

OFFICIAL STATEMENT
September 5, 2024

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

\$3,550,000

CITY OF FAIR OAKS RANCH, TEXAS

(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties)

GENERAL OBLIGATION BONDS, SERIES 2024

Dated Date: September 1, 2024

Due: February 1, as shown on page 2

The \$3,550,000 City of Fair Oaks Ranch, Texas (the "City" or the "Issuer") General Obligation Bonds, Series 2024 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, the City's Home Rule Charter, an election held on May 4, 2024 and an ordinance (the "Ordinance") adopted by the City Council on September 5, 2024. (See "THE BONDS - Authority for herein.")

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied, against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from September 1, 2024 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2025 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Austin, Texas, as initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring, extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith, and (ii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about September 26, 2024.

\$3,550,000
CITY OF FAIR OAKS RANCH, TEXAS
(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties, Texas)
GENERAL OBLIGATION BONDS, SERIES 2024

STATED MATURITY SCHEDULE

CUSIP No. Prefix ⁽¹⁾ 303343

\$1,350,000 Serial Bonds

| Stated Maturity | Principal Amount | Interest Rate | Initial Yield | CUSIP No. Suffix ⁽¹⁾ |
|----------------------------|-----------------------------|--------------------------|--------------------------|--|
| <u>2/1</u> | | | | |
| 2025 | \$ 305,000 | 5.000% | 2.800% | BLO |
| 2026 | 110,000 | 5.000% | 2.800% | BM8 |
| 2027 | 115,000 | 5.000% | 2.800% | BN6 |
| 2028 | 120,000 | 5.000% | 2.800% | BP1 |
| 2029 | 125,000 | 5.000% | 2.800% | BQ9 |
| 2030 | 135,000 | 5.000% | 2.800% | BR7 |
| 2031 | 140,000 | 5.000% | 2.900% | BS5 |
| 2032 | 145,000 | 5.000% | 3.000% | BT3 |
| 2033 | 155,000 | 5.000% | 3.050% | BU0 |

\$2,200,000 Term Bonds

| | | | |
|-----------|--------|--|---------------------------------|
| \$330,000 | 4.000% | Term Bonds due February 1, 2035, and priced to yield 3.200% ⁽²⁾ | CUSIP Suffix ⁽¹⁾ BW6 |
| 360,000 | 4.000% | Term Bonds due February 1, 2037, and priced to yield 3.300% ⁽²⁾ | CUSIP Suffix ⁽¹⁾ BY2 |
| 390,000 | 4.000% | Term Bonds due February 1, 2039, and priced to yield 3.450% ⁽²⁾ | CUSIP Suffix ⁽¹⁾ CA3 |
| 420,000 | 4.000% | Term Bonds due February 1, 2041, and priced to yield 3.650% ⁽²⁾ | CUSIP Suffix ⁽¹⁾ CC9 |
| 700,000 | 4.000% | Term Bonds due February 1, 2044, and priced to yield 3.700% ⁽²⁾ | CUSIP Suffix ⁽¹⁾ CF2 |

(Interest to accrue from the Dated Date)

The Bonds maturing on or after February 1, 2034 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. The Bonds maturing on February 1, 2035, February 1, 2037, February 1, 2039, February 1, 2041, and February 1, 2044 (the "Term Bonds" are subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions " herein.)

SALE OF ADDITIONAL OBLIGATIONS: The City sold \$3,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the "Certificates"), on September 5, 2024 and close on September 26, 2024. The Certificates will be secured primarily by and payable from the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are further secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the City's combined utility system not to exceed \$1,000, as further described in the Official Statement pertaining to the Certificates. The Certificates publicly offered under a separate offering document. This Official Statement relates only to the sale of the Bonds and not to the sale of the Certificates.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright^(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2033, the earliest date of redemption for the Certificates, at a price of par plus accrued interest on the date of redemption.

CITY OF FAIR OAKS RANCH, TEXAS

**7286 Dietz Elkhorn
Fair Oaks Ranch, Texas 78015**

ELECTED OFFICIALS

| Name | Years Served | Term Expires (May) |
|--|--------------|--------------------|
| Greg Maxton Mayor | 7 | 2027 |
| Laura Koerner Mayor Pro-Tem, Place 4 | 7 | 2025 |
| Emily Stroup Councilmember, Place 1 | 3 | 2027 |
| Keith Rhoden Councilmember, Place 2 | 1 | 2025 |
| Ruben J. Olvera Councilmember, Place 3 | .5 | 2025 |
| Scott Parker Councilmember, Place 5 | 3 | 2025 |
| Chesley Muenchow Councilmember, Place 5 | 3 | 2026 |

ADMINISTRATION

| Name | Position | Years with The City |
|---------------------|------------------------|---------------------|
| Scott Huizenga | City Manager | 2.5 |
| Carole Vanzant | Assistant City Manager | 26 |
| Summer Fleming | Director of Finance | 7 |
| Christina Picioccio | City Secretary | 14.5 |

CONSULTANTS AND ADVISORS

Bond Counsel Norton Rose Fulbright US LLP
Austin, Texas

Certified Public Accountants ABIP, PC
San Antonio, Texas

Financial Advisor SAMCO Capital Markets, Inc.
San Antonio, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

The Purchaser has provided the following statement for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement in accordance with, and a part of, its responsibility to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the Issuer, the Financial Advisor or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|---|---|
| The Issuer | The City of Fair Oaks Ranch, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas. The City's Home Rule Charter was adopted on May 18, 2017. The City operates under a Mayor-Council-City Manager form of government, with the City Council comprised of seven members, including the Mayor. (See "APPENDIX C - General Information Regarding the City of Fair Oaks Ranch and Bexar, Comal and Kendall Counties, Texas" herein.) |
| The Bonds | The \$3,550,000 City of Fair Oaks Ranch, Texas General Obligation Bonds, Series 2024 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, an election held on May 4, 2024, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council on September 5, 2024. |
| Paying Agent/Registrar | The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Austin, Texas. |
| Security for the Bonds | The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.) |
| Redemption Provisions | The Bonds maturing on or after February 1, 2034, are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds maturing on February 1, 2035, February 1, 2037, February 1, 2039, February 1, 2041, and February 1, 2044 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.) |
| Tax Matters | In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for Federal income tax purposes, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) |
| Qualified Tax-Exempt Obligations | The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.) |
| Use of Bond Proceeds | Proceeds from the sale of the Bonds will be used for of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring, extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith, and (ii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS - Purpose of Bonds" herein.) |
| Rating | S&P Global Ratings ("S&P") has assigned a rating of "AA+" to the Bonds. (See "OTHER PERTINENT INFORMATION - Rating") |
| Book-Entry-Only System | The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) |
| Payment Record | The City has never defaulted on the payment of its general obligation or revenue indebtedness. |
| Concurrent Debt Issues | The City sold \$3,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the "Certificates"), which sold on September 5, 2024 and close on September 26, 2024. The Certificates will be secured primarily by and payable from the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are further secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the City's combined utility system not to exceed \$1,000, as further described in the Official Statement pertaining to the Certificates. The Certificates were publicly offered under a separate offering document. This Official Statement relates only to the sale of the Bonds and not to the sale of the Certificates. |
| Delivery | When issued, anticipated to occur on or about September 26, 2024. |
| Legality | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. |

OFFICIAL STATEMENT

Relating to

\$3,550,000

CITY OF FAIR OAKS RANCH, TEXAS

(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties)

GENERAL OBLIGATION BONDS, SERIES 2024

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Fair Oaks Ranch, Texas (the "City" or "Issuer") of its \$3,550,000 General Obligation Bonds, Series 2024 (the "Bonds") identified on page 2 hereof.

The Issuer is a political subdivision of the State of Texas, and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the City of Fair Oaks Ranch, Texas in accordance with the Constitution and laws of the State of Texas (the "State"), including Chapters 1251 and 1331, as amended, Texas Government Code, the City's Home Rule Charter, an election held on May 4, 2024 and an ordinance (the "Ordinance") adopted by the City Council on September 5, 2024.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement (defined below) pertaining to the Bonds will be filed by the Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds are dated September 1, 2024 (the "Dated Date"), will be issued in denominations of \$5,000 principal or any integral multiple thereof within a stated maturity, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing February 1, 2025, until stated maturity or prior redemption. Principal and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM." In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at Stated Maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds will be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, an Ordinance adopted by the City Council on September 5, 2024, and election held on May 4, 2024 and the City's Home Rule Charter.

Security for Payment

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used for of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring, extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith, and (ii) to pay costs of issuance and expenses relating to the Bonds. ((See "THE BONDS – Purpose of Bonds" herein.)

Redemption Provisions

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption: The Bonds maturing February 1, 2035, February 1, 2037, February 1, 2039, February 1, 2041, and February 1, 2044 (the "Term Bonds") are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on February 1, in the years and principal amounts shown below:

| | | | |
|---|-------------------------|---|-------------------------|
| Term Bonds to Mature on February 1, 2035 | | Term Bonds to Mature on February 1, 2037 | |
| <u>Year</u> | <u>Principal Amount</u> | <u>Year</u> | <u>Principal Amount</u> |
| 2034 | \$160,000 | 2036 | \$175,000 |
| 2035* | 170,000 | 2037* | 185,000 |
| Term Bonds to Mature on February 1, 2039 | | Term Bonds to Mature on February 1, 2041 | |
| <u>Year</u> | <u>Principal Amount</u> | <u>Year</u> | <u>Principal Amount</u> |
| 2038 | \$190,000 | 2040 | \$205,000 |
| 2039* | 200,000 | 2041* | 215,000 |
| Term Bonds to Mature on February 1, 2044 | | | |
| <u>Year</u> | <u>Principal Amount</u> | | |
| 2042 | \$225,000 | | |
| 2043 | 235,000 | | |
| 2044* | 240,000 | | |

*Payable at Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Sources and Uses

| | |
|--------------------------------------|------------------------------|
| <u>Sources of Funds</u> | |
| Par Amount | \$3,550,000.00 |
| Accrued Interest | 10,798.61 |
| Reoffering Premium | <u>181,669.20</u> |
| Total Sources of Funds | <u>\$3,742,467.81</u> |
| <u>Uses of Funds</u> | |
| Deposit to Project Fund | \$3,585,000.00 |
| Bond Fund Deposit (Accrued Interest) | 10,798.61 |
| Costs of Issuance | 119,342.28 |
| Purchaser’s Discount | <u>27,326.92</u> |
| Total Uses of Funds | <u>\$3,742,467.81</u> |

Payment Record

The City has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas (“Bond Counsel”). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon

any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016), ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at

stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the person entitled to the receipt of the interest payable on a Bond on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business of any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its

nominee (as the registered owner of the applicable series of Bonds), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC or Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believe to be reliable, but the Issuer, the Financial Advisors and the Purchaser take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both State law and the Issuer's investment policies are subject to change.

Legal Investment

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer’s investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments ⁽¹⁾

TABLE 1

As of July 1, 2024 the City held investments as follows:

| <u>Investment Type</u> | <u>Amount</u> | <u>Percentage</u> |
|--|----------------------|-------------------|
| Cash, Money Markets, and Certificates of Deposit | \$ 833,026.64 | 4.00% |
| Investment Pools | <u>20,451,575.96</u> | <u>96.00%</u> |
| Total | \$21,284,602.60 | 100.00% |

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

⁽¹⁾ Unaudited.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The Bexar Appraisal District, the Comal Appraisal District, and the Kendall Appraisal District (collectively, the “Appraisal District”) are primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see “AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies”).

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other

overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$59,562,331 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay

is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“preceding total value” means a taxing unit’s current total value in the applicable preceding tax year.

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax year 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing

unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants a homestead exemption to the appraised value of the residence homestead of \$5,000.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$50,000.

The City grants an exemption to the appraised value of the residence homestead of qualifying disabled persons of \$50,000.

The City has adopted a tax freeze for qualified disabled citizens.

The City permits split payments but does not permit discounts.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City has no TIRZ/TIF Zones.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements pursuant to the City's TIRZ/TIF policy.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the

proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial

owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium on Certain Bonds

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable certificate premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City has designated the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org as described below under "Availability of Information".

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to the City Secretary, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 and upon payment of charges prescribed by the general laws of the State of Texas.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Table 1 of the Official Statement and in Tables 1 through 12 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and

provide this information within six months after the end of each fiscal year ending in and after 2024. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Bonds. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE BONDS" (except under the subcaptions, "Purpose of Bonds", "Sources and Uses", "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to

investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA+" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of Raymond James & Associates, Inc. (the "Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$181,669.20, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds and the receipt of the bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

Authorization of the Official Statement

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Bonds by the Purchaser.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF FAIR OAKS RANCH, TEXAS

ATTEST:

/s/ Gregory Maxton
Mayor
City of Fair Oaks Ranch, Texas

/s/ Christina Picioccio
City Secretary
City of Fair Oaks Ranch, Texas

APPENDIX A
FINANCIAL INFORMATION
CITY OF FAIR OAKS RANCH, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

| | |
|---|---------------------------|
| 2024 Actual Certified Market Value of Taxable Property (100% of Market Value) | \$ 3,259,830,859 |
| Less Exemptions: | |
| Over-65 or Disabled Exemption | \$ 74,337,985 |
| Veterans' Exemption | 199,165,626 |
| Productivity Value Loss | 53,158,529 |
| Homestead | 16,749,494 |
| Other Exemption | 37,073,052 |
| 10% Per Year Cap on Res. Homesteads | 178,243,473 |
| TOTAL EXEMPTIONS | <u>558,728,159</u> |
| 2024 Assessed Value of Taxable Property | <u>\$ 2,701,102,700</u> * |

Source: Kendall, Comal and Bexar Appraisal Districts.

* Excludes \$4,085,728 in Taxable Freeze Value.

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of September 1, 2024)

General Obligation Debt Principal Outstanding

| | |
|---|----------------------|
| General Obligation Bonds, Series 2015 | \$ 3,055,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 | 1,475,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the "Certificates") | 3,705,000 |
| General Obligation Bonds, Series 2024 (the "Bonds") | <u>3,550,000</u> |
| Total Gross General Obligation Debt | <u>\$ 11,785,000</u> |
| Less: Self Supporting Debt | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (100% Utility Fund) | \$ 1,475,000 |
| The Certificates (100% Utility Fund) | <u>3,705,000</u> |
| Total Self-Supporting Debt | <u>\$ 5,180,000</u> |
| Total Net General Obligation Debt Outstanding | <u>\$ 6,605,000</u> |
| 2024 Net Assessed Valuation | \$ 2,701,102,700 |
| Ratio of Total Gross General Obligation Debt Principal to 2024 Certified Net Taxable Assessed Valuation | 0.44% |
| Ratio of Net General Obligation Debt to 2024 Certified Net Taxable Assessed Valuation | 0.24% |

Population: 2000 - 4,695; 2010 - 5,986; 2020 - 9,833; est. 2024 - 11,406
Per Capita Certified Net Taxable Assessed Valuation - \$236,814.19
Per Capita Gross General Obligation Debt Principal - \$1,033.23
Per Capita Net General Obligation Debt Principal - \$579.08

⁽¹⁾ See "AD VALOREM TAX PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.

Concurrently with the Sale of the \$3,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024, the City sold \$3,550,000 General Obligation Bonds, Series 2024.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9-30 | Current Total Outstanding | | | | The Bonds | | | Combined Debt Service | Less: Self Supporting Debt | Total Net Debt Service |
|----------------------------|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|----------------------------------|---------------------------|
| | Debt (a) | Principal | Interest | Total | Principal | Interest | Total | | | |
| 2025 | \$ 890,731 | \$ 880,000 | \$ 130,854 | \$ 1,010,854 | \$ 305,000 | \$ 134,917 | \$ 439,917 | \$ 2,341,502 | \$ 1,349,110 | \$ 992,392 |
| 2026 | 885,924 | 185,000 | 118,125 | 303,125 | 110,000 | 137,500 | 247,500 | 1,436,549 | 638,099 | 798,450 |
| 2027 | 885,241 | 190,000 | 108,750 | 298,750 | 115,000 | 131,875 | 246,875 | 1,430,866 | 635,416 | 795,450 |
| 2028 | 889,195 | 55,000 | 102,625 | 157,625 | 120,000 | 126,000 | 246,000 | 1,292,820 | 495,933 | 796,887 |
| 2029 | 713,633 | 55,000 | 99,875 | 154,875 | 125,000 | 119,875 | 244,875 | 1,113,383 | 315,683 | 797,700 |
| 2030 | 548,100 | 115,000 | 95,625 | 210,625 | 135,000 | 113,375 | 248,375 | 1,007,100 | 210,625 | 796,475 |
| 2031 | - | 120,000 | 89,750 | 209,750 | 140,000 | 106,500 | 246,500 | 456,250 | 209,750 | 246,500 |
| 2032 | - | 125,000 | 83,625 | 208,625 | 145,000 | 99,375 | 244,375 | 453,000 | 208,625 | 244,375 |
| 2033 | - | 130,000 | 77,250 | 207,250 | 155,000 | 91,875 | 246,875 | 454,125 | 207,250 | 246,875 |
| 2034 | - | 135,000 | 71,300 | 206,300 | 160,000 | 84,800 | 244,800 | 451,100 | 206,300 | 244,800 |
| 2035 | - | 140,000 | 65,800 | 205,800 | 170,000 | 78,200 | 248,200 | 454,000 | 205,800 | 248,200 |
| 2036 | - | 145,000 | 60,100 | 205,100 | 175,000 | 71,300 | 246,300 | 451,400 | 205,100 | 246,300 |
| 2037 | - | 155,000 | 54,100 | 209,100 | 185,000 | 64,100 | 249,100 | 458,200 | 209,100 | 249,100 |
| 2038 | - | 160,000 | 47,800 | 207,800 | 190,000 | 56,600 | 246,600 | 454,400 | 207,800 | 246,600 |
| 2039 | - | 170,000 | 41,200 | 211,200 | 200,000 | 48,800 | 248,800 | 460,000 | 211,200 | 248,800 |
| 2040 | - | 175,000 | 34,300 | 209,300 | 205,000 | 40,700 | 245,700 | 455,000 | 209,300 | 245,700 |
| 2041 | - | 180,000 | 27,200 | 207,200 | 215,000 | 32,300 | 247,300 | 454,500 | 207,200 | 247,300 |
| 2042 | - | 185,000 | 19,900 | 204,900 | 225,000 | 23,500 | 248,500 | 453,400 | 204,900 | 248,500 |
| 2043 | - | 200,000 | 12,200 | 212,200 | 235,000 | 14,300 | 249,300 | 461,500 | 212,200 | 249,300 |
| 2044 | - | 205,000 | 4,100 | 209,100 | 240,000 | 4,800 | 244,800 | 453,900 | 209,100 | 244,800 |
| Total | \$ 4,812,824 | \$ 3,705,000 | \$ 1,344,479 | \$ 5,049,479 | \$ 3,550,000 | \$ 1,580,692 | \$ 5,130,692 | \$ 14,992,995 | \$ 6,558,491 | \$ 8,434,504 |

^(a) Includes self-supporting debt.

Concurrently with the sale of the \$3,705,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024, the City sold \$3,550,000 General Obligation Bonds, Series 2024.

TAX ADEQUACY (Includes Self-Supporting Debt)

| | | |
|--|----|---------------|
| 2024 Certified Net Taxable Assessed Valuation | \$ | 2,701,102,700 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025) | \$ | 2,341,502 * |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ | 0.0885 |

* Includes the Certificates and the Bonds.

TAX ADEQUACY (Excludes Self-Supporting Debt)

| | | |
|--|----|---------------|
| 2024 Certified Net Taxable Assessed Valuation | \$ | 2,701,102,700 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025) | \$ | 992,392 * |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ | 0.0375 |

* Includes the Certificates and the Bonds.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

| Fiscal Year Ending 9-30 | Principal Repayment Schedule | | | | Principal Unpaid at End of Year | Percent of Principal Retired (%) |
|----------------------------|---|---------------------|--------------|---------------|---------------------------------------|--|
| | Currently Outstanding ^(a) | The Certificates | The Bonds | Total | | |
| 2025 | \$ 805,000 | \$ 880,000 | \$ 305,000 | \$ 1,990,000 | \$ 9,795,000 | 17% |
| 2026 | 815,000 | 185,000 | 110,000 | 1,110,000 | 8,685,000 | 26% |
| 2027 | 830,000 | 190,000 | 115,000 | 1,135,000 | 7,550,000 | 36% |
| 2028 | 850,000 | 55,000 | 120,000 | 1,025,000 | 6,525,000 | 45% |
| 2029 | 690,000 | 55,000 | 125,000 | 870,000 | 5,655,000 | 52% |
| 2030 | 540,000 | 115,000 | 135,000 | 790,000 | 4,865,000 | 59% |
| 2031 | - | 120,000 | 140,000 | 260,000 | 4,605,000 | 61% |
| 2032 | - | 125,000 | 145,000 | 270,000 | 4,335,000 | 63% |
| 2033 | - | 130,000 | 155,000 | 285,000 | 4,050,000 | 66% |
| 2034 | - | 135,000 | 160,000 | 295,000 | 3,755,000 | 68% |
| 2035 | - | 140,000 | 170,000 | 310,000 | 3,445,000 | 71% |
| 2036 | - | 145,000 | 175,000 | 320,000 | 3,125,000 | 73% |
| 2037 | - | 155,000 | 185,000 | 340,000 | 2,785,000 | 76% |
| 2038 | - | 160,000 | 190,000 | 350,000 | 2,435,000 | 79% |
| 2039 | - | 170,000 | 200,000 | 370,000 | 2,065,000 | 82% |
| 2040 | - | 175,000 | 205,000 | 380,000 | 1,685,000 | 86% |
| 2041 | - | 180,000 | 215,000 | 395,000 | 1,290,000 | 89% |
| 2042 | - | 185,000 | 225,000 | 410,000 | 880,000 | 93% |
| 2043 | - | 200,000 | 235,000 | 435,000 | 445,000 | 96% |
| 2044 | - | 205,000 | 240,000 | 445,000 | - | 100% |
| Total | \$ 4,530,000 | \$ 3,705,000 | \$ 3,550,000 | \$ 11,785,000 | | |

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2015-2024

TABLE 2

| Tax Year | Net Taxable Assessed Valuation | Change From Preceding Year | |
|----------|-----------------------------------|----------------------------|---------|
| | | Amount (\$) | Percent |
| 2015 | \$ 1,256,661,399 | \$ 175,746,619 | 16.26% |
| 2016 | 1,342,380,386 | 85,718,987 | 6.82% |
| 2017 | 1,549,811,266 | 207,430,880 | 15.45% |
| 2018 | 1,559,025,469 | 9,214,203 | 0.59% |
| 2019 | 1,655,060,303 | 96,034,834 | 6.16% |
| 2020 | 1,727,905,074 | 72,844,771 | 4.40% |
| 2021 | 1,874,813,923 | 146,908,849 | 8.50% |
| 2022 | 2,168,433,823 | 293,619,900 | 15.66% |
| 2023 | 2,489,405,144 | 320,971,321 | 14.80% |
| 2024 | 2,701,102,700 | 211,697,556 | 8.50% |

Source: Kendall, Comal and Bexar Appraisal Districts.

PRINCIPAL TAXPAYERS 2023*

TABLE 3

| Name | Type of Business/Property | % of Total 2023 | |
|-------------------------------|---------------------------|----------------------------|-----------------------|
| | | 2023 Assessed Valuation | Assessed Valuation |
| Spirit Realty LP | Retail Store | \$ 9,105,100 | 0.37% |
| HPI Fair Oaks Storage LLC | Storage Units/Warehouses | 7,975,000 | 0.32% |
| Scott Felder Homes LLC | Residential Homes | 5,924,170 | 0.24% |
| Jerry S & Esther W Hicks | Individual Residence | 5,845,190 | 0.23% |
| T&J Fair Oaks LLC | Strip Mall/Plaza | 5,200,000 | 0.21% |
| Bella Vista CMI LTD | Residential Homes | 4,247,740 | 0.17% |
| Taylor Living Trust 2-13-2009 | Individual Residence | 4,239,410 | 0.17% |
| Bright Minds Montessori LLC | Day Care Center | 4,192,220 | 0.17% |
| Frost Bank | Financial/Banking | 3,887,450 | 0.16% |
| Fair Oaks Country Store LLC | Grocery Store | 3,689,720 | 0.15% |
| | | <u>\$ 54,306,000</u> | <u>2.18%</u> |

Source: Kendall, Comal and Bexar Appraisal Districts.

* 2024 Top Ten Taxpayers not available at time of printing.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

| | 2024 | % of Total | 2023 | % of Total | 2022 | % of Total |
|---------------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| Real, Residential, Single-Family | \$ 3,018,213,965 | 92.59% | \$ 2,933,523,395 | 92.36% | \$ 2,478,808,970 | 91.27% |
| Real, Residential, Multi-Family | 2,889,749 | 0.09% | 3,126,930 | 0.10% | 2,966,270 | 0.11% |
| Real, Vacant Lots/Tracts | 27,034,546 | 0.83% | 28,337,746 | 0.89% | 27,753,311 | 1.02% |
| Real, Acreage (Land Only) | 53,318,324 | 1.64% | 54,232,849 | 1.71% | 59,329,175 | 2.18% |
| Improvements on Qualified OP | 980,882 | 0.03% | 1,973,346 | 0.06% | 2,001,886 | 0.07% |
| Real, Farm and Ranch Improvements | 31,832,921 | 0.98% | 19,140,106 | 0.60% | 22,930,337 | 0.84% |
| Real, Commercial and Industrial | 49,392,505 | 1.52% | 46,245,340 | 1.46% | 42,288,240 | 1.56% |
| Real & Tangible, Personal Utilities | 4,161,810 | 0.13% | 4,075,063 | 0.13% | 4,702,279 | 0.17% |
| Tangible Personal Business | 6,739,293 | 0.21% | 9,944,980 | 0.31% | 8,839,209 | 0.33% |
| Real Property, Inventory | 28,713,583 | 0.88% | 39,855,520 | 1.25% | 33,864,392 | 1.25% |
| Totally Exempt Property | 36,553,281 | 1.12% | 35,719,004 | 1.12% | 32,310,263 | 1.19% |
| Total Appraised Value | \$ 3,259,830,859 | 100.00% | \$ 3,176,174,279 | 100.00% | \$ 2,715,794,332 | 100.00% |
| Less: | | | | | | |
| Over-65 or Disabled Exemption | \$ 74,337,985 | | \$ 69,913,902 | | \$ 69,089,060 | |
| Veterans' Exemption | 199,165,626 | | 164,390,824 | | 124,810,761 | |
| Productivity Value Loss | 53,158,529 | | 54,095,712 | | 59,199,632 | |
| Homestead | 16,749,494 | | 15,909,288 | | 15,497,358 | |
| Other Exemption | 37,073,052 | | 35,719,004 | | 32,310,263 | |
| 10% Per Year Cap on Res. Homesteads | 178,243,473 | | 346,740,405 | | 246,453,435 | |
| Net Taxable Assessed Valuation | \$ 2,701,102,700 | | \$ 2,489,405,144 | | \$ 2,168,433,823 | |

Source: Kendall, Comal and Bexar Appraisal Districts.

TAX DATA

TABLE 5

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy | % of Collections | | Year Ended |
|----------|--------------------------------|----------|--------------|-------------------|-------|------------|
| | | | | Current | Total | |
| 2015 | \$ 1,256,661,399 | 0.307300 | \$ 3,861,720 | 99.39 | 99.84 | 9/30/2016 |
| 2016 | 1,342,380,386 | 0.323360 | 4,340,721 | 99.12 | 99.81 | 9/30/2017 |
| 2017 | 1,549,811,266 | 0.329500 | 5,106,628 | 99.19 | 99.81 | 9/30/2018 |
| 2018 | 1,559,025,469 | 0.366780 | 5,718,194 | 99.47 | 99.69 | 9/30/2019 |
| 2019 | 1,655,060,303 | 0.373500 | 6,181,650 | 99.85 | 99.74 | 9/30/2020 |
| 2020 | 1,727,905,074 | 0.373500 | 6,453,725 | 99.10 | 99.65 | 9/30/2021 |
| 2021 | 1,874,813,923 | 0.351800 | 6,595,595 | 99.00 | 99.70 | 9/30/2022 |
| 2022 | 2,168,433,823 | 0.329100 | 7,136,316 | 99.34 | 99.56 | 9/30/2023 |
| 2023 | 2,489,405,144 | 0.300500 | 7,480,662 | 96.10 | 97.89 | 9/30/2024* |
| 2024 | 2,701,102,700 | | | [to be collected] | | 9/30/2025 |

*As of June 30, 2024

TAX RATE DISTRIBUTION

TABLE 6

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-------|-----------|-----------|-----------|-----------|--------|
| M & O | \$ 0.2776 | \$ 0.3023 | \$ 0.3223 | \$ 0.3409 | 0.3395 |
| I & S | 0.0229 | 0.0268 | 0.0295 | 0.0326 | 0.034 |
| Total | \$ 0.3005 | \$ 0.3291 | \$ 0.3518 | \$ 0.3735 | 0.3735 |

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Kendall, Comal and Bexar Appraisal Districts, the Issuer's ACFR for the Fiscal Year Ended September 30, 2023, and information supplied by the Issuer.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 7

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer has an additional 1/4 of 1% sales tax for Street Maintenance and Repair, 1/4 of 1% for Property Tax Relief and 1/2 of 1% for its municipal development district. Collections on calendar year basis are as follows:

| Calendar Year | Total Collected ⁽¹⁾ | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Fair Oaks Ranch Municipal Development District ⁽²⁾ |
|---------------|--------------------------------|--------------------------|-----------------------------------|---|
| 2015 | \$ 515,103 | 13.34% | 0.041 | \$ 135,158 |
| 2016 | 565,096 | 13.02% | 0.042 | 160,934 |
| 2017 | 640,638 | 12.55% | 0.041 | 190,940 |
| 2018 | 739,341 | 12.93% | 0.047 | 231,588 |
| 2019 | 877,360 | 14.19% | 0.053 | 241,239 |
| 2020 | 1,211,183 | 18.77% | 0.070 | 337,006 |
| 2021 | 1,440,150 | 21.84% | 0.077 | 379,307 |
| 2022 | 1,576,461 | 22.09% | 0.073 | 423,150 |
| 2023 | 1,664,399 | 22.25% | 0.067 | 455,635 |
| 2024* | 1,242,336 | | | |

Source: State Comptroller's Office of the State of Texas.

⁽¹⁾ The City authorized its sales and use tax on October 1, 2008.

⁽²⁾ The City created and authorized its 0.50% of 1% sales and use tax for its Municipal Development District on April 1, 2012.

*As of August, 2024.

OVERLAPPING DEBT INFORMATION

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

| Taxing Body | Gross Debt (As of 9/1/24) | % Overlapping | Amount Overlapping |
|---|------------------------------|------------------|-----------------------|
| Alamo CCD | \$ 707,460,000 | 0.63% | \$ 4,456,998 |
| Bexar County | 2,222,135,000 | 0.63% | 13,999,451 |
| Bexar County Hospital District | 1,280,820,000 | 0.63% | 8,069,166 |
| Boerne ISD | 411,994,896 | 18.18% | 74,900,672 |
| Comal County | 103,435,000 | 0.97% | 1,003,320 |
| Comal ISD | 1,027,760,214 | 0.40% | 4,111,041 |
| Kendall Co | 37,065,000 | 5.36% | 1,986,684 |
| Total Gross Overlapping Debt | | | \$ 108,527,331 |
| Fair Oaks Ranch, City of | | | \$ 11,785,000 |
| Total Gross Direct and Overlapping Debt | | | \$ 120,312,331 |
| Ratio of Direct and Overlapping Debt to 2024 Net Assessed Valuation | | | 4.45% |
| Per Capita Direct and Overlapping Debt | | | \$10,548.16 |

Note: The above figures show Gross General Obligation Debt for the City of Fair Oaks Ranch, Texas. The Issuer's Net General Obligation Debt is \$6,605,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

| | |
|---|----------------|
| Total Direct and Overlapping Debt | \$ 115,132,331 |
| Ratio of Direct and Overlapping Debt to 2024 Net Assessed Valuation | 4.26% |
| Per Capita Direct and Overlapping Debt | \$10,094.01 |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

| Governmental Subdivision | 2023 Assessed Valuation | % of Actual | 2023 Tax Rate |
|--------------------------|-------------------------|-------------|---------------|
| Alamo CCD | \$ 253,189,964,175 | 100% | \$ 0.149000 |
| Bexar Co | 229,665,909,400 | 100% | 0.289000 |
| Bexar Co Hosp Dist | 251,250,964,257 | 100% | 0.276000 |
| Boerne ISD | 12,084,558,626 | 100% | 0.993000 |
| Comal Co | 35,184,833,828 | 100% | 0.226000 |
| Comal ISD | 26,469,819,639 | 100% | 1.089000 |
| Kendall Co | 10,845,443,089 | 100% | 0.383000 |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

| Issuer | Date of Authorization | Amount Authorized | Amount Issued to Date | Amount Unissued |
|-------------------------|-----------------------|-------------------|-----------------------|-----------------|
| Alamo CCD | None | \$ - | \$ - | \$ - |
| Bexar Co | 11/4/2003 | \$ 99,246,000 | \$ 49,981,000 | \$ 49,265,000 |
| Bexar Co | 11/2/1993 | \$ 79,000,000 | \$ 66,999,113 | \$ 12,000,887 |
| Bexar Co Hosp Dist | None | \$ - | \$ - | \$ - |
| Boerne ISD | None | \$ - | \$ - | \$ - |
| Comal Co | None | \$ - | \$ - | \$ - |
| Comal ISD | 5/6/2023 | \$ 560,564,863 | \$ 72,000,000 | \$ 488,564,863 |
| City of Fair Oaks Ranch | 5/4/2024 | \$ 16,000,000 | \$ 3,585,000 * | \$ 12,415,000 |
| Kendall Co | 5/14/2011 | \$ 10,000,000 | \$ 7,500,000 | \$ 2,500,000 |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*The Bonds; \$3,550,000 of par, plus premium resulting in a \$3,585,000 Project Fund deposit.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 8

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

| | Fiscal Year Ended | | | | |
|--|-------------------|----------------|--------------|--------------|----------------|
| | 9/30/2023* | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 |
| Fund Balance - Beginning of Year | \$ 8,780,176 | \$ 7,355,562 | \$ 5,237,166 | \$ 3,710,568 | \$ 2,757,376 |
| Revenues | \$ 10,731,428 | \$ 10,682,358 | \$ 9,124,058 | \$ 8,379,534 | \$ 7,428,102 |
| Expenditures | 9,598,517 | 7,805,917 | 6,846,838 | 6,328,912 | 5,411,999 |
| Excess (Deficit) of Revenues Over Expenditures | \$ 1,132,911 | \$ 2,876,441 | \$ 2,277,220 | \$ 2,050,622 | \$ 2,016,103 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from SBITAs | \$ 193,012 | \$ - | \$ - | \$ - | \$ - |
| Operating Transfers In | 303,067 | 58,907 | 287,339 | 177,272 | 152,707 |
| Operating Transfers Out | (3,797,490) | (1,511,407) | (472,493) | (830,017) | (1,235,824) |
| Proceeds from the Sale of Capital Assets | 16,931 | 673 | 26,330 | 128,721 | 20,206 |
| Total Other Financing Sources (Uses): | \$ (3,284,480) | \$ (1,451,827) | \$ (158,824) | \$ (524,024) | \$ (1,062,911) |
| Prior Period Adjustment | (2,151,569) | 1,424,614 | 2,118,396 | 1,526,598 | 953,192 |
| Fund Balance - End of Year | \$ 6,628,607 | \$ 8,780,176 | \$ 7,355,562 | \$ 5,237,166 | \$ 3,710,568 |

Source: The Issuer's ACFR's and information provided by the Issuer.

*Transfers out of the General Fund are for one-time capital improvements and capital equipment replacement.

The City anticipates ending the Fiscal Year ending September 30, 2024 with an unaudited general fund balance of \$7,047,909.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**TABLE 9**

The City 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 (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 of the State of Texas. TMRS issues a public available Comprehensive Financial Report that can be obtained at www.tmr.com For additional information see the City's 2023 ACFR, page 48.

WATER AND WASTEWATER/SEWER OPERATING SYSTEM**TABLE 10****Fiscal Year Ended:**

| | <u>9/30/2023</u> | <u>9/30/2022</u> | <u>9/30/2021</u> | <u>9/30/2020</u> | <u>9/30/2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$ 6,523,840 | \$ 6,552,783 | \$ 5,684,435 | \$ 5,889,635 | \$ 4,996,559 |
| Expenses ⁽¹⁾ | \$ 5,216,551 | \$ 5,121,832 | \$ 4,098,434 | \$ 4,475,167 | \$ 3,928,571 |
| Net Revenue Available for Debt Service | \$ 1,307,289 | \$ 1,430,951 | \$ 1,586,001 | \$ 1,414,468 | \$ 1,067,988 |
| Utility System Supported Debt Service | \$ 339,746 | \$ 337,952 | \$ 251,824 | \$ - | \$ - |
| Utility System Debt Service Coverage Ratio | 3.85X | 4.23X | 6.30X | N/A | N/A |
| Customer Count: | | | | | |
| Water | 3,248 | 3,201 | 3,157 | 3,083 | 3,002 |
| Sewer | 2,001 | 1,979 | 1,943 | 1,886 | 1,820 |

⁽¹⁾ Excludes depreciation and debt service.

Source: The Issuer's Annual Comprehensive Financial Reports.

Water Rates

Service Availability with Meter Rental Fee:

| | |
|--------------|---------|
| 3/4" meter | \$26.48 |
| 1" meter | \$28.01 |
| 1 1/2" meter | \$41.02 |
| 2" meter | \$48.33 |
| 3" meter | \$62.94 |
| 4" meter | \$94.42 |

Tiered Volume Charges:

Residential

| Gallons | Cost per 1,000 Gallons |
|-------------------|----------------------------------|
| 0 to 6,000 | Included in Service Availability |
| 6,001 to 12,500 | \$3.81 |
| 12,501 to 25,000 | \$4.76 |
| 25,001 to 50,000 | \$7.14 |
| 50,001 to 75,000 | \$10.72 |
| 75,001 to 100,000 | \$16.07 |
| Over 100,000 | \$24.11 |

Commercial

| Gallons | Cost per 1,000 Gallons |
|--------------------|----------------------------------|
| 0 to 6,000 | Included in Service Availability |
| 6,001 to 50,000 | \$3.25 |
| 50,001 to 100,000 | \$4.87 |
| 100,001 to 150,000 | \$7.31 |
| Over 150,000 | \$10.97 |

Water Fees:

Surface Water

The cost of water distributed by the Guadalupe-Blanco River Authority calculated in dollars per one-thousand gallons times 6,000 gallons minimum. \$15.23

TCEQ

The annual TCEQ (Texas Commission on Environmental Quality) water fee divided by number of service connections the month payment is made to TCEQ. \$.19

Trinity Glen Rose Groundwater Conservation District

The ratio of total monthly water produced divided by total monthly water billed times the TGRGCD prevailing rate per thousand gallons. --

Debt Service

The water portion of the total bond payment (including principal and interest) in the upcoming fiscal year divided by number of service connections as determined on June 1st. \$7.33

Capital Reserve

The budget goal divided by number of service connections as \$7.36

Wastewater Charges

Wastewater Service Availability: \$28.94

Volumetric Rate: \$6 per 1,000 gallons

1. October 1, 2023 - February 29, 2024: \$36 per month based on an assigned winter average of 6,000 gallons (\$6 per 1,000 gallons)

2. Beginning March 1, 2024: \$6 per 1,000 gallons based on the individual customer's average water consumption during the months of December, January, and February. Each customer's winter average shall be updated annually in March and reflected on subsequent billing statements.

3. New customers without a three-month winter average will be billed in accordance with (1) until their individual winter average is established.

4. Customers moving service locations within the City will be billed in accordance with their established volumetric fee from their previous location.

Wastewater Fees

TCEQ

Texas Commission on Environmental Quality (TCEQ) The annual TCEQ wastewater fee divided by number of service connections the month payment is made to TCEQ. \$0.05

Debt Service

The wastewater portion of the total bond payment (including principal and interest) in upcoming fiscal year divided by number of service connections. \$2.26

Capital Reserve

The budget goal divided by number of service connections. \$4.51

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY FAIR OAKS RANCH, TEXAS AND
KENDALL, BEXAR AND COMAL COUNTIES, TEXAS**

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**GENERAL INFORMATION REGARDING
THE CITY OF FAIR OAKS RANCH**

The City of Fair Oaks Ranch (the “City”) is part of the San Antonio Greater Metropolitan area located between the City of Boerne and the City of San Antonio on Interstate Hwy 10. The outer boundaries of the City cover 5,000 acres. The City evolved from several parcels of land acquired by oilman Ralph Fair, Sr. during the 1930’s and was incorporated in 1988. The City’s 2024 estimated population is 11,406. The City is located in three counties; Bexar, Comal and Kendall.

The City is a General Law Type A city subject to the State of Texas laws, rules and regulations. The City Council is elected at-large representing all residents within the City limits. Councilmembers including the Mayor serve staggered three year terms with City Elections held each year. The Mayor Pro Tem is selected by the councilmembers each year after the election.

Economy

Major Employers in San Antonio and its surrounding areas:

| <u>Employer</u> | <u>Number of Employees</u> |
|------------------------------------|--------------------------------|
| Joint Base San Antonio | 82,639 |
| HEB Food Stores | 20,000 |
| USAA | 19,000 |
| City of San Antonio | 13,420 |
| Northside ISD | 12,206 |
| Methodist Healthcare System | 12,000 |
| North East ISD | 8,208 |
| San Antonio ISD | 7,500 |
| University of Texas Health Science | 7,200 |
| Baptist Health System | 6,490 |

Education

Fair Oaks Ranch is served by the Boerne Independent School District. Students attend Fair Oaks Ranch Elementary, Van Raub Elementary, Boerne Middle School, Capt. Mark T. Voss Middle School and Boerne Champion High School.

Higher Education

Some of the numerous facilities available in nearby San Antonio include University of Texas at San Antonio, University of Texas Health Science Center, St. Mary’s University, Trinity University, Incarnate Word College, Our Lady of the Lake University, Texas A&M and the Alamo Community Colleges.

BEXAR COUNTY

Bexar County (the “County”) was organized in 1836 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State of Texas. Bexar County’s 2020 census population was 2,009,324 with a 2023 population of 2,087,679. The County has an area of approximately 1,248 square miles and contains 21 other incorporated cities within its boundaries.

The County is located in south central Texas and is a component of the Metropolitan Statistical Area (“MSA”) of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837. The City of San Antonio covers approximately 467 square miles and is located in south central Texas approximately 80 miles south of Austin, the state capital.

Economic Factors

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County’s ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County’s growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues. Another economic factor attracting companies and families to the San Antonio area is the low cost of living. For metropolitan areas with one million plus populations, San Antonio is ranked among the lowest in cost of living at 91.3%, 8.7% below the national average. With one of the lowest cost workforces of any major cities in the United States, Bexar County is positioned to increase employment opportunities in various industries.

Tourism

The list of attractions in the San Antonio area includes, among many others, the Alamo (and other sites of historic significance), the River Walk, and two major theme parks (SeaWorld San Antonio and Six Flags Fiesta Texas).

The San Antonio River Improvement Project, an investment by the County, the City, and the United States Army Corps of Engineers with the San Antonio River Authority providing project and technical management, recently completed the northern portion of its flood control, amenities, ecosystem restoration and recreational improvements to the San Antonio River. The Museum Reach, as the northern portion is known, extends from the downtown area north to the San Antonio Museum of Art and the 125-year-old Pearl Brewery building, where shopping, dining, and entertainment venues are poised. The southern portion, connects the downtown river area to the historic missions in the southern part of San Antonio.

COMAL COUNTY

Comal County (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, is a scenic southwest county named after the Comal River.

The City of New Braunfels (the "City"), the County seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, Comal County's annual income from agriculture is approximately \$5 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc.

Educational Facilities

Local public school facilities are provided through the Comal Independent School District and New Braunfels Independent School District.

Higher educational facilities include the future Howard Payne University campus as part of the Veramendi development project. Currently, the University offers courses at New Braunfels High School and online. Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 500 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs over 500 associates. Resolute Health invested \$250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels, which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 110 employees work at the \$28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

KENDALL COUNTY

On January 10, 1862, the Legislature of the State of Texas created a county from parts of Kerr and Blanco counties called Kendall County (the "County"). The County was named for George Wilkins Kendall (1809-1867), a journalist, one of the founders of the newspaper, "New Orleans Picayune"; poet, author; member of the renowned "Santa Fe Expedition"; and a sheep rancher. He resided at his ranch in Kendall County during his ranching years. The County is located on Interstate 10 from downtown San Antonio. The City of Boerne is the county seat of Kendall County and is off Interstate Highway 10 and U.S. Highway 87, some thirty miles northwest of San Antonio.

Hunting and fishing as well as the scenic hill country attract substantial tourist income to the area.

Education

The County is served by 6 school districts; Blanco ISD, Boerne ISD, Comal ISD, Comfort ISD and Fredricksburg ISD.

Healthcare

Methodist Boerne Emergency Center, a department of Methodist Hospital, serves Boerne and the surrounding communities with a medical center that includes the first-ever 24/7 freestanding emergency center, the only one of its kind in South and Central Texas. This unique 9-1-1 emergency facility gives the Boerne area a higher level of emergency care and the resources of an acute care hospital system for more serious illnesses or injuries.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September 26, 2024



Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

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Fax +1 512 536 4598
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FINAL

IN REGARD to the authorization and issuance of the “City of Fair Oaks Ranch, Texas General Obligation Bonds, Series 2024” (the *Bonds*), dated September 1, 2024, in the aggregate principal amount of \$3,550,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Fair Oaks Ranch, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2025 through 2033, February 1, 2035, February 1, 2037, February 1, 2039, February 1, 2041 and February 1, 2044, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of “CITY OF FAIR OAKS RANCH, TEXAS GENERAL OBLIGATION BONDS, SERIES 2024”

in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

BASED UPON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of “CITY OF FAIR OAKS RANCH, TEXAS GENERAL OBLIGATION BONDS, SERIES 2024”

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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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.

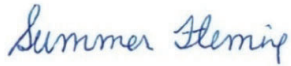
AWARDS AND ACKNOWLEDGEMENTS

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,

A handwritten signature in blue ink that reads "Summer Fleming".

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. Morill

Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

PRINCIPAL OFFICIALS

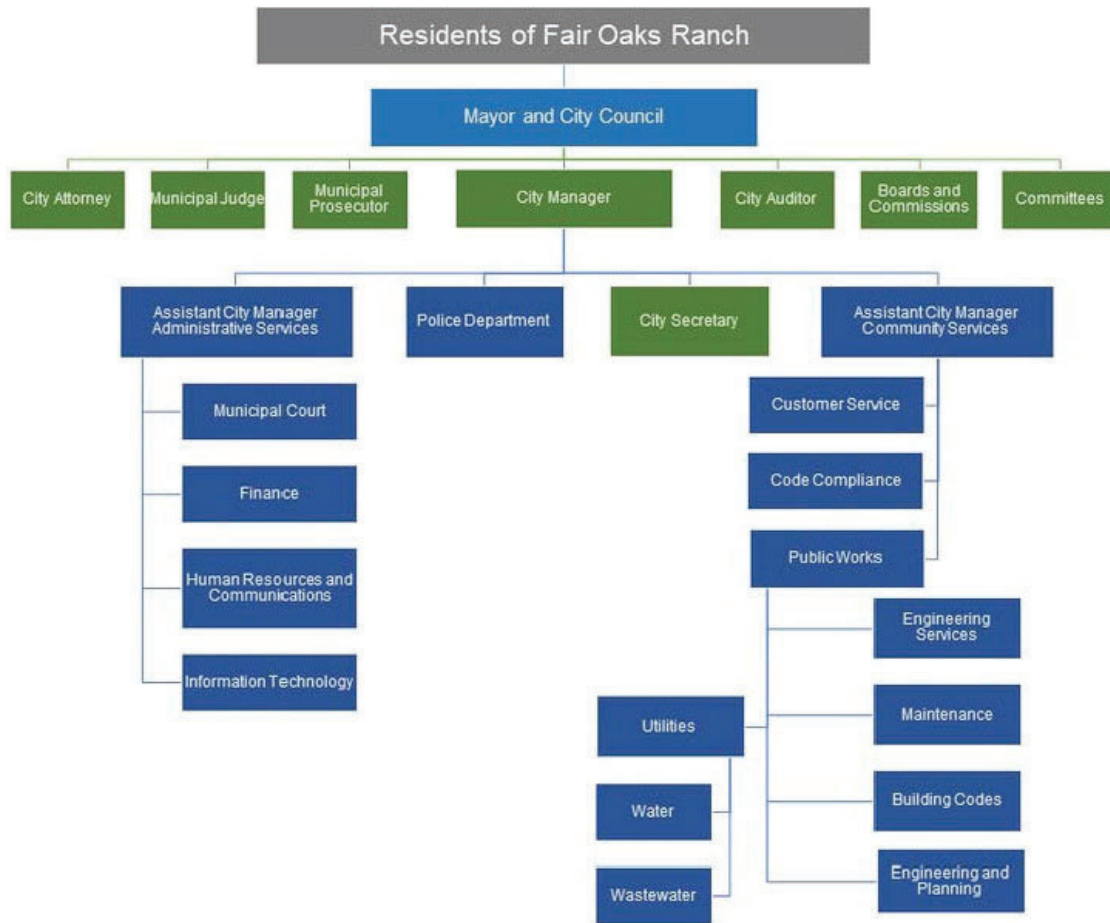
September 30, 2023

| | |
|-------------------------|--|
| 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

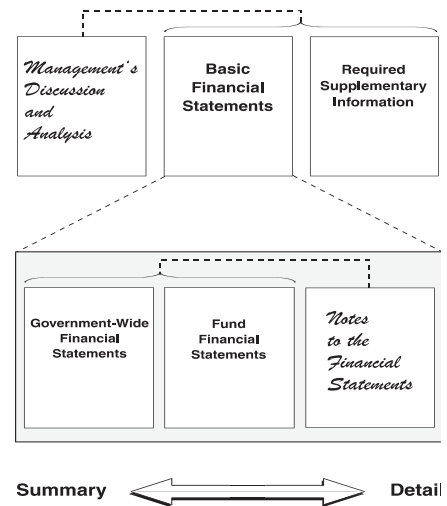
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2023, by total combined net position of \$36,591,503. Of this amount, \$18,711,601 (unrestricted net position) may be used to meet the government’s ongoing obligations 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 | | | |
|---|--|--|---|
| | Fund Statements | | |
| Type of 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> | <ul style="list-style-type: none"> ● Statement of Net Position ● Statement of Activities | <ul style="list-style-type: none"> ● Balance Sheet ● Statement of Revenues, Expenditures and Changes in Fund Balances | <ul style="list-style-type: none"> ● 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 | | Business-Type | | Total | | Total Percentage Change 2023-2022 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| | Activities | | Activities | | | | |
| | 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 | <u>12,480,005</u> | <u>12,799,525</u> | <u>9,045,295</u> | <u>9,341,208</u> | <u>21,525,300</u> | <u>22,140,733</u> | <u>-2.8%</u> |
| 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 | <u>(5,585,655)</u> | <u>(5,042,054)</u> | <u>(11,203,855)</u> | <u>(10,389,719)</u> | <u>(16,789,510)</u> | <u>(15,431,773)</u> | <u>8.8%</u> |
| Total non-current 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> |
| Total assets | <u>24,724,885</u> | <u>24,927,064</u> | <u>20,575,741</u> | <u>20,029,130</u> | <u>45,300,626</u> | <u>44,956,194</u> | <u>0.8%</u> |
| 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 | <u>1,290,232</u> | <u>472,841</u> | <u>453,950</u> | <u>195,855</u> | <u>1,744,182</u> | <u>668,696</u> | <u>160.8%</u> |
| Total deferred outflows of resources | <u>1,316,638</u> | <u>504,810</u> | <u>462,632</u> | <u>206,309</u> | <u>1,779,270</u> | <u>711,119</u> | <u>150.2%</u> |
| 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 | <u>1,617,125</u> | <u>121,881</u> | <u>506,802</u> | <u>18,046</u> | <u>2,123,927</u> | <u>139,927</u> | <u>1417.9%</u> |
| Total liabilities | <u>6,776,100</u> | <u>5,905,058</u> | <u>3,268,632</u> | <u>2,728,967</u> | <u>10,044,732</u> | <u>8,634,025</u> | <u>16.3%</u> |
| 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 | <u>49,393</u> | <u>502,314</u> | <u>16,088</u> | <u>176,426</u> | <u>65,481</u> | <u>678,740</u> | <u>-90.4%</u> |
| Total deferred inflows of resources | <u>63,127</u> | <u>510,829</u> | <u>20,534</u> | <u>179,134</u> | <u>83,661</u> | <u>689,963</u> | <u>-87.9%</u> |
| 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 | <u>10,513,316</u> | <u>10,823,373</u> | <u>8,198,285</u> | <u>8,754,416</u> | <u>18,711,601</u> | <u>19,577,789</u> | <u>-4.4%</u> |
| Total net position | <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> |

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

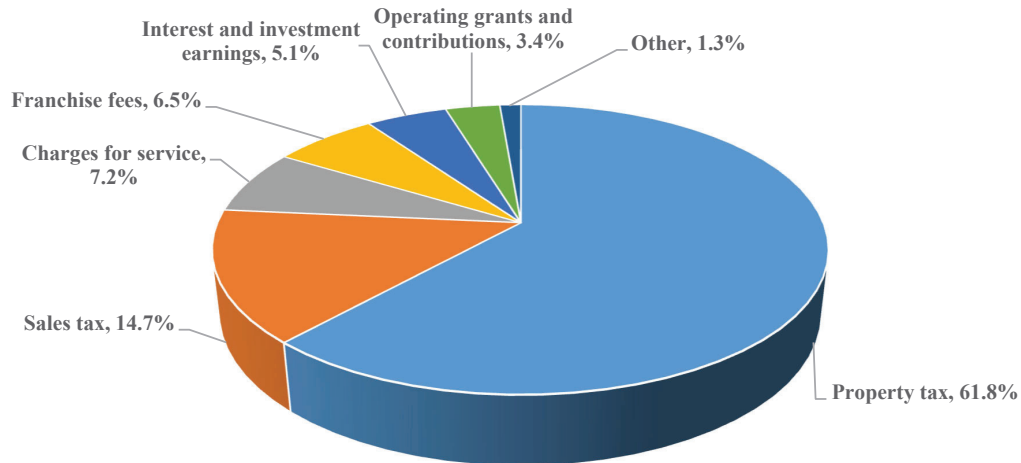
CITY OF FAIR OAKS RANCH'S CHANGES IN NET POSITION

| | Governmental | | Business-Type | | Total | | Total Percentage Change 2023-2022 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| | Activities | | Activities | | | | |
| | 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.

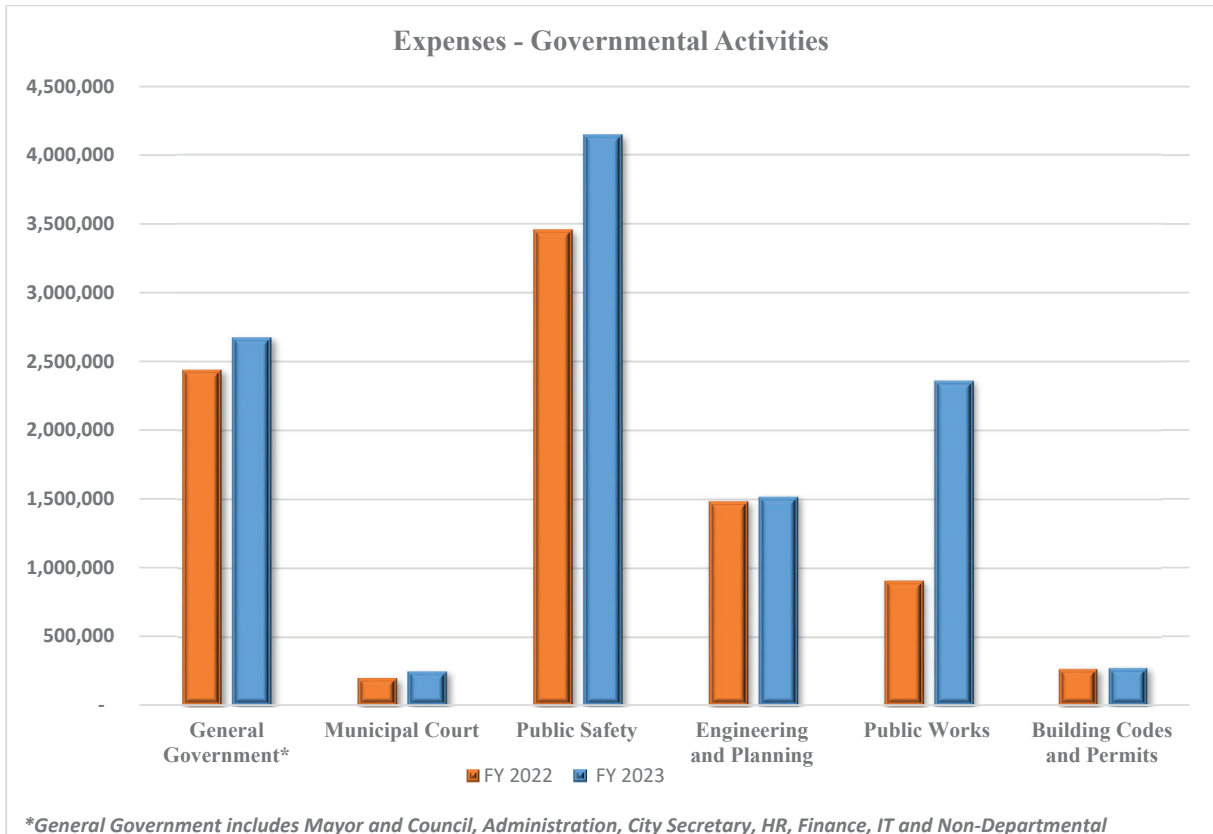
Government-wide Revenues by Source - Governmental Activities



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

| Variations in Budget Appropriations Year-Ended September 30, 2023 (Budgetary Basis) General Fund | | | | | |
|--|----------------------|----------------------|----------------------|-------------------|---------------------|
| | Original | Final | Actual | Variances | |
| | Budget | Budget | Results | 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 | | Business-Type | | Total | | Total Percentage Change 2023-2022 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| | Activities | | Activities | | | | |
| | 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 | | Business-Type | | Total | | Total Percentage Change 2023-2022 |
|---------------|--------------|--------------|---------------|--------------|--------------|--------------|--|
| | Activities | | Activities | | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Bonds payable | \$ 3,525,000 | \$ 3,985,000 | \$ 1,795,000 | \$ 2,115,000 | \$ 5,320,000 | \$ 6,100,000 | -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 Activities | Business-Type Activities | Total | Municipal 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 Activities | Business-Type Activities | Total | Municipal 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> | <u>-</u> | <u>-</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> | |
| - | 61,725 | 61,725 | |
| - | 61,725 | 61,725 | |
| <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> |
| <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
BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2023

| | Major Funds | | | Other Governmental Fund Debt Service Fund | Total Governmental Funds |
|--|-------------------------|----------------------------|-------------------------------|---|--------------------------------|
| | General Fund | Strategic Projects Fund | Equipment Replacement Fund | | |
| 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 | <u>77,024</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>77,024</u> |
| 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 | <u>3,485</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,485</u> |
| Total liabilities | <u>849,514</u> | <u>136,054</u> | <u>-</u> | <u>-</u> | <u>985,568</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues | <u>364,207</u> | <u>-</u> | <u>-</u> | <u>13,600</u> | <u>377,807</u> |
| 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 | <u>1,881,701</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,881,701</u> |
| 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 |
| 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 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 377,807 |
| Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds. | | (341,255) |
| 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 | | <u>26,406</u> |
| Total net position of governmental activities | \$ | <u><u>19,202,296</u></u> |

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 Governmental Fund Debt Service Fund | Total Governmental Funds |
|--|---------------------|----------------------------|-------------------------------|---|--------------------------------|
| | General Fund | Strategic Projects Fund | Equipment Replacement Fund | | |
| 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 |
|----------------------|--------|

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 |
|---|-----------------------------|
| | Water/Sewer Fund |
| 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 |
|---|-----------------------------|
| | Water/Sewer Fund |
| 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 | 5,216,551 |
| Operating income (loss) before depreciation | 948,694 |
| Depreciation | 862,733 |
| Operating income (loss) | 85,961 |
| Nonoperating revenues (expenses) | |
| Interest income | 358,595 |
| Interest and fiscal charges | (24,236) |
| Gain/loss | (9,806) |
| Total nonoperating revenues (expenses) | 324,553 |
| Income before transfers | 410,514 |
| Change in net position | 410,514 |
| Total net position - beginning | 17,327,338 |
| Prior period adjustment | 11,355 |
| Total net position - ending | \$ 17,749,207 |

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>\$ 7,978,124</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 | 69,951 |
| Net cash provided (used) by operating activities | <u>\$ 1,002,591</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

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

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:

| <u>ASSETS</u> | <u>YEARS</u> |
|---------------------------|----------------|
| 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:

| <u>Transfer Out</u> | <u>Transfer In</u> | <u>Amount</u> | <u>Purpose</u> |
|----------------------------|----------------------------|---------------------|-------------------------------|
| 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 | | 816 |
| Total depreciation expense - governmental activities | \$ | 721,250 |

(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 |
|---|-------------------------------|---------------------|-----------------------|-------------------------|
| Governmental activities: | | | | |
| General Obligation Bond, Series 2015 | 1.0 - 3.0% | \$ 3,525,000 | \$ 470,000 | \$ 3,055,000 |
| Business-type activities | | | | |
| 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.tmr.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 | 100.00% | |

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 | 1,799,121 | (184,879) | 1,984,000 |
| Balance at 12/31/2022 | \$ 13,312,437 | \$ 11,188,510 | \$ 2,123,927 |

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:

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

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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| 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 | 484,012 | - |
| Total | \$ 1,744,182 | \$ 18,180 |

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 | - |
| | \$ 1,241,990 |

(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:

| <u>Year Ended September 30,</u> | <u>Amortization Expense</u> |
|-------------------------------------|---------------------------------|
| 2024 | \$ (4,077) |
| 2025 | (4,645) |
| 2026 | (4,632) |
| 2027 | (5,661) |
| 2028 | (8,224) |
| Thereafter | <u>(9,054)</u> |
| | <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 Amounts | Variance with Final Budget- Positive (Negative) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | | |
| 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 | <u>9,614,599</u> | <u>9,614,599</u> | <u>10,731,428</u> | <u>1,116,829</u> |
| 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 | <u>29,700</u> | <u>10,432</u> | <u>7,643</u> | <u>2,789</u> |
| 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 | <u>702,201</u> | <u>695,507</u> | <u>660,453</u> | <u>35,054</u> |
| 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 | <u>249,361</u> | <u>243,840</u> | <u>243,832</u> | <u>8</u> |
| 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 | <u>232,503</u> | <u>236,899</u> | <u>218,641</u> | <u>18,258</u> |
| 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 | <u>370,915</u> | <u>378,311</u> | <u>329,737</u> | <u>48,574</u> |

(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 Amounts | Variance with Final Budget- Positive (Negative) |
|--------------------------------------|------------------|------------------|-------------------|--|
| | Original | Final | | |
| 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 | <u>283,126</u> | <u>296,142</u> | <u>250,804</u> | <u>45,338</u> |
| 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 | <u>3,852,476</u> | <u>4,178,635</u> | <u>4,042,987</u> | <u>135,648</u> |
| 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 | <u>1,638,950</u> | <u>1,564,811</u> | <u>1,522,806</u> | <u>42,005</u> |
| 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 | <u>884,108</u> | <u>935,034</u> | <u>835,424</u> | <u>99,610</u> |
| 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 | <u>322,479</u> | <u>330,021</u> | <u>279,180</u> | <u>50,841</u> |
| 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 | <u>387,471</u> | <u>418,089</u> | <u>614,176</u> | <u>(196,087)</u> |

(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 Amounts | Variance with Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| 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>\$ 13,312,437</u> | <u>\$ 11,513,316</u> | <u>\$ 10,117,822</u> | <u>\$ 8,933,286</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>\$ 11,188,510</u> | <u>\$ 11,373,389</u> | <u>\$ 9,564,818</u> | <u>\$ 8,409,543</u> |
| Net pension liability | <u>\$ 2,123,927</u> | <u>\$ 139,927</u> | <u>\$ 553,004</u> | <u>\$ 523,743</u> |
| Plan fiduciary net position as a percentage of total pension liability | 84.05% | 98.78% | 94.53% | 94.14% |
| Covered payroll | <u>\$ 4,895,830</u> | <u>\$ 4,320,572</u> | <u>\$ 3,965,754</u> | <u>\$ 3,730,898</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>\$ 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>\$ 111,081</u> | <u>\$ 163,168</u> | <u>\$ 139,610</u> |
| Covered-employee payroll | <u>\$ 4,895,830</u> | <u>\$ 4,320,572</u> | <u>\$ 3,965,754</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 |
| (373) | (332) | (278) |
| 24,910 | 5,689 | 14,343 |
| 87,705 | 82,016 | 67,673 |
| \$ 112,615 | \$ 87,705 | \$ 82,016 |
| \$ 3,730,898 | \$ 3,323,206 | \$ 2,778,969 |
| 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 Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 553,268 | \$ 553,268 | \$ 573,016 | \$ 19,748 |
| Interest | 1,000 | 1,000 | 4,830 | 3,830 |
| 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 Amounts | Variance with Final Budget- Positive (Negative) |
|--|---------------------|--------------------|---------------------|--|
| | Original | Final | | |
| 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 | <u>(3,485,543)</u> | <u>(4,878,193)</u> | <u>(1,580,977)</u> | <u>3,297,216</u> |
| Other financing sources (uses) | | | | |
| Transfers in | <u>3,442,995</u> | <u>3,442,995</u> | <u>3,442,995</u> | <u>-</u> |
| Net change in fund balances | (42,548) | (1,435,198) | 1,862,018 | 3,297,216 |
| Fund balance - beginning | <u>1,407,555</u> | <u>1,407,555</u> | <u>1,407,555</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,365,007</u> | <u>\$ (27,643)</u> | <u>\$ 3,269,573</u> | <u>\$ 3,297,216</u> |

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 Amounts</u> | Variance with Final Budget- Positive (Negative) |
|--------------------------------------|-------------------------|---------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</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>\$ 1,318,542</u> | <u>\$ 1,089,618</u> | <u>\$ 1,140,475</u> | <u>\$ 50,857</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

11 through 14

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Legal Debt Margin Information
- Direct and Overlapping Governmental Activities Debt

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

Demographic and Economic Information

15 through 16

- Principal Employers
- Demographic and Economic Statistics

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

Operating Information

17 through 19

- Operating Indicators by Function
- Capital Asset Statistics by Function
- Full-Time Equivalent City Government Employees by Function

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

CITY OF FAIR OAKS RANCH, TEXAS

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

| | 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 | - | - | - | - |
| <u>5,742,472</u> | <u>5,974,274</u> | <u>7,408,953</u> | <u>7,642,832</u> | <u>8,795,028</u> | <u>11,261,480</u> |
| | | | | | |
| <u>4,215,641</u> | <u>4,746,849</u> | <u>5,418,730</u> | <u>4,873,487</u> | <u>5,904,286</u> | <u>6,103,520</u> |
| <u>4,215,641</u> | <u>4,746,849</u> | <u>5,418,730</u> | <u>4,873,487</u> | <u>5,904,286</u> | <u>6,103,520</u> |
| | | | | | |
| <u>9,958,113</u> | <u>10,721,123</u> | <u>12,827,683</u> | <u>12,516,319</u> | <u>14,699,314</u> | <u>17,365,000</u> |
| | | | | | |
| 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 | - | - | - | - | - |
| <u>650,277</u> | <u>650,608</u> | <u>813,586</u> | <u>1,106,041</u> | <u>2,251,953</u> | <u>1,208,840</u> |
| | | | | | |
| 4,908,925 | 4,875,781 | 5,839,886 | 5,681,369 | 6,497,720 | 6,165,245 |
| - | - | - | - | - | - |
| <u>\$ 5,559,202</u> | <u>\$ 5,526,389</u> | <u>\$ 6,653,472</u> | <u>\$ 6,787,410</u> | <u>\$ 8,749,673</u> | <u>\$ 7,374,085</u> |

(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 |
| - | <u>9,850</u> | - | - | - | - |
| <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 | - | - | - | - | |
| <u>551,898</u> | <u>236,623</u> | <u>132,938</u> | <u>153,339</u> | <u>166,961</u> | <u>192,536</u> | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| 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 | |
| <u>\$ 4,206,432</u> | <u>\$ 5,783,994</u> | <u>\$ 7,276,662</u> | <u>\$ 9,345,852</u> | <u>\$ 11,329,437</u> | <u>\$ 11,116,630</u> | |

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 | 4,773,498 | 4,545,339 | 5,427,314 | 6,156,366 |
| 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 | 3,899,813 | 5,391,189 | 7,781,876 | 9,497,213 |
| Excess (deficiency) of revenues over (under) expenditures | 873,685 | (845,850) | (2,354,562) | (3,340,847) |
| 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) | - | 7,100,090 | - | 23,874 |
| Net change in fund balances | \$ 873,685 | \$ 6,254,240 | \$ (2,354,562) | \$ (3,316,973) |
| 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 |
| | <u>44,721</u> | <u>67,200</u> | <u>93,522</u> | <u>219,181</u> | <u>29,226</u> | <u>190,663</u> |
| | <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 | - | - | - | - |
| | <u>28,197</u> | <u>20,206</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <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

| <u>Fiscal Year Ended September 30,</u> | <u>Residential Property</u> | <u>Commercial Property</u> | <u>Less: Tax-Exempt Property</u> | <u>Total Taxable Assessed Value *</u> | <u>Total Direct Tax Rate</u> |
|--|---------------------------------|--------------------------------|--|---|--------------------------------------|
| 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 | Business-Type | Total Primary | Less: | Net Debt | Percentage of | Per |
|---------------------------------------|------------------|------------------|---------------|--------------|--------------|----------------|--------|
| | Activities | Activities | | Amounts | | Estimated | |
| | General | Certificate of | Government | Available in | Outstanding | Actual Taxable | Capita |
| | Obligation Bonds | Obligation Bonds | | Debt Service | | Value of | |
| | | | | Fund | | Property | |
| 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 | \$ 2,137,859,177 |
| Debt limit (\$1.50 of total assessed value) | \$ 32,067,888 |
| Debt applicable to limit: | |
| General bonded debt outstanding | \$ 3,571,706 |
| Less: Amount set aside for repayment of general bonded debt | 77,975 |
| Total net debt applicable to limit | 3,493,731 |
| Legal debt margin | \$ 28,574,157 |

| | <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 | \$ 14,675,649 | \$ 9,206,450 | \$ 12,239,921 | \$ 13,980,764 | \$ 17,412,098 |

TABLE 13

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 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 | <u>6,490</u> | 10 | 0.57% | <u>6,216</u> | 9 | 0.66% |
| Total | <u><u>188,663</u></u> | | <u><u>16.51%</u></u> | <u><u>191,035</u></u> | | <u><u>20.35%</u></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 |
| Traffiestops | 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

| <u>Function</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | | | | | | | | |
| 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.



Financial Advisory Services
Provided By:

