-	(39,216)	
(391,185)	-	(391,185)	
(684,861)	-	(684,861)	
<u>(10,052,640)</u>	<u>-</u>	<u>(10,052,640)</u>	
<u>-</u>	<u>61,725</u>	<u>61,725</u>	
<u>-</u>	<u>61,725</u>	<u>61,725</u>	
<u>(10,052,640)</u>	<u>61,725</u>	<u>(9,990,915)</u>	
			<u>\$ (38,195)</u>
7,062,241	-	7,062,241	-
1,656,135	-	1,656,135	453,885
27,984	-	27,984	-
748,401	-	748,401	-
581,995	358,595	940,590	109,462
16,931	(9,806)	7,125	-
133,907	-	133,907	-
<u>10,227,594</u>	<u>348,789</u>	<u>10,576,383</u>	<u>563,347</u>
174,954	410,514	585,468	525,152
<u>19,015,987</u>	<u>17,327,338</u>	<u>36,343,325</u>	<u>2,175,935</u>
<u>11,355</u>	<u>11,355</u>	<u>22,710</u>	<u>-</u>
\$ 19,202,296	\$ 17,749,207	\$ 36,951,503	\$ 2,701,087

CITY OF FAIR OAKS RANCH, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2023

	Major Funds			Other	Total
	General	Strategic Projects	Equipment	Governmental Fund	Governmental
	Fund	Fund	Replacement Fund	Debt Service Fund	Funds
ASSETS					
Cash and cash equivalents	\$ 6,742,323	\$ 3,405,627	\$ 1,140,475	\$ 76,677	\$ 11,365,102
Receivables (net of allowance for uncollectibles):					
Property taxes	162,967	-	-	14,898	177,865
Accounts receivable	860,014	-	-	-	860,014
Prepaid items	77,024	-	-	-	77,024
Total assets	<u>\$ 7,842,328</u>	<u>\$ 3,405,627</u>	<u>\$ 1,140,475</u>	<u>\$ 91,575</u>	<u>\$ 12,480,005</u>
LIABILITIES					
Accounts payable	\$ 744,780	\$ 107,244	\$ -	\$ -	\$ 852,024
Accrued expenditures	101,249	28,810	-	-	130,059
Other liabilities	3,485	-	-	-	3,485
Total liabilities	<u>849,514</u>	<u>136,054</u>	<u>-</u>	<u>-</u>	<u>985,568</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	364,207	-	-	13,600	377,807
Total deferred inflows of resources	<u>364,207</u>	<u>-</u>	<u>-</u>	<u>13,600</u>	<u>377,807</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	77,024	-	-	-	77,024
Restricted for:					
Court technology	18,587	-	-	-	18,587
Court security building	15,322	-	-	-	15,322
Court efficiency and felony forfeiture	44,353	-	-	-	44,353
Other court restrictions	15,975	-	-	-	15,975
PEG fees	4,319	-	-	-	4,319
Public safety	16,005	-	-	-	16,005
Debt service	-	-	-	77,975	77,975
Assigned for:					
Strategic expenditures	-	3,269,573	-	-	3,269,573
Capital equipment	-	-	1,140,475	-	1,140,475
Legal issues	50,000	-	-	-	50,000
Six month operating reserve	4,505,321	-	-	-	4,505,321
Unassigned	1,881,701	-	-	-	1,881,701
Total fund balances	<u>6,628,607</u>	<u>3,269,573</u>	<u>1,140,475</u>	<u>77,975</u>	<u>11,116,630</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,842,328</u>	<u>\$ 3,405,627</u>	<u>\$ 1,140,475</u>	<u>\$ 91,575</u>	<u>\$ 12,480,005</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

September 30, 2023

Total fund balances - total governmental funds	\$ 11,116,630
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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.	12,244,880
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	377,807
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Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(341,255)
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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	(3,525,000)
Right to use liability	(176,730)
Unamortized bond premium	(46,706)

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	(1,617,125)
Pension related deferred inflows	(13,734)
Pension related deferred outflows	1,290,232

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	(83,716)
OPEB related deferred inflows	(49,393)
OPEB related deferred outflows	26,406

Total net position of governmental activities	<u>\$ 19,202,296</u>
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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, 2023

	Major Fund			Other	Total
	General	Strategic Projects	Equipment	Governmental Fund	Governmental
	Fund	Fund	Replacement Fund	Debt Service Fund	Funds
REVENUES					
Taxes	\$ 8,144,135	\$ -	\$ -	\$ 573,016	\$ 8,717,151
Franchise fees	748,401	-	-	-	748,401
Permits	241,674	-	-	-	241,674
Animal control	1,415	-	-	-	1,415
Fines and forfeits	208,035	-	-	-	208,035
Utility management fee	257,499	-	-	-	257,499
Other fees and services	51,745	-	-	-	51,745
Interest	577,165	-	-	4,830	581,995
Grant revenue	310,696	-	-	-	310,696
Miscellaneous	190,663	-	-	-	190,663
Total revenues	<u>10,731,428</u>	<u>-</u>	<u>-</u>	<u>577,846</u>	<u>11,309,274</u>
EXPENDITURES					
Current:					
Mayor and council	7,643	-	-	-	7,643
Administration	660,453	31,735	-	-	692,188
City secretary	243,832	22,967	-	-	266,799
HR and communications	218,641	2,068	-	-	220,709
Finance	329,737	-	-	-	329,737
Municipal court	250,804	-	-	-	250,804
Public safety	3,786,061	-	-	-	3,786,061
Engineering and planning	1,516,776	-	-	-	1,516,776
Public works	786,124	1,216,791	-	-	2,002,915
Building codes and permits	279,180	-	-	-	279,180
Information technology	321,470	-	-	-	321,470
Non-departmental	591,897	-	-	-	591,897
Capital projects/outlay	519,820	307,416	-	-	827,236
Debt service:					
Principal	79,788	-	-	460,000	539,788
Interest and fiscal charges	6,291	-	-	92,530	98,821
Total expenditures	<u>9,598,517</u>	<u>1,580,977</u>	<u>-</u>	<u>552,530</u>	<u>11,732,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,132,911</u>	<u>(1,580,977)</u>	<u>-</u>	<u>25,316</u>	<u>(422,750)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	16,931	-	-	-	16,931
Proceeds from SBITAs	193,012	-	-	-	193,012
Transfers in	303,067	3,442,995	354,495	-	4,100,557
Transfers out	(3,797,490)	-	(303,067)	-	(4,100,557)
Total other financing sources (uses)	<u>(3,284,480)</u>	<u>3,442,995</u>	<u>51,428</u>	<u>-</u>	<u>209,943</u>
Net change in fund balances	(2,151,569)	1,862,018	51,428	25,316	(212,807)
Fund balance - beginning	<u>8,780,176</u>	<u>1,407,555</u>	<u>1,089,047</u>	<u>52,659</u>	<u>11,329,437</u>
Fund balance - ending	<u>\$ 6,628,607</u>	<u>\$ 3,269,573</u>	<u>\$ 1,140,475</u>	<u>\$ 77,975</u>	<u>\$ 11,116,630</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2023

Net change in fund balances - total governmental funds \$ (212,807)

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

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

Current year additions	634,224
Current year depreciation	(655,298)

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

Ad valorem revenue	29,209
Court citations	81,020

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

Principal repayments	466,673
Lease liability payments	(214)
SBITA liability payments	14,050

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.

(189,273)

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.

(10,225)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	17,595
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Change in net position - governmental activities \$ 174,954

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, 2023

	Business-Type Activities
	<u>Water/Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 7,978,124
Receivables (net of allowances for uncollectibles):	
Accounts	787,539
Inventories	219,209
Prepays	<u>60,423</u>
Total current assets	<u>9,045,295</u>
Capital assets:	
Land	53,600
Construction in progress	1,649,487
Utility plant and easements	19,453,243
Vehicles and equipment	1,577,971
Accumulated depreciation	<u>(11,203,855)</u>
Total capital assets, net of accumulated depreciation	<u>11,530,446</u>
Total assets	<u>20,575,741</u>
Deferred outflows of resources	
Deferred OPEB related outflows	8,682
Deferred pension related outflows	<u>453,950</u>
Total deferred outflows of resources	<u>462,632</u>
Liabilities	
Current liabilities:	
Accounts payable	445,199
Accrued liabilities	33,987
Other liabilities	11,989
Unearned revenue	145,712
Due within one year	<u>416,150</u>
Total current liabilities	<u>1,053,037</u>
Noncurrent liabilities:	
Due in more than one year	1,681,428
OPEB liability	27,365
Net pension liability	<u>506,802</u>
Total noncurrent liabilities	<u>2,215,595</u>
Total liabilities	<u>3,268,632</u>
Deferred inflows of resources	
Deferred pension related inflows	4,446
Deferred OPEB related inflows	<u>16,088</u>
Total deferred inflows of resources	<u>20,534</u>
Net position	
Net investment in capital assets	9,550,922
Unrestricted	<u>8,198,285</u>
Total net position	<u>\$ 17,749,207</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

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

For the year ended September 30, 2023

	Business-Type Activities
	<u>Water/Sewer Fund</u>
Operating revenues	
Charges for utility service	\$ 6,165,245
Operating expenses	
Personnel services	1,876,836
Contractual services	10,199
Maintenance	379,150
Equipment lease	8,454
Supplies	140,444
Office supplies	186,221
Postage	22,145
Utilities	259,202
Management fee	257,499
Professional fees	227,158
Permits and licenses	9,956
Water reservation fees	1,532,440
Insurance	56,253
Sludge disposal	187,193
Miscellaneous	63,401
Total operating expenses	<u>5,216,551</u>
Operating income (loss) before depreciation	<u>948,694</u>
Depreciation	<u>862,733</u>
Operating income (loss)	<u>85,961</u>
Nonoperating revenues (expenses)	
Interest income	358,595
Interest and fiscal charges	(24,236)
Gain/loss	(9,806)
Total nonoperating revenues (expenses)	<u>324,553</u>
Income before transfers	<u>410,514</u>
Change in net position	410,514
Total net position - beginning	<u>17,327,338</u>
Prior period adjustment	<u>11,355</u>
Total net position - ending	<u>\$ 17,749,207</u>

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

CITY OF FAIR OAKS RANCH, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the year ended September 30, 2023

	Business-Type Activities <u>Water/Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 6,058,047
Cash paid for employee wages and benefits	(1,814,590)
Cash paid for suppliers for goods and services	(2,983,367)
Cash paid to general fund for management fee	(257,499)
Net cash provided (used) in operating activities	<u>1,002,591</u>
Cash flows from noncapital financing activities	
Cash received from grant revenue	<u>-</u>
Cash flows from capital and related financing activities	
Purchase/construction of capital assets	(1,711,888)
Proceeds from sale of assets	8,180
Principal payments on long-term debt	(132,284)
Interest and fiscal charges paid	(24,236)
Net cash provided (used) by capital and related financing activities	<u>(1,860,228)</u>
Cash flows from investing activities	
Investment interest received	<u>358,595</u>
Net cash provided (used) by investing activities	<u>358,595</u>
Net increase (decrease) in cash and investments	(499,042)
Cash and investments at beginning of year	<u>8,477,166</u>
Cash and investments at end of year	<u><u>\$ 7,978,124</u></u>
Reconciliation of net operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 85,961
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	862,733
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(107,198)
(Increase) decrease in inventories	(59,852)
(Increase) decrease in prepaids	(36,079)
Increase (decrease) in accounts payable	182,791
Increase (decrease) in accrued liabilities	4,284
Increase (decrease) in other liabilities	<u>69,951</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,002,591</u></u>
<u>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</u>	
Actuarially determined change in net pension liability	\$ 15,152
Other postemployment benefit liability	430,075

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, 2023

	<u>Private-Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 5,559
Other receivable	<u>599</u>
Total assets	<u>6,158</u>
Liabilities	
Due to local government	<u>599</u>
Net position	
Restricted for individuals	<u><u>\$ 5,559</u></u>

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, 2023

	<u>Private-Purpose Trust Fund</u>
Additions	
Contributions from employees	\$ 24,297
Deductions	
Benefit payments	<u>20,770</u>
Net change in fiduciary net position	3,527
Net position - beginning	<u>2,032</u>
Net position - ending	<u><u>\$ 5,559</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies

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

Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2023, 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 Ranch 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

Measurement focus and basis of accounting and financial statement presentation

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

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

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

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

The government reports the following major governmental funds:

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

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).

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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, 2022 and past due after January 31, 2023. 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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 position

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 net position 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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, 2023, management fees totaled \$257,499.

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

New accounting policy

As of October 1, 2022, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA's)*. The objectives of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. The statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were classified as operating agreements. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. A government is required to recognize a SBITA liability and an intangible right to use asset.

(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, 2023, the carrying amount of the City's deposits in the bank was \$625,882 and the bank balance was \$767,418. 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 \$1,289,998 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, 2023.

At September 30, 2023, the carrying amount of the Municipal Development District's deposits in the bank was \$98,830 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(2) Cash and cash equivalents (continued)

Investments (continued)

The City's investments at September 30, 2023 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool (valued at amortized cost)	AAAm	\$ 3,689,600	24
Texas Class (valued at net asset value)	AAAm	\$ 15,032,129	49

The Municipal Development District's investments at September 30, 2023 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool (valued at amortized cost)	AAAm	\$ 460,407	24
Texas Class (valued at net asset value)	AAAm	\$ 2,064,285	49

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, NA as the Custodian and is supervised by a Board of Trustees who are elected by the participants. The District does not have any unfunded commitments related to the pool. Each investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. The fair value of the investments in each pool have been determined using the NAV per share of investments. The redemption frequency is daily and there is not a redemption notice period for the pool.

(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 2023, the assessed tax rate for the City was \$.3291 per \$100 on an assessed valuation of \$2,137,859,177. The tax rate is split \$.3023 for general maintenance and operations and \$.0268 for interest and sinking. Total tax levy for fiscal year 2023 is \$7,036,602. As of September 30, 2023, the delinquent taxes were \$119,285.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(3) Property tax (continued)

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, 2023, was \$.3291 per \$100 of assessed value, which means that the City has a tax margin of \$2.1709 for each \$100 value and could increase its annual tax levy by approximately \$46,410,785 based upon the present assessed valuation of \$2,137,859,177 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, 2023, the City did not have any due to/due from balances outstanding.

Transfers between City funds during the year ended September 30, 2023 consist of the following:

Transfer Out	Transfer In	Amount	Purpose
General Fund	Strategic Projects Fund	\$ 3,442,995	Capital Improvement Plan
General Fund	Equipment Replacement Fund	354,495	Capital Equipment Replacement
Equipment Replacement Fund	General Fund	303,067	Capital Replacement
	Total	<u>\$ 4,100,557</u>	

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(5) Capital assets

Capital asset activity in the governmental fund for the year ended September 30, 2023, was as follows:

	Balance October 1, 2022	Additions	Disposals	Balance September 30, 2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	372,035	307,416	-	679,451
Capital assets being depreciated				
Buildings and land improvements	4,037,292	-	-	4,037,292
Vehicles and equipment	2,390,697	326,808	(179,396)	2,538,109
Infrastructure	10,148,595	-	-	10,148,595
Right to use asset - lease	104,176	-	-	104,176
Right to use asset - SBITA	13,102	193,012	-	206,114
Total capital assets	<u>17,182,695</u>	<u>827,236</u>	<u>(179,396)</u>	<u>17,830,535</u>
Less accumulated depreciation				
Buildings and land improvements	(1,441,881)	(112,154)	-	(1,554,035)
Vehicles and equipment	(1,620,136)	(290,275)	-	(1,910,411)
Infrastructure	(1,936,720)	(252,869)	179,396	(2,010,193)
Right to use asset - lease	(43,317)	(20,240)	-	(63,557)
Right to use asset - SBITA	(1,747)	(45,712)	-	(47,459)
Total accumulated depreciation	<u>(5,043,801)</u>	<u>(721,250)</u>	<u>179,396</u>	<u>(5,585,655)</u>
Governmental capital assets, net	<u>\$ 12,138,894</u>	<u>\$ 105,986</u>	<u>\$ -</u>	<u>\$ 12,244,880</u>

Capital asset activity in the proprietary fund for the year ended September 30, 2023, was as follows:

	Balance October 1, 2022	Additions	Disposals	Balance September 30, 2023
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	1,241,495	1,092,679	(684,687)	1,649,487
Capital assets being depreciated				
Utility plant and easements	18,568,667	910,272	(25,696)	19,453,243
Vehicles and equipment	1,213,879	135,209	(42,635)	1,306,453
Right to use asset - SBITA	13,102	258,416	-	271,518
Totals capital assets	<u>21,090,743</u>	<u>2,396,576</u>	<u>(753,018)</u>	<u>22,734,301</u>
Less accumulated depreciation				
Utility plant and easements	(9,600,664)	(710,326)	7,709	(10,303,281)
Vehicles and equipment	(789,055)	(96,884)	42,635	(843,304)
Right to use asset - SBITA	(1,747)	(55,523)	-	(57,270)
Total accumulated depreciation	<u>(10,391,466)</u>	<u>(862,733)</u>	<u>50,344</u>	<u>(11,203,855)</u>
Business-type capital assets, net	<u>\$ 10,699,277</u>	<u>\$ 1,533,843</u>	<u>\$ (702,674)</u>	<u>\$ 11,530,446</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(5) Capital assets (continued)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	82,945
Public safety		231,227
Information technology		65,136
Public works		341,126
Non-departmental		<u>816</u>
Total depreciation expense - governmental activities	\$	<u>721,250</u>

(6) Unearned revenue

Water Supply Agreements

The City has entered into agreements with certain developers to provide water and sewer services to planned future developments. The City has agreed to provide treated water from the City's water production, storage and distribution system and to provide sewer service from the City's wastewater treatment plant, both of which may require expansion or modifications. The developers have agreed to extend utilities from their present locations to the boundaries of the developed properties and to provide for offsets and/or credits toward "Contributions in Aid of Construction". The City will credit the contributions in aid provided by the developers against impact fees due upon development of the property. Impact fees are collected at the time a building permit is issued for a particular lot. Therefore, the contributions in aid are unearned until such time as the lots are permitted for construction. The City received \$0 contributions in aid during the year ended September 30, 2023. 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, 2023, the City's long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
<u>Governmental activities:</u>				
General Obligation Bond, Series 2015	1.0 - 3.0%	\$ 3,525,000	\$ 470,000	\$ 3,055,000
<u>Business-type activities</u>	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Certificate of Obligation Bond Series 2020	1.01%	\$ 1,795,000	\$ 320,000	\$ 1,475,000

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(7) Long-term liabilities (continued)

Primary government (continued)

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.

Changes in the City's long-term liabilities during the fiscal year ended September 30, 2023:

	Original Amount	Balance Outstanding Oct. 1, 2022	Current Additions	Current Reductions	Balance Outstanding Sept. 30, 2023	Due Within One Year
<u>Governmental activities:</u>						
Long-term debt:						
GO Bonds, Series 2015	\$ 7,000,000	\$ 3,985,000	\$ -	\$ (460,000)	\$ 3,525,000	\$ 470,000
Premium on bonds		53,379	-	(6,673)	46,706	6,673
Total long-term debt		4,038,379	-	(466,673)	3,571,706	476,673
Other long-term liabilities:						
Right to use lease liability		63,507	-	(20,027)	43,480	18,051
Right to use SBITA liability		-	193,012	(59,762)	133,250	54,563
Compensated absences		358,850	72,117	(89,712)	341,255	85,314
Total governmental activities		<u>\$ 4,460,736</u>	<u>\$ 265,129</u>	<u>\$ (636,174)</u>	<u>\$ 4,089,691</u>	<u>\$ 634,601</u>
<u>Business-type activities:</u>						
Long-term debt:						
CO Bonds, Series 2020	\$ 2,660,000	\$ 2,115,000	\$ -	\$ (320,000)	\$ 1,795,000	\$ 320,000
Other long-term liabilities:						
Right to use SBITA liability		-	258,416	(73,892)	184,524	66,636
Compensated absences		114,862	31,907	(28,715)	118,054	29,514
Total business-type activities		<u>2,229,862</u>	<u>290,323</u>	<u>(422,607)</u>	<u>2,097,578</u>	<u>416,150</u>
Total changes in long-term liabilities		<u>\$ 6,690,598</u>	<u>\$ 555,452</u>	<u>\$ (1,058,781)</u>	<u>\$ 6,187,269</u>	<u>\$ 1,050,751</u>

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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(7) Long-term liabilities (continued)

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2023, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	515,000	35,888	550,888	335,000	3,308	338,308
2029 - 2030	1,070,000	30,925	1,100,925	160,000	808	160,808
	<u>\$ 3,525,000</u>	<u>\$ 331,976</u>	<u>\$ 3,856,976</u>	<u>\$ 1,795,000</u>	<u>\$ 50,525</u>	<u>\$ 1,845,525</u>

Right to use lease liability

At September 30, 2023, 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 September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 18,051	\$ 1,853	\$ 19,904
2025	19,022	882	19,904
2026	6,407	70	6,477
	<u>\$ 43,480</u>	<u>\$ 2,805</u>	<u>\$ 46,285</u>

Right to use SBITA liability

At September 30, 2023, the City was obligated under the right to use SBITAs for general administrative subscription agreements. These agreements included contracts for the City's budget and financial software, antivirus and other IT software, as well as the City's website and Microsoft 365. Future minimum payments on the SBITA agreements are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 54,563	\$ 5,199	\$ 59,762	\$ 66,636	\$ 7,256	\$ 73,892
2025	56,667	3,095	59,762	69,224	4,668	73,892
2026	10,787	910	11,697	23,847	1,979	25,826
2027	11,233	464	11,697	24,817	1,009	25,826
	<u>\$ 133,250</u>	<u>\$ 9,668</u>	<u>\$ 142,918</u>	<u>\$ 184,524</u>	<u>\$ 14,912</u>	<u>\$ 199,436</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Employees' retirement systems

Texas Municipal Retirement System

Plan description

The City of Fair Oaks Ranch participates as one of 919 plans in the defined benefit cash-balance 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 TMRS 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 Annual Comprehensive Financial Report that can be obtained at www.tmrs.com

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, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contribution and interest.

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

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>73</u>
Total	<u>146</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The City's contribution rate is based on the 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 City matches 2 to 1. The contribution rates for the City were 11.72% and 11.67% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 and 2022 were \$628,870 and \$568,318, which were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31st
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% 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.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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 are 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 2023 are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other public and private markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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, 2022:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 11,513,316	\$ 11,373,389	\$ 139,927
Changes for the year:			
Service cost	836,697	-	836,697
Interest	796,374	-	796,374
Changes of benefit terms	-	-	-
Difference between expected and actual experience	433,116	-	433,116
Changes of assumptions	-	-	-
Contributions - employer	-	571,343	(571,343)
Contributions - employee	-	342,708	(342,708)
Net investment income	-	(833,252)	833,252
Benefit payments, including refunds of employee contributions	(267,066)	(267,066)	-
Administrative expenses	-	(7,184)	7,184
Other changes	-	8,572	(8,572)
Net changes	<u>1,799,121</u>	<u>(184,879)</u>	<u>1,984,000</u>
Balance at 12/31/2022	<u>\$ 13,312,437</u>	<u>\$ 11,188,510</u>	<u>\$ 2,123,927</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Net pension liability (asset)	\$ <u>4,499,589</u>	\$ <u>2,123,927</u>	\$ <u>235,589</u>

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 www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$876,823.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 478,490	\$ 18,180
Changes in actuarial assumptions	11,724	-
Difference between projected and actual investment earnings	769,956	-
Contributions made subsequent to the measurement date	<u>484,012</u>	<u>-</u>
Total	<u>\$ 1,744,182</u>	<u>\$ 18,180</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Employees' retirement systems (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position (continued)

The City reported \$484,012 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, 2024. 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
2024	\$ 218,909
2025	334,187
2026	324,910
2027	363,984
2028	-
Thereafter	-
	<u>\$ 1,241,990</u>

(9) Other postemployment benefits

Plan description

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

Benefits provided

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

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(9) Other postemployment benefits (continued)

Contributions (continued)

The contribution rate for the City was 0.24% and 0.14% for calendar years 2023 and 2022. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2023 and 2022 were \$11,649 and \$6,833 and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>73</u>
Total	<u>97</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$111,081 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2022 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 *	4.05%
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, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(9) Other postemployment benefits (continued)

Changes in the total OPEB liability

Balance at 12/31/2021	\$ 163,168
Changes for the year:	
Service cost	13,219
Interest on total OPEB liability	3,106
Changes of benefit terms	-
Difference between expected and actual experience	(3,252)
Changes of assumptions	(63,202)
Benefit payments	<u>(1,958)</u>
Net changes	<u>(52,087)</u>
Balance at 12/31/2022	<u>\$ 111,081</u>

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Current Single Rate Assumption (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
Total OPEB liability (asset)	\$ <u>134,943</u>	\$ <u>111,081</u>	\$ <u>92,704</u>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$12,248.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 2,925	\$ 9,200
Changes in actuarial assumptions	26,263	56,281
Difference between projected and actual investment earnings	-	-
Contributions made subsequent to the measurement date	<u>5,900</u>	<u>-</u>
Total	<u>\$ 35,088</u>	<u>\$ 65,481</u>

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(9) Other postemployment benefits (continued)

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

The City reported \$5,900 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, 2024. 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
2024	\$ (4,077)
2025	(4,645)
2026	(4,632)
2027	(5,661)
2028	(8,224)
Thereafter	(9,054)
	<u>\$ (36,293)</u>

(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, 2023 were \$208,414 for property and casualty and workers compensation coverage.

(11) Restatement of fund balance and net position

During the fiscal year ended September 30, 2023, the City recognized a restatement to increase beginning governmental activities net position by \$11,355 and to increase the water and sewer fund's beginning net position by \$11,355 due to the adoption of GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

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

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

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

For the year ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 7,963,116	\$ 7,963,116	\$ 8,144,135	\$ 181,019
Franchise fees	692,050	692,050	748,401	56,351
Permits	309,075	309,075	241,674	(67,401)
Animal control	1,135	1,135	1,415	280
Fines and forfeits	176,300	176,300	208,035	31,735
Utility management fee	210,003	210,003	257,499	47,496
Other fees and services	67,900	67,900	51,745	(16,155)
Interest	72,000	72,000	577,165	505,165
Grant revenue	3,600	3,600	310,696	307,096
Miscellaneous	119,420	119,420	190,663	71,243
Total revenues	9,614,599	9,614,599	10,731,428	1,116,829
Expenditures				
Mayor and council:				
Supplies and maintenance	2,850	2,850	348	2,502
Services	26,850	7,582	7,295	287
Total mayor and council	29,700	10,432	7,643	2,789
Administration:				
Personnel	581,726	598,432	532,557	65,875
Maintenance and supplies	2,000	2,000	948	1,052
Services	118,475	95,075	126,948	(31,873)
Capital outlay	-	-	-	-
Total administration	702,201	695,507	660,453	35,054
City secretary:				
Personnel	197,250	202,729	202,231	498
Supplies, maintenance and operations	1,680	1,680	1,516	164
Services	50,431	39,431	40,085	(654)
Total city secretary	249,361	243,840	243,832	8
Human resources and communications:				
Personnel	151,588	155,984	150,887	5,097
Supplies, maintenance and operations	3,350	3,350	2,887	463
Services	77,565	77,565	64,867	12,698
Total human resources and communications	232,503	236,899	218,641	18,258
Finance:				
Personnel	290,995	298,391	251,701	46,690
Supplies, maintenance and operations	2,075	2,075	1,471	604
Professional services	77,845	77,845	76,565	1,280
Total finance	370,915	378,311	329,737	48,574

(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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Expenditures (continued)				
Municipal court:				
Personnel	\$ 141,972	\$ 145,635	\$ 149,698	\$ (4,063)
Supplies, maintenance and operations	61,974	61,974	4,094	57,880
Services	79,180	88,533	97,012	(8,479)
Capital outlay	-	-	-	-
Total municipal court	283,126	296,142	250,804	45,338
Public safety:				
Personnel	2,816,482	2,887,790	2,901,175	(13,385)
Supplies, maintenance and operations	113,100	101,684	109,572	(7,888)
Services	772,944	796,588	775,314	21,274
Capital outlay	149,950	392,573	256,926	135,647
Total public safety	3,852,476	4,178,635	4,042,987	135,648
Engineering and planning:				
Personnel	388,820	399,880	384,926	14,954
Supplies, maintenance and operations	1,016,050	924,821	885,358	39,463
Services	234,080	234,080	246,492	(12,412)
Capital outlay	-	6,030	6,030	-
Total engineering and planning	1,638,950	1,564,811	1,522,806	42,005
Public works:				
Personnel	637,046	651,543	596,174	55,369
Supplies, maintenance and operations	174,790	168,311	181,999	(13,688)
Services	40,272	10,751	7,951	2,800
Capital outlay	32,000	104,429	49,300	55,129
Total public works	884,108	935,034	835,424	99,610
Building codes and permits:				
Personnel	270,149	257,691	216,812	40,879
Supplies, maintenance and operations	5,255	5,255	2,200	3,055
Services	47,075	67,075	60,168	6,907
Total building codes and permits	322,479	330,021	279,180	50,841
Information technology:				
Personnel	113,138	116,285	116,344	(59)
Supplies, maintenance and operations	500	500	426	74
Services	6,875	6,875	2,649	4,226
Shared services	251,958	279,429	202,051	77,378
Lease principal	-	-	19,213	(19,213)
Lease interest	-	-	2,682	(2,682)
SBITA principal	-	-	59,762	(59,762)
SBITA interest	-	-	3,485	(3,485)
Capital outlay	15,000	15,000	207,564	(192,564)
Total information technology	387,471	418,089	614,176	(196,087)

(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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Non-departmental and shared services:				
Personnel	\$ 145,194	\$ -	\$ -	\$ -
Supplies, maintenance and operations	4,150	420,716	440,877	(20,161)
Shared services	171,709	171,709	151,020	20,689
Lease principal	-	-	813	(813)
Lease interest	-	-	124	(124)
Capital outlay	-	-	-	-
Total non-departmental and shared services	<u>321,053</u>	<u>592,425</u>	<u>592,834</u>	<u>(409)</u>
 Total expenditures	<u>9,274,343</u>	<u>9,880,146</u>	<u>9,598,517</u>	<u>281,629</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>340,256</u>	<u>(265,547)</u>	<u>1,132,911</u>	<u>1,398,458</u>
 Other financing sources (uses)				
Sale of assets	-	-	16,931	16,931
Proceeds from SBITAs	-	-	193,012	193,012
Transfers in (out)	(3,797,490)	(3,797,490)	(3,797,490)	-
Transfers in (out)	<u>125,000</u>	<u>353,924</u>	<u>303,067</u>	<u>(50,857)</u>
Total other financing sources (uses)	<u>(3,672,490)</u>	<u>(3,443,566)</u>	<u>(3,284,480)</u>	<u>159,086</u>
 Net change in fund balance	(3,332,234)	(3,709,113)	(2,151,569)	1,557,544
 Fund balance, beginning	<u>8,780,176</u>	<u>8,780,176</u>	<u>8,780,176</u>	<u>-</u>
 Fund balance, ending	<u>\$ 5,447,942</u>	<u>\$ 5,071,063</u>	<u>\$ 6,628,607</u>	<u>\$ 1,557,544</u>

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,

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 836,697	\$ 747,891	\$ 687,662	\$ 648,430
Interest (on the total pension liability)	796,374	700,139	618,696	550,195
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	433,116	186,130	100,676	(79,808)
Changes of assumptions	-	-	-	51,465
Benefit payments, including refunds of employee contributions	<u>(267,066)</u>	<u>(238,666)</u>	<u>(222,498)</u>	<u>(127,623)</u>
Net change in total pension liability	1,799,121	1,395,494	1,184,536	1,042,659
Total pension liability - beginning	<u>11,513,316</u>	<u>10,117,822</u>	<u>8,933,286</u>	<u>7,890,627</u>
Total pension liability - ending	<u><u>\$ 13,312,437</u></u>	<u><u>\$ 11,513,316</u></u>	<u><u>\$ 10,117,822</u></u>	<u><u>\$ 8,933,286</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 571,343	\$ 499,891	\$ 464,390	\$ 437,261
Contributions - employee	342,708	302,440	277,603	261,163
Net investment income	(833,252)	1,250,635	640,072	1,052,635
Benefit payments, including refunds of employee contributions	(267,066)	(238,666)	(222,498)	(127,623)
Administrative expense	(7,184)	(5,769)	(4,131)	(5,933)
Other	<u>8,572</u>	<u>40</u>	<u>(161)</u>	<u>(178)</u>
Net change in plan fiduciary net position	(184,879)	1,808,571	1,155,275	1,617,325
Plan fiduciary net position - beginning	<u>11,373,389</u>	<u>9,564,818</u>	<u>8,409,543</u>	<u>6,792,218</u>
Plan fiduciary net position - ending	<u><u>\$ 11,188,510</u></u>	<u><u>\$ 11,373,389</u></u>	<u><u>\$ 9,564,818</u></u>	<u><u>\$ 8,409,543</u></u>
Net pension liability	<u><u>\$ 2,123,927</u></u>	<u><u>\$ 139,927</u></u>	<u><u>\$ 553,004</u></u>	<u><u>\$ 523,743</u></u>
Plan fiduciary net position as a percentage of total pension liability	84.05%	98.78%	94.53%	94.14%
Covered payroll	<u><u>\$ 4,895,830</u></u>	<u><u>\$ 4,320,572</u></u>	<u><u>\$ 3,965,754</u></u>	<u><u>\$ 3,730,898</u></u>
Net pension liability as a percentage of covered payroll	43.38%	3.24%	13.94%	14.04%

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

2018	2017	2016	2015	2014
\$ 577,241	\$ 483,263	\$ 415,604	\$ 372,932	\$ 314,855
478,426	428,795	377,577	347,674	303,986
-	-	-	-	-
86,113	(101,894)	47,016	(72,739)	66,156
-	-	-	51,102	-
<u>(100,655)</u>	<u>(143,110)</u>	<u>(87,360)</u>	<u>(99,327)</u>	<u>(80,511)</u>
1,041,125	667,054	752,837	599,642	604,486
<u>6,849,502</u>	<u>6,182,448</u>	<u>5,429,611</u>	<u>4,829,969</u>	<u>4,225,483</u>
<u>\$ 7,890,627</u>	<u>\$ 6,849,502</u>	<u>\$ 6,182,448</u>	<u>\$ 5,429,611</u>	<u>\$ 4,829,969</u>
\$ 400,446	\$ 318,292	\$ 276,800	\$ 265,412	\$ 234,399
232,624	194,528	172,450	158,118	143,051
(193,745)	742,178	316,200	6,418	219,419
(100,655)	(143,110)	(87,360)	(99,327)	(80,511)
(3,738)	(3,841)	(3,568)	(3,909)	(2,290)
<u>(195)</u>	<u>(195)</u>	<u>(192)</u>	<u>(193)</u>	<u>(188)</u>
334,737	1,107,852	674,330	326,519	513,880
<u>6,457,481</u>	<u>5,349,629</u>	<u>4,675,299</u>	<u>4,348,780</u>	<u>3,834,900</u>
<u>\$ 6,792,218</u>	<u>\$ 6,457,481</u>	<u>\$ 5,349,629</u>	<u>\$ 4,675,299</u>	<u>\$ 4,348,780</u>
<u>\$ 1,098,409</u>	<u>\$ 392,021</u>	<u>\$ 832,819</u>	<u>\$ 754,312</u>	<u>\$ 481,189</u>
86.08%	94.28%	86.53%	86.11%	90.04%
<u>\$ 3,323,206</u>	<u>\$ 2,778,969</u>	<u>\$ 2,463,571</u>	<u>\$ 2,258,825</u>	<u>\$ 2,043,586</u>
33.05%	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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contributions	\$ 628,870	\$ 568,318	\$ 490,444	\$ 479,231
Contributions in relation to the actuarially determined contribution	<u>628,870</u>	<u>568,318</u>	<u>490,444</u>	<u>479,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 5,371,078</u>	<u>\$ 4,880,414</u>	<u>\$ 4,045,825</u>	<u>\$ 4,091,573</u>
Contributions as a percentage of covered payroll	11.71%	11.64%	12.12%	11.71%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 427,169	\$ 375,269	\$ 306,515	\$ 272,041	\$ 238,287
<u>427,169</u>	<u>375,269</u>	<u>306,515</u>	<u>272,041</u>	<u>238,287</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 3,616,851</u>	<u>\$ 3,150,696</u>	<u>\$ 2,689,459</u>	<u>\$ 2,387,202</u>	<u>\$ 2,103,123</u>
11.81%	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,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 13,219	\$ 13,826	\$ 10,311
Interest on the total OPEB liability	3,106	2,913	3,233
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(3,252)	2,905	(6,486)
Changes of assumptions	(63,202)	5,642	20,334
Benefit payments, including refunds of employee contributions	<u>(1,958)</u>	<u>(1,728)</u>	<u>(397)</u>
Net change in total OPEB liability	(52,087)	23,558	26,995
Total OPEB liability - beginning	<u>163,168</u>	<u>139,610</u>	<u>112,615</u>
Total OPEB liability - ending	<u><u>\$ 111,081</u></u>	<u><u>\$ 163,168</u></u>	<u><u>\$ 139,610</u></u>
Covered-employee payroll	<u><u>\$ 4,895,830</u></u>	<u><u>\$ 4,320,572</u></u>	<u><u>\$ 3,965,754</u></u>
OPEB liability as a percentage of covered-employee payroll	2.27%	3.78%	3.52%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 7,462	\$ 7,311	\$ 5,280
3,385	2,830	2,653
-	-	-
(5,875)	2,643	-
20,311	(6,763)	6,688
<u>(373)</u>	<u>(332)</u>	<u>(278)</u>
24,910	5,689	14,343
<u>87,705</u>	<u>82,016</u>	<u>67,673</u>
<u>\$ 112,615</u>	<u>\$ 87,705</u>	<u>\$ 82,016</u>
<u>\$ 3,730,898</u>	<u>\$ 3,323,206</u>	<u>\$ 2,778,969</u>
3.02%	2.64%	2.95%

CITY OF FAIR OAKS RANCH, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2023

(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.

The OPEB plan has no assets accumulated in a trust.

(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:

Actuarial Cost	Entry age normal
Amortization	Level percentage of payroll, closed
Remaining	23 years (longest amortization ladder)
Asset Valuation	10 year smoothed market, 12% soft corridor
Actuarial	
Inflation	2.50%
Salary	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
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

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 553,268	\$ 553,268	\$ 573,016	\$ 19,748
Interest	<u>1,000</u>	<u>1,000</u>	<u>4,830</u>	<u>3,830</u>
Total revenues	<u>554,268</u>	<u>554,268</u>	<u>577,846</u>	<u>23,578</u>
Expenditures				
Debt service:				
Principal	460,000	460,000	460,000	-
Interest and fiscal charges	<u>92,530</u>	<u>92,530</u>	<u>92,530</u>	<u>-</u>
Total debt service	<u>552,530</u>	<u>552,530</u>	<u>552,530</u>	<u>-</u>
Total expenditures	<u>552,530</u>	<u>552,530</u>	<u>552,530</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,738</u>	<u>1,738</u>	<u>25,316</u>	<u>23,578</u>
Net change in fund balance	1,738	1,738	25,316	23,578
Fund balance, beginning	<u>52,659</u>	<u>52,659</u>	<u>52,659</u>	<u>-</u>
Fund balance, ending	<u>\$ 54,397</u>	<u>\$ 54,397</u>	<u>\$ 77,975</u>	<u>\$ 23,578</u>

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
City administration	412,815	560,784	31,735	529,049
City secretary	40,000	81,516	22,967	58,549
HR and communications	-	45,173	2,068	43,105
Public safety	18,000	73,775	-	73,775
Engineering and planning	-	-	-	-
Public works	3,014,728	3,455,126	1,216,791	2,238,335
Information technology	-	-	-	-
Capital outlay	-	661,819	307,416	354,403
Total expenditures	3,485,543	4,878,193	1,580,977	3,297,216
Excess (deficiency) of revenues over (under) expenditures	(3,485,543)	(4,878,193)	(1,580,977)	3,297,216
Other financing sources (uses)				
Transfers in	3,442,995	3,442,995	3,442,995	-
Net change in fund balances	(42,548)	(1,435,198)	1,862,018	3,297,216
Fund balance - beginning	1,407,555	1,407,555	1,407,555	-
Fund balance - ending	\$ 1,365,007	\$ (27,643)	\$ 3,269,573	\$ 3,297,216

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 354,495	\$ 354,495	\$ 354,495	\$ -
Transfers out	<u>(125,000)</u>	<u>(353,924)</u>	<u>(303,067)</u>	<u>50,857</u>
Total other financing sources (uses)	229,495	571	51,428	50,857
 Fund balance - beginning	 <u>1,089,047</u>	 <u>1,089,047</u>	 <u>1,089,047</u>	 <u>-</u>
 Fund balance - ending	 <u><u>\$ 1,318,542</u></u>	 <u><u>\$ 1,089,618</u></u>	 <u><u>\$ 1,140,475</u></u>	 <u><u>\$ 50,857</u></u>

STATISTICAL SECTION



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

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- 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

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- 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

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- 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

	2014	2015*	2016	2017
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 3,886,740	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385
Restricted	68,071	66,909	77,162	76,346
Unrestricted	<u>4,580,595</u>	<u>3,798,804</u>	<u>2,089,120</u>	<u>2,714,487</u>
Total government activities net position	<u>\$ 8,535,406</u>	<u>\$ 7,969,424</u>	<u>\$ 8,772,354</u>	<u>\$ 9,689,218</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 7,847,915	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584
Unrestricted	<u>2,551,317</u>	<u>4,753,811</u>	<u>5,372,865</u>	<u>4,474,678</u>
Total business-type activities net position	<u>\$ 10,399,232</u>	<u>\$ 11,505,614</u>	<u>\$ 12,040,793</u>	<u>\$ 13,157,262</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 11,734,655	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969
Restricted	68,071	66,909	77,162	76,346
Unrestricted	<u>7,131,912</u>	<u>8,552,615</u>	<u>7,461,985</u>	<u>7,189,165</u>
Total primary government net position	<u>\$ 18,934,638</u>	<u>\$ 19,475,038</u>	<u>\$ 20,813,147</u>	<u>\$ 22,846,480</u>

* 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 1

2018**	2019	2020	2021	2022	2023
\$ 7,334,582	\$ 7,576,143	\$ 7,523,360	\$ 7,647,912	\$ 8,025,653	\$ 8,496,444
95,553	108,461	132,938	153,339	166,961	192,536
<u>3,277,879</u>	<u>5,128,445</u>	<u>6,712,007</u>	<u>8,669,250</u>	<u>10,823,373</u>	<u>10,513,316</u>
<u>\$ 10,708,014</u>	<u>\$ 12,813,049</u>	<u>\$ 14,368,305</u>	<u>\$ 16,470,501</u>	<u>\$ 19,015,987</u>	<u>\$ 19,202,296</u>
\$ 8,464,020	\$ 8,466,058	\$ 8,307,519	\$ 8,081,383	\$ 8,572,922	\$ 9,550,922
<u>5,448,975</u>	<u>5,686,797</u>	<u>6,316,241</u>	<u>7,353,325</u>	<u>8,754,416</u>	<u>8,198,285</u>
<u>\$ 13,912,995</u>	<u>\$ 14,152,855</u>	<u>\$ 14,623,760</u>	<u>\$ 15,434,708</u>	<u>\$ 17,327,338</u>	<u>\$ 17,749,207</u>
\$ 15,798,602	\$ 16,042,201	\$ 15,830,879	\$ 15,729,295	\$ 16,598,575	\$ 18,047,366
95,553	108,461	132,938	153,339	166,961	192,536
<u>8,726,854</u>	<u>10,815,242</u>	<u>13,028,248</u>	<u>16,022,575</u>	<u>19,577,789</u>	<u>18,711,601</u>
<u>\$ 24,621,009</u>	<u>\$ 26,965,904</u>	<u>\$ 28,992,065</u>	<u>\$ 31,905,209</u>	<u>\$ 36,343,325</u>	<u>\$ 36,951,503</u>

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS

	2014	2015*	2016	2017
EXPENSES				
Governmental Activities				
City administration	\$ 921,009	\$ 1,796,709	\$ 950,918	\$ 1,431,472
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	81,522	81,316	86,288	92,032
Public safety	1,588,137	1,735,259	2,017,858	2,124,882
Public health/emergency	286,999	293,092	307,665	299,734
Engineering and planning	-	-	-	-
Building codes	119,338	161,821	179,577	177,495
Public works	1,074,375	869,328	869,215	982,474
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture/recreation/other	63,517	33,233	57,833	44,896
Interest on long term debt	-	136,008	153,011	119,880
Total governmental activities expenses	<u>4,134,897</u>	<u>5,106,766</u>	<u>4,622,365</u>	<u>5,272,865</u>
Business-Type Activities				
Water/sewer utility	<u>3,242,807</u>	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>
Total business-type activities expenses	<u>3,242,807</u>	<u>3,352,439</u>	<u>3,933,872</u>	<u>3,846,778</u>
Total primary government expenses	<u>7,377,704</u>	<u>8,459,205</u>	<u>8,556,237</u>	<u>9,119,643</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	198,992	171,929	177,050	201,334
Municipal court	158,407	158,352	161,818	129,260
Public safety	8,664	9,034	9,448	3,715
Public health/emergency	5,325	5,245	5,711	2,500
Building codes	281,831	298,806	314,738	274,079
Operating grants and contributions	1,715	2,149	-	13,295
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>654,934</u>	<u>645,515</u>	<u>668,765</u>	<u>624,183</u>
Business-Type Activities				
Charges for services:				
Water/sewer utility	4,107,471	4,454,644	4,463,303	4,930,347
Capital grants and contributions	-	-	-	-
Total primary government program revenues	<u>\$ 4,762,405</u>	<u>\$ 5,100,159</u>	<u>\$ 5,132,068</u>	<u>\$ 5,554,530</u>

* 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

2018**	2019	2020	2021	2022	2023
\$ 1,499,717	\$ 682,316	\$ 1,235,258	\$ 711,344	\$ 1,121,778	\$ 749,366
-	11,381	23,568	4,774	7,268	7,643
-	153,944	159,376	230,348	197,308	277,612
-	114,659	168,794	220,869	168,913	228,388
-	271,247	339,295	322,851	292,851	341,093
131,153	161,422	184,553	192,956	206,843	256,851
2,394,097	2,915,589	3,001,619	3,161,031	3,456,846	4,147,473
322,918	-	-	-	-	-
-	270,309	718,380	976,254	1,493,654	1,529,149
198,266	241,097	248,414	253,665	273,015	280,890
992,400	740,477	870,398	922,990	920,678	2,366,969
-	-	-	394,288	403,168	391,185
-	301,984	459,298	251,462	252,706	684,861
89,710	-	-	-	-	-
114,211	109,849	-	-	-	-
5,742,472	5,974,274	7,408,953	7,642,832	8,795,028	11,261,480
4,215,641	4,746,849	5,418,730	4,873,487	5,904,286	6,103,520
4,215,641	4,746,849	5,418,730	4,873,487	5,904,286	6,103,520
9,958,113	10,721,123	12,827,683	12,516,319	14,699,314	17,365,000
215,959	237,193	297,808	274,550	317,083	297,356
126,152	137,176	101,409	139,753	301,655	289,055
10,026	6,845	5,410	1,350	930	1,415
2,415	-	-	-	-	-
228,715	253,815	405,231	499,547	348,333	241,674
51,102	15,579	3,728	190,841	1,283,952	379,340
15,908	-	-	-	-	-
650,277	650,608	813,586	1,106,041	2,251,953	1,208,840
4,908,925	4,875,781	5,839,886	5,681,369	6,497,720	6,165,245
-	-	-	-	-	-
\$ 5,559,202	\$ 5,526,389	\$ 6,653,472	\$ 6,787,410	\$ 8,749,673	\$ 7,374,085

(continued)

CITY OF FAIR OAKS RANCH, TEXAS

CHANGE IN NET POSITION LAST TEN FISCAL YEARS

	2014	2015*	2016	2017
Net (Expense) Revenues				
Governmental activities	\$ (3,479,963)	\$ (4,461,251)	\$ (3,953,600)	\$ (4,648,682)
Business-type activities	<u>864,664</u>	<u>1,102,205</u>	<u>529,431</u>	<u>1,083,569</u>
Total primary government net expenses	<u>(2,615,299)</u>	<u>(3,359,046)</u>	<u>(3,424,169)</u>	<u>(3,565,113)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	2,634,353	2,823,221	3,587,677	4,264,687
Non-property taxes	903,592	1,028,559	1,109,048	1,192,774
Interest and investment earnings	1,633	25,359	38,950	56,545
Gain on sale of capital assets	-	-	-	23,874
Miscellaneous	24,100	18,130	20,855	27,666
Transfers	-	-	-	-
Total governmental activities	<u>3,563,678</u>	<u>3,895,269</u>	<u>4,756,530</u>	<u>5,565,546</u>
Business-Type Activities				
Interest and investment earnings	4,447	4,177	5,748	32,900
Transfers	-	-	-	-
Loss on sale of capital assets	-	-	-	-
Total business-type activities	<u>4,447</u>	<u>4,177</u>	<u>5,748</u>	<u>32,900</u>
Total primary government	<u>3,568,125</u>	<u>3,899,446</u>	<u>4,762,278</u>	<u>5,598,446</u>
Changes in Net Position				
Governmental activities	83,715	(565,982)	802,930	916,864
Business-type activities	<u>869,111</u>	<u>1,106,382</u>	<u>535,179</u>	<u>1,116,469</u>
Total primary government	<u>\$ 952,826</u>	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 2,033,333</u>

* 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 2 (continued)

2018**	2019	2020	2021	2022	2023
\$ (5,092,195)	\$ (5,323,666)	\$ (6,595,367)	\$ (6,536,791)	\$ (6,543,075)	\$ (10,052,640)
<u>693,284</u>	<u>128,932</u>	<u>421,156</u>	<u>807,882</u>	<u>1,837,567</u>	<u>61,725</u>
<u>519,676</u>	<u>(5,194,734)</u>	<u>(6,174,211)</u>	<u>(5,728,909)</u>	<u>(4,705,508)</u>	<u>(9,990,915)</u>
4,712,247	5,742,831	6,202,561	6,482,238	6,614,489	7,062,241
1,328,220	1,496,073	1,796,558	2,112,076	2,365,342	2,432,520
94,557	150,030	72,151	4,345	80,336	581,995
16,452	20,206	12,534	19,848	674	16,931
11,402	9,711	66,819	20,480	27,720	133,907
-	9,850	-	-	-	-
<u>6,162,878</u>	<u>7,428,701</u>	<u>8,150,623</u>	<u>8,638,987</u>	<u>9,088,561</u>	<u>10,227,594</u>
78,236	120,778	49,749	3,066	55,063	358,595
-	(9,850)	-	-	-	-
-	-	-	-	-	(9,806)
<u>78,236</u>	<u>110,928</u>	<u>49,749</u>	<u>3,066</u>	<u>55,063</u>	<u>348,789</u>
<u>6,283,656</u>	<u>7,539,629</u>	<u>8,200,372</u>	<u>8,642,053</u>	<u>9,143,624</u>	<u>10,576,383</u>
1,070,683	2,105,035	1,555,256	2,102,196	2,545,486	174,954
<u>771,520</u>	<u>239,860</u>	<u>470,905</u>	<u>810,948</u>	<u>1,892,630</u>	<u>410,514</u>
<u>\$ 1,842,203</u>	<u>\$ 2,344,895</u>	<u>\$ 2,026,161</u>	<u>\$ 2,913,144</u>	<u>\$ 4,438,116</u>	<u>\$ 585,468</u>

CITY OF FAIR OAKS RANCH, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
Nonspendable Fund Balance:				
Prepaid items	\$ 24,220	\$ 43,625	\$ 14,563	\$ 19,281
Restricted Fund Balance:				
Court technology	15,285	14,802	14,047	11,535
Court security	44,420	47,270	49,816	51,473
Court efficiency	110	140	140	292
Felony forfeiture	3,937	378	378	378
Other court restrictions	-	-	-	-
PEG fees	4,319	4,319	4,319	4,319
Public safety	-	-	-	1,104
Debt service	-	-	8,462	7,245
Capital projects	-	6,919,193	6,252,941	2,319,870
Total restricted fund balance	68,071	6,986,102	6,330,103	2,396,216
Committed Fund Balance:				
Public safety committee	30,451	-	-	-
Wildlife research study	-	-	-	-
TxDOT projects	810,000	-	-	-
Partnership water study	100,000	-	-	-
Total committed fund balance	940,451	-	-	-
Assigned Fund Balance:				
Capital projects	720,000	2,448,838	553,000	906,921
Capital equipment	-	-	-	-
Legal issues	50,000	50,000	50,000	50,000
Encumbrances	-	-	-	-
Six month operating reserve	-	-	-	-
Total assigned fund balance	770,000	2,498,838	603,000	956,921
Unassigned	3,052,965	1,581,382	1,807,719	2,065,994
Total government funds	\$ 4,855,707	\$ 11,109,947	\$ 8,755,385	\$ 5,438,412

TABLE 3

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 54,260	\$ 53,275	\$ 82,635	\$ 96,070	\$ 25,328	\$ 77,024	
15,700	11,386	14,520	17,819	13,873	18,587	
52,996	54,849	57,330	57,924	59,243	15,322	
333	401	438	439	439	439	
5,514	8,954	10,774	10,901	11,783	43,914	
-	-	1,428	4,753	10,216	15,975	
4,319	4,319	4,319	4,319	4,319	4,319	
8,087	9,912	11,819	12,847	14,429	16,005	
8,604	18,640	32,310	44,337	52,659	77,975	
456,345	128,162	-	-	-	-	
551,898	236,623	132,938	153,339	166,961	192,536	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
223,508	1,110,229	1,154,394	1,073,184	1,407,555	3,269,573	
760,599	816,395	869,615	872,769	1,089,047	1,140,475	
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	4,505,321	
3,600,274	5,494,096	5,752,078	5,831,274	6,771,923	8,965,369	
-	-	1,309,011	3,265,169	4,365,225	1,881,701	
\$ 4,206,432	\$ 5,783,994	\$ 7,276,662	\$ 9,345,852	\$ 11,329,437	\$ 11,116,630	

CITY OF FAIR OAKS RANCH, TEXAS

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	2014	2015	2016	2017
REVENUES				
Taxes	\$ 3,084,356	\$ 3,358,145	\$ 4,148,224	\$ 4,907,367
Franchise fees	453,279	496,714	527,109	540,605
Licenses and permits	287,156	304,051	320,449	280,294
Animal control	-	-	-	-
Fines and forfeits	158,407	158,352	161,818	129,260
Utility management fee and other	166,093	171,929	177,050	195,334
Other Fees and services	-	-	-	-
Interest	1,633	25,359	38,950	56,545
Donations	-	-	-	-
Capital contributions	-	-	-	-
Grant revenue	-	-	-	-
Miscellaneous	622,574	30,789	53,714	46,961
Total revenues	<u>4,773,498</u>	<u>4,545,339</u>	<u>5,427,314</u>	<u>6,156,366</u>
EXPENDITURES				
Current:				
City administration	717,511	1,749,973	931,255	1,380,476
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	80,509	81,918	84,869	90,428
Public safety	1,463,524	1,653,785	1,811,200	1,920,485
Public health/emergency	275,784	281,876	296,450	288,066
Engineering and planning	-	-	-	-
Building codes	119,507	162,100	176,077	172,849
Public works	962,447	759,233	748,454	852,315
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture and recreation	63,517	33,233	57,833	44,896
Capital projects/outlays	217,014	568,981	3,111,050	4,196,145
Debt service				
Principal payments	-	-	390,000	425,000
Interest	-	-	174,688	126,553
Bond issuance costs	-	100,090	-	-
Total expenditures	<u>3,899,813</u>	<u>5,391,189</u>	<u>7,781,876</u>	<u>9,497,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>873,685</u>	<u>(845,850)</u>	<u>(2,354,562)</u>	<u>(3,340,847)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Proceeds from SBITAs	-	-	-	-
Proceeds of bond issuance	-	7,000,000	-	-
Premiums on bond issuance	-	100,090	-	-
Transfer (to) from other funds	-	-	-	-
Proceeds from disposal of equipment	-	-	-	23,874
Total other financing sources (uses)	<u>-</u>	<u>7,100,090</u>	<u>-</u>	<u>23,874</u>
Net change in fund balances	<u>\$ 873,685</u>	<u>\$ 6,254,240</u>	<u>\$ (2,354,562)</u>	<u>\$ (3,316,973)</u>
Debt service as a percentage of noncapital expenditures	0.0%	2.1%	11.9%	10.4%

TABLE 4

	2018	2019	2020	2021	2022	2023
\$	5,472,987	\$ 6,570,863	\$ 7,387,684	\$ 7,904,760	\$ 8,244,424	\$ 8,717,151
	576,181	618,758	605,103	651,534	761,408	748,401
	236,020	257,220	410,641	499,777	348,333	241,674
	-	-	-	1,120	930	1,415
	126,152	137,176	101,409	139,753	174,573	208,035
	205,959	192,808	214,908	206,955	257,566	257,499
	-	-	-	59,735	59,517	51,745
	94,557	150,030	72,151	4,345	80,336	581,995
	32,920	5,915	59,925	-	-	-
	15,908	-	-	-	-	-
	-	-	-	-	1,283,952	310,696
	44,721	67,200	93,522	219,181	29,226	190,663
	<u>6,805,405</u>	<u>7,999,970</u>	<u>8,945,343</u>	<u>9,687,160</u>	<u>11,240,265</u>	<u>11,309,274</u>
	1,461,708	644,481	1,188,519	663,012	1,101,253	692,188
	-	11,381	23,568	4,774	7,268	7,643
	-	150,845	158,624	230,348	203,099	266,799
	-	112,797	168,057	220,869	172,822	220,709
	-	266,445	337,815	322,851	299,194	329,737
	131,267	158,322	183,851	192,956	210,560	250,804
	2,234,431	2,696,334	2,781,577	2,800,098	3,238,832	3,786,061
	311,250	-	-	-	-	-
	-	264,128	717,010	976,254	1,503,785	1,516,776
	198,648	235,603	247,209	253,665	281,032	279,180
	871,371	413,041	521,395	582,532	594,514	2,002,915
	-	-	-	394,288	381,535	321,470
	-	301,985	372,665	152,060	159,793	591,897
	89,710	-	-	-	-	-
	2,214,919	644,693	312,344	316,341	554,081	827,236
	430,000	435,000	440,000	445,000	450,000	539,788
	122,278	117,409	111,940	106,075	99,585	98,821
	-	-	-	-	-	-
	<u>8,065,582</u>	<u>6,452,464</u>	<u>7,564,574</u>	<u>7,661,123</u>	<u>9,257,353</u>	<u>11,732,024</u>
	<u>(1,260,177)</u>	<u>1,547,506</u>	<u>1,380,769</u>	<u>2,026,037</u>	<u>1,982,912</u>	<u>(422,750)</u>
	-	-	128,721	26,330	673	16,931
	-	-	-	-	-	193,012
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	9,850	-	-	-	-
	28,197	20,206	-	-	-	-
	<u>28,197</u>	<u>30,056</u>	<u>128,721</u>	<u>26,330</u>	<u>673</u>	<u>209,943</u>
\$	<u>(1,231,980)</u>	<u>1,577,562</u>	<u>1,509,490</u>	<u>2,052,367</u>	<u>1,983,585</u>	<u>(212,807)</u>
	9.4%	9.5%	7.6%	7.5%	6.3%	5.9%

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 5

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Mixed Beverage Tax</u>	<u>Total</u>
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
2023	7,033,032	1,656,136	748,401	27,983	9,465,552

CITY OF FAIR OAKS RANCH, TEXAS

TOP TEN SALES TAX PROVIDERS CURRENT AND FIVE YEARS AGO

TABLE 6

	2023		2017	
	Rank	% of Total	Rank	% of Total
<u>Business</u>				
Full-service restaurant	1	12.3%	1	19.0%
Electronic shopping and mail-order houses	2	11.7%	2	5.1%
Electronic shopping and mail-order houses	3	7.2%		
Gasoline stations with convenience stores	4	1.9%	9	2.0%
Pharmacies and drug stores	5	1.7%	4	3.2%
Gasoline stations with convenience stores	6	1.3%		
All other professional, scientific, and technical services	7	1.2%		
Wired telecommunications carriers	8	1.1%	6	3.9%
Electronic shopping and mail-order houses	9	1.1%		
Electronic shopping and mail-order houses	10	1.0%		
New single-family housing construction			10	1.8%
Wireless telecommunications carriers			5	3.2%
Cable and other subscription programming			8	2.3%
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
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%	12,917	2,872,447	99.84%
2016	3,861,722	3,827,841	99.12%	26,696	3,854,537	99.81%
2017	4,332,469	4,297,290	99.19%	27,156	4,324,447	99.81%
2018	4,813,737	4,788,010	99.47%	10,709	4,798,719	99.69%
2019	5,718,331	5,652,427	98.85%	50,837	5,703,264	99.74%
2020	6,182,363	6,126,458	99.10%	34,334	6,160,792	99.65%
2021	6,453,874	6,389,402	99.00%	45,223	6,434,625	99.70%
2022	6,547,412	6,504,177	99.34%	14,577	6,518,754	99.56%
2023	7,036,602	6,978,473	99.17%	-	6,978,473	99.17%

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	Comal School District	Bexar County	Kendall County	Comal County
2014	0.26630	1.294	1.430	0.326866	0.39400	0.342921
2015	0.26630	1.294	1.390	0.314500	0.39400	0.342921
2016	0.30730	1.294	1.390	0.314500	0.38670	0.342921
2017	0.32336	1.316	1.390	0.293250	0.41270	0.357921
2018	0.32950	1.354	1.390	0.291229	0.41270	0.357921
2019	0.36678	1.354	1.390	0.277429	0.41270	0.377915
2020	0.37350	1.284	1.320	0.277429	0.41270	0.392553
2021	0.37350	1.2519	1.280	0.276331	0.41270	0.358515
2022	0.35180	1.2046	1.290	0.276331	0.41270	0.314000
2023	0.32910	1.1786	1.275	0.276331	0.38770	0.248900

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
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	0.32340
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	0.36680
2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.37350
2021	1,698,442,549	181,448,336	151,985,811	1,727,905,074	0.37350
2022	2,061,749,363	216,788,137	417,511,646	1,861,025,853	0.35180
2023	2,368,440,927	249,036,039	479,617,789	2,137,859,177	0.32910

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

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Spirit Realty LP	\$ 8,641,240	1	0.40%			
HPI Fair Oaks Storage LLC	7,600,000	2	0.36%			
Jerry and Esther Hicks	5,733,060	3	0.27%			
T&J Fair Oaks LLC	5,300,000	4	0.25%			
Scott Felder Homes LLC	4,333,820	5	0.20%			
Ashton San Antonio LLC	3,914,770	6	0.18%	\$ 2,873,380	4	0.29%
Bella Vista CMI Ltd	3,664,220	7	0.17%			
Frost Bank	3,661,090	8	0.17%	2,589,010	5	0.26%
Taylor Living Trust	3,609,569	9	0.17%			
Fair Oaks Country Store LLC	3,364,140	10	0.16%			
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%
SA Front Gate LLC				2,113,030	8	0.21%
Weekly Homes				1,818,870	9	0.18%
Guadalupe Valley Telephone				1,749,185	10	0.17%
TOTAL	\$ 49,821,909		2.33%	\$ 29,643,680		2.96%

CITY OF FAIR OAKS RANCH, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year	Governmental Activities			Business-Type Activities			Total Government	Percentage of Household Income	Per Capita*
	GO Bonds	Leases	SBITA	Capital Leases	Certificates of Obligation	SBITA			
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	63,507	-	-	2,115,000	-	6,216,886	0.8%	586
2023	3,571,706	43,480	133,250	-	1,795,000	184,524	5,727,960	0.6%	516

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

Fiscal Year Ended September 30,	Governmental Activities General Obligation Bonds	Business-Type Activities Certificate of Obligation Bonds	Total Primary Government	Less: Amounts Available in Debt Service Fund	Net Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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	(52,658)	6,100,721	0.33%	581
2023	3,571,706	1,795,000	5,366,706	(77,975)	5,288,731	0.25%	476

CITY OF FAIR OAKS RANCH, TEXAS

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

Total assessed value	<u>\$ 2,137,859,177</u>
Debt limit (\$1.50 of total assessed value)	<u>\$ 32,067,888</u>
Debt applicable to limit:	
General bonded debt outstanding	\$ 3,571,706
Less: Amount set aside for repayment of general bonded debt	<u>77,975</u>
Total net debt applicable to limit	<u>3,493,731</u>
Legal debt margin	<u>\$ 28,574,157</u>

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 15,051,276	\$ 16,206,450	\$ 18,849,921	\$ 20,165,764	\$ 23,247,169
Total net debt applicable to limit	-	7,000,000	6,610,000	6,185,000	5,835,071
Legal debt margin	<u>\$ 14,675,649</u>	<u>\$ 9,206,450</u>	<u>\$ 12,239,921</u>	<u>\$ 13,980,764</u>	<u>\$ 17,412,098</u>

TABLE 13

2019	2020	2021	2022	2023
\$ 23,385,382	\$ 24,825,905	\$ 25,918,276	\$ 27,915,388	\$ 32,067,888
5,393,398	4,946,725	4,495,052	3,985,721	3,493,731
<u>\$ 17,991,984</u>	<u>\$ 19,879,180</u>	<u>\$ 21,423,224</u>	<u>\$ 23,929,667</u>	<u>\$ 28,574,157</u>

CITY OF FAIR OAKS RANCH, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2023

TABLE 14

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Alamo CCD	\$ 773,715,000	0.58%	\$ 4,487,547
Bexar Co	2,148,125,000	0.58%	12,459,125
Bexar Co Hosp Dist	1,320,585,000	0.58%	7,659,393
Boerne ISD	377,925,232	17.81%	67,308,484
Comal Co	112,200,000	0.98%	1,099,560
Comal ISD	1,092,450,214	0.41%	4,479,046
Kendall Co	43,115,000	5.56%	<u>2,397,194</u>
Subtotal - overlapping debt			99,890,349
City of Fair Oaks Ranch - direct debt			<u>3,748,436</u> *
Total direct and overlapping debt			<u><u>\$ 103,638,785</u></u>

Source: Municipal Advisory Council of Texas.

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

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL EMPLOYERS CURRENT AND NINE YEARS AGO

TABLE 15

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph	82,639	1	7.23%	92,301	1	9.83%
H.E.B. Food Stores	20,000	2	1.75%	20,000	2	2.13%
United Services Automobile Assoc	19,000	3	1.66%	17,000	3	1.81%
City of San Antonio	13,420	4	1.17%	11,371	5	1.21%
Northside Independent School District	12,206	6	1.07%	12,751	4	1.36%
Methodist Healthcare System	12,000	5	1.05%	8,000	7	0.85%
North East Independent School District	8,208	7	0.72%	10,522	6	1.12%
San Antonio Independent School District	7,500	8	0.66%	7,374	8	0.79%
University of Texas Health Science	7,200	9	0.63%	5,500	10	0.59%
Baptist Health Systems	6,490	10	0.57%	6,216	9	0.66%
Total	<u>188,663</u>		<u>16.51%</u>	<u>191,035</u>		<u>20.35%</u>

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.

CITY OF FAIR OAKS RANCH, TEXAS

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

TABLE 16

Fiscal Year	(1) Population	(1) Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) San Antonio Unemployment Rate
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%
2023	11,104	82,685	46.4	1,688	3.8%

Sources:

- (1) Population, per capita income and median age provided by the United States Census Bureau
- (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, 2023

TABLE 17

Function	2023	2022	2021	2020	2019	2018	2017
Police							
Incidents/offenses	919	856	666	589	504	501	444
Arrests	294	289	199	157	207	224	191
Calls for service	4,177	4,031	3,955	3,482	3,913	3,716	3,664
Traffic stops	6,327	4,708	4,026	2,924	4,893	5,271	4,217
Public Works							
Street resurfacing (square yards)	244,561	254,422	107,108	80,557	155,468	64,496	118,827
Preventative street maintenance (square yards)	483	1,337	999	211,529	49,477	65,244	101,646
Building Codes							
Permits issued	86	133	247	157	118	190	142
Permits issued - other	580	645	692	734	506	416	376
Inspections/reinspections conducted	1,850	2,732	2,751	2,297	1,898	1,586	1,679
Utilities							
Account service orders							
Meter install / change	284	111	217	86	252	222	288
Occupancy change	181	261	370	320	288	330	322
Customer service inquiry	372	199	401	338	297	247	291
Billing (water, sewer, fees, all charges)	\$6,129,738	\$ 5,862,105	\$ 4,758,791	\$ 5,002,084	\$ 4,550,072	\$ 4,683,010	\$ 4,632,435
Water							
Service connections	3,248	3,201	3,157	3,083	3,002	2,948	2,929
Purchased (gallons)	369,914,400	328,996,000	324,549,963	337,047,000	318,044,000	276,418,000	296,164,000
Pumped (gallons)	246,488,566	323,937,547	217,061,572	231,668,112	174,702,326	168,328,487	241,088,931
Billed consumption (gallons)	584,553,400	594,010,700	485,043,800	523,698,900	436,094,700	457,611,000	502,639,000
Non-billed & bulk water sold (gallons)	2,946,600	2,873,400	2,310,900	3,192,400	3,350,000	3,476,900	5,182,505
Wastewater/Sewer							
Service connections	2,001	1,979	1,943	1,886	1,820	1,775	1,733
Average daily treatment in gallons	295,213	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, 2023

TABLE 18

Function	2023	2022	2021	2020	2019	2018	2017
Administration							
Vehicles	2	2	2	1	1	1	1
Police							
Stations	1	1	1	1	1	1	1
Patrol units	13	13	15	14	14	13	15
Animal Control							
Control vehicle	1	1	1	1	1	1	1
Building Inspections							
Vehicles	2	2	2	2	2	2	2
Public Works							
Vehicles	13	14	12	12	12	10	9
Other equipment	14	17	16	16	16	12	10
Utilities							
Vehicles	12	12	11	11	11	11	11
Other equipment	20	18	18	18	18	16	16
Streets							
Paved streets (in miles)	81.6	81.6	81.6	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	60	60	60	68.1	68.1	68.1
Water							
Water mains (in miles)	76	76	76	76	76	76	76
Wells	40	40	40	40	40	40	40
Treatment plants	5	5	5	5	5	5	5
Number of hydrants	266	266	266	266	266	266	228
Sewer							
Lift stations	6	6	6	6	6	6	6
Sewer lines (in miles)	33	33	33	33	33	33	33
Treatment plants	1	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, 2023

TABLE 19

Function	2023	2022	2021	2020	2019	2018	2017	2016
General Government								
City Manager	1	1	1	1	1	1	1	1
Assistant City Manager	2	2	2	1	1	1	1	1
City Secretary	2	2	2	2	2	1	1	1
Human Resources and								
Communications	3	3	2	2	2	1	1	1
Finance	5	5	5	5	5	3	3	2
Municipal Court	2	2	2	2	2	2	1	1
Information Technology	2	2	2	1	1	0	0	0
Customer Service	2	2	2	3	3	2	1	1
Public Safety								
Police	25	23	23	23	23	21	20	19
Animal control	1	1	1	1	1	1	1	1
Code enforcement	4	4	4	4	4	1.5	1.5	1.5
Administration	4	4	4	4	4	3	2	2
Public Works	17	16	14	14	14	13	9	9
Water and Sewer								
Customer Service	1	1	1	1	1	1	1	1
Water and Sewer	10	10	10	10	10	10	9	9
	<u>81</u>	<u>78</u>	<u>75</u>	<u>74</u>	<u>74</u>	<u>61.5</u>	<u>52.5</u>	<u>50.5</u>

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

