

OFFICIAL STATEMENT**August 7, 2025**

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates 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 Certificates 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 Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$7,815,000**CITY OF FAIR OAKS RANCH, TEXAS****(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties, Texas)****COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025****Dated Date: August 1, 2025****Due: February 1, as shown on inside cover**

The \$7,815,000 City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Fair Oaks Ranch, Texas (the "City" or the "Issuer") on August 7, 2025, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from August 1, 2025 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2026, 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 Certificates 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. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes; (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates 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 Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about August 27, 2025.

\$7,815,000
CITY OF FAIR OAKS RANCH, TEXAS
(A political subdivision of the State of Texas located in Randall, Bexar and Comal Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. ⁽¹⁾ 303343

\$6,825,000 SERIAL CERTIFICATES

<u>Stated Maturity February 1</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix⁽¹⁾</u>
2026	\$265,000	5.000	2.550	DC8
2027	250,000	5.000	2.550	DD6
2028	265,000	5.000	2.580	DE4
2029	275,000	5.000	2.580	DF1
2030	290,000	5.000	2.680	DG9
2031	305,000	5.000	2.850	DH7
2032	320,000	5.000	3.000	DJ3
2033	335,000	5.000	3.160	DK0
2034	355,000	5.000	3.270	DL8
2035	375,000	5.000 ⁽²⁾	3.460	DM6
2036	390,000	5.000 ⁽²⁾	3.650	DN4
2037	410,000	5.000 ⁽²⁾	3.800	DP9
2038	430,000	4.000 ⁽²⁾	3.900	DQ7
2039	450,000	4.000 ⁽²⁾	3.950	DR5
2040	465,000	4.000	4.000	DS3
2042	xxx	xxx	xxx	xxx
2043	525,000	4.000	4.100	DV6
2044	550,000	4.000	4.150	DW4
2045	570,000	4.000	4.200	DX2

\$990,000 TERM CERTIFICATES

\$990,000 4.000% Term Certificates due February 1, 2042, and priced to yield 4.050 CUSIP Suffix ⁽¹⁾ DU8

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. The Certificates maturing on February 1, 2042 (the "Term Certificate") is also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

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⁽²⁾ Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2034, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

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CITY OF FAIR OAKS RANCH, TEXAS
7286 Dietz Elkhorn
Fair Oaks Ranch, Texas 78015

ELECTED OFFICIALS

<u>Name</u>	<u>Years Served</u>	<u>Term Expires (May)</u>
Greg Maxton Mayor	8	2027
Keith Rhoden, Mayor Pro-Tem, Place 2	2	2026
Emily Stroup Councilmember, Place 1	4	2027
Ruben J. Olvera Councilmember, Place 3	1.5	2028
Dale Pearson Councilmember, Place 4	≤1	2028
Scott Parker Councilmember, Place 5	4	2028
Jonathan Swarek Councilmember, Place 6	≤1	2026

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service at the City (Years)</u>
Scott Huizenga	City Manager	3.5
Carole Vanzant	Assistant City Manager	27
Jim Williams	Assistant City Manager	1
Summer Fleming	Director of Finance	8
Christina Picioccio	City Secretary	15.5

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Austin, Texas
Certified Public Accountants	BrooksWatson & Co., PLLC San Antonio, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Mr. Scott Huizenga City Manager	Mr. Andrew T. Friedman Senior Managing Director
Ms. Summer Fleming Director of Finance	Mr. Mark M. McLiney Senior Managing Director
City of Fair Oaks Ranch 7286 Dietz Elkhorn Fair Oaks Ranch, Texas 78015 Phone: (210) 698-0900 shuizenga@fairoaksranchtx.org sfleming@fairoaksranchtx.org	SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 Phone: (210) 832-9760 afriedman@samcocapital.com mmcliney@samcocapital.com

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 are 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.

NONE OF THE CITY, ITS 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, ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION IS PROVIDED BY DTC.

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.

THE CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. 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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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

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 Certificates 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 Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on August 7, 2025, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The Certificates maturing on February 1, 2042 (the "Term Certificate") is also subject to mandatory sinking fund redemption. (See "THE Certificates - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)

Qualified Tax-Exempt Obligations

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes; (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Rating

S&P Global Ratings ("S&P") has assigned a rating of "AA+" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Delivery

When issued, anticipated on or about August 27, 2025.

Legality

Delivery of the Certificates 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.

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OFFICIAL STATEMENT

relating to

\$7,815,000

CITY OF FAIR OAKS RANCH, TEXAS

(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

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 the "Issuer") of its \$7,815,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. 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 Certificates 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 pertaining to the Certificates will be deposited 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 CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 1, 2025 (the "Dated Date"), 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. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2026, until stated maturity or prior redemption. Principal of and interest on the Certificates 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 Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), 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 Certificates 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 Certificates is 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 Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on August 7, 2025, and the City's Home Rule Charter.

Security for Payment

The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates 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 Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption. The Certificate maturing February 1, 2042 (the "Term Certificate") is 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 Certificates to Mature on February 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2041	\$485,000
2042*	\$505,000

*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 City, 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 City 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 City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not therefore credited against a mandatory redemption requirement.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates 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 Certificate 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 Certificates 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 Certificates 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 RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates 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 Certificates called for redemption or any other action premised on any such notice. Redemption of portions of

the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates from the Beneficial Owners. Any such selection of Certificates 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 nor 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 Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes; (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$7,815,000.00
Accrued Interest on the Certificates	25,346.39
Net Reoffering Premium	<u>312,726.25</u>
Total Sources of Funds	<u>\$8,153,072.64</u>
Uses	
Project Fund Deposit	\$7,930,000.00
Certificate Fund Deposit (Accrued Interest)	25,346.39
Purchaser's Discount	77,582.11
Costs of Issuance	<u>120,144.14</u>
Total Uses	<u>\$8,153,072.64</u>

Payment Record

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

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 Certificates 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 Certificates 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 Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates 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 other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees,

compensation and expenses of the paying agent for the Certificates. 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 Certificates. 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 Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, 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 Certificates ("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 Certificates, registered owners of Certificates 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 Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates 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 Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates 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 Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates 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 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 Texas Supreme Court (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* for a second time and issued an opinion on October 5, 2018, clarifying 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 is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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 Certificates. As noted above, the Ordinance provides that Certificate holders 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, 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 association or 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 registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates 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 prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Certificates 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 party to whom interest is payable on a Certificate 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 "REGISTRATION, TRANSFER, AND EXCHANGE - 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 Certificate 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 Certificates are not in the Book-Entry-Only System, the Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificate or Certificates 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 Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer 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 on 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 Certificate 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 Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates 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 Certificate 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 Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 Certificates, 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 Certificates), 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 Certificates. The Certificates 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 bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, 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, 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 securities certificates. 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"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect 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 Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Certificates 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 City or the Paying Agent/Registrar, on 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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 Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or 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 Certificates will be issued to the holders and the Certificates 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 City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City’s investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the City 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 City 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 City 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 City 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 City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City 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.

As of June 1, 2025, the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash, Money Markets, and Certificates of Deposit	\$965,060	3.5%
Investment Pools	<u>\$26,535,412</u>	<u>96.5%</u>
Total	<u>\$27,500,472</u>	<u>100.00%</u>

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.

CONVENING OF TEXAS LEGISLATURE

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions").

The Governor called for a special session on June 23, 2025, which commenced on July 21, 2025, and may last no longer than 30 days (the "First Special Session"). The Governor identified eighteen (18) agenda items that will be considered in the First Special Session. Among the items being considered is "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The City is unable to predict the substance of such legislation or the effect, if any, it will have on the City's finances or operations.

Additional special sessions may be called by the Governor. During this time, the Legislature may enact laws that materially affect the City and its finances. The City is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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.

An appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,160,000 (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, unless extended by the Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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.

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 \$61,349,201 for the 2025 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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024, divided by the current total value.

"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. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year-end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new revenue tax rate for (i) the tax year that begins on or after the date for the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary.

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 Certificates.

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.

The Property Tax Code as Applied to the City

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 Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates 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 hereof (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 statute, 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 certifications of the Issuer made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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 Certificates. 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 Issuer 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 Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates 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 Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates 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 Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate 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 Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates 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 Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. 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 with respect to the Premium Certificates. 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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 Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates 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 Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer 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 file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2025, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "Investment Authority and Investment Practices of the Issuer - Current Investments" and in Tables 1 through 12 of "Appendix A - Financial Information of the Issuer" to this Official Statement (the "Annual Financial Information"), and (2) within six months after the end of each fiscal year of the City beginning in the year 2025, the audited financial statements of the City (the "Audited Financial Statements"). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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/registrar or the change of name of a paying agent/registrar, 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates 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 Certificates. 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 Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate 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 Certificates, 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 Certificates 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 Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "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 Agreements" 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 Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates 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 Certificates 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.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to 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 – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates 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 Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates 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 Certificates 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 Certificates. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representation 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 revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

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 which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. 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.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted 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 initial delivery of the Certificates.

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 City 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 Certificates, the City accepted the bid of Piper Sandler & Co. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$312,726.25, less a Purchaser's discount of \$77,582.11, plus accrued interest on the Certificates 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 Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, 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, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, 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 September 30, 2024, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

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.

Concluding Statement

No person has been authorized to give any information or to make any representations 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 City. This Official Statement does not constitute an offer to sell or 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 qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. 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 summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement has been approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF FAIR OAKS RANCH, TEXAS

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

ATTEST:

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

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF FAIR OAKS RANCH, TEXAS**

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2025 Actual Certified Market Value of Taxable Property (100% of Market Value)	\$ 3,336,804,307
Less Exemptions:	
Over-65 or Disabled Exemption	\$ 77,600,107
Veterans' Exemption	232,403,104
Productivity Value Loss	52,946,521
Homestead	17,076,278
Other Exemption	39,302,804
10% Per Year Cap on Res. Homesteads	64,175,774
TOTAL EXEMPTIONS	\$ 483,504,588
2025 Assessed Value of Taxable Property	\$ 2,853,299,719
Less: Freeze Adjusted Taxable Value	9,220,577
2025 Freeze Adjusted Taxable Value	<u>\$ 2,844,079,142</u>

Source: Kendall, Comal and Bexar Appraisal Districts.

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of August 1, 2025)

General Obligation Debt Principal Outstanding

General Obligation Bonds, Series 2015	\$ 2,575,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	1,150,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024	2,825,000
General Obligation Bonds, Series 2024	3,245,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates")	7,815,000
Total Gross General Obligation Debt	<u>\$ 17,610,000</u>
Less: Self Supporting Debt	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (W&S 100%)	\$ 1,150,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (W&S 100%)	2,825,000
The Certificates (W&S 100%)	7,815,000
Total Self-Supporting Debt	<u>\$ 11,790,000</u>
Total Net General Obligation Debt Outstanding	<u>\$ 5,820,000</u>
2025 Net Assessed Valuation	\$ 2,853,299,719
Ratio of Total Gross General Obligation Debt Principal to 2025 Certified Net Taxable Assessed Valuation	0.62%
Ratio of Net General Obligation Debt to 2025 Certified Net Taxable Assessed Valuation	0.20%

Population: 2000 - 4,695; 2010 - 5,986; 2020 - 9,833; est. 2025 - 11,744
Per Capita Certified Net Taxable Assessed Valuation - \$242,958.08
Per Capita Gross General Obligation Debt Principal - \$1,499.49
Per Capita Net General Obligation Debt Principal - \$495.57

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9-30	Current Total				Less: Self		
	Outstanding Debt ^(a)	The Certificates			Combined Debt Service	Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2026	\$ 1,436,549	\$ 265,000	\$ 344,325	\$ 609,325	\$ 2,045,874	\$ 1,247,424	\$ 798,450
2027	1,430,866	250,000	331,450	581,450	2,012,316	1,216,866	795,450
2028	1,292,820	265,000	318,575	583,575	1,876,395	1,079,508	796,888
2029	1,113,383	275,000	305,075	580,075	1,693,458	895,758	797,700
2030	1,007,100	290,000	290,950	580,950	1,588,050	791,575	796,475
2031	456,250	305,000	276,075	581,075	1,037,325	790,825	246,500
2032	453,000	320,000	260,450	580,450	1,033,450	789,075	244,375
2033	454,125	335,000	244,075	579,075	1,033,200	786,325	246,875
2034	451,100	355,000	226,825	581,825	1,032,925	788,125	244,800
2035	454,000	375,000	208,575	583,575	1,037,575	789,375	248,200
2036	451,400	390,000	189,450	579,450	1,030,850	784,550	246,300
2037	458,200	410,000	169,450	579,450	1,037,650	788,550	249,100
2038	454,400	430,000	150,600	580,600	1,035,000	788,400	246,600
2039	460,000	450,000	133,000	583,000	1,043,000	794,200	248,800
2040	455,000	465,000	114,700	579,700	1,034,700	789,000	245,700
2041	454,500	485,000	95,700	580,700	1,035,200	787,900	247,300
2042	453,400	505,000	75,900	580,900	1,034,300	785,800	248,500
2043	461,500	525,000	55,300	580,300	1,041,800	792,500	249,300
2044	453,900	550,000	33,800	583,800	1,037,700	792,900	244,800
2045	-	570,000	11,400	581,400	581,400	581,400	-
Total	\$ 12,651,493	\$ 7,815,000	\$ 3,835,675	\$ 11,650,675	\$ 24,302,168	\$ 16,860,056	\$ 7,442,113

^(a) Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

2025 Certified Net Taxable Assessed Valuation	\$	2,853,299,719
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	\$	2,045,874
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.0732

TAX ADEQUACY (Excludes Self-Supporting Debt)

2025 Certified Net Taxable Assessed Valuation	\$	2,853,299,719
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	\$	798,450
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.0286

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	Total		
2026	\$ 1,110,000	\$ 265,000	\$ 1,375,000	\$ 16,235,000	8%
2027	1,135,000	250,000	1,385,000	14,850,000	16%
2028	1,025,000	265,000	1,290,000	13,560,000	23%
2029	870,000	275,000	1,145,000	12,415,000	30%
2030	790,000	290,000	1,080,000	11,335,000	36%
2031	260,000	305,000	565,000	10,770,000	39%
2032	270,000	320,000	590,000	10,180,000	42%
2033	285,000	335,000	620,000	9,560,000	46%
2034	295,000	355,000	650,000	8,910,000	49%
2035	310,000	375,000	685,000	8,225,000	53%
2036	320,000	390,000	710,000	7,515,000	57%
2037	340,000	410,000	750,000	6,765,000	62%
2038	350,000	430,000	780,000	5,985,000	66%
2039	370,000	450,000	820,000	5,165,000	71%
2040	380,000	465,000	845,000	4,320,000	75%
2041	395,000	485,000	880,000	3,440,000	80%
2042	410,000	505,000	915,000	2,525,000	86%
2043	435,000	525,000	960,000	1,565,000	91%
2044	445,000	550,000	995,000	570,000	97%
2045	-	570,000	570,000	-	100%
Total	\$ 9,795,000	\$ 7,815,000	\$ 17,610,000		

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2016-2025
TABLE 2

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2016	1,342,380,386	\$ -	-
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%
2025	2,853,299,719	152,197,019	5.63%

Source: Kendall, Comal and Bexar Appraisal Districts.

PRINCIPAL TAXPAYERS 2025
TABLE 3

Name	Type of Business/Property	% of Total 2025 Assessed Valuation	
		2025 Assessed Valuation	
Spirit Realty LP	Retail Store	\$ 10,922,795	0.38%
HPI Fair Oaks Storage LLC	Storage Units/Warehouses	5,315,590	0.19%
Jerry S & Esther W Hicks	Individual Residence	6,168,200	0.22%
T&J Fair Oaks LLC	Strip Mall/Plaza	5,400,000	0.19%
Frost Bank	Financial/Banking	4,372,590	0.15%
Bright Minds Montessori LLC	Day Care Center	4,350,000	0.15%
SC Casa LLC	Real Estate	4,183,680	0.15%
Fair Oaks Country Store LLC	Grocery Store	3,867,080	0.14%
Juniper Ventures of Texas LLC	Convenience Store	3,185,750	0.11%
CONFIDENTIAL	N/A	3,075,880	0.11%
		<u>\$ 50,841,565</u>	<u>1.78%</u>

Source: Kendall, Comal and Bexar Appraisal Districts.

CLASSIFICATION OF ASSESSED VALUATION
TABLE 4

	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 3,102,940,839	92.99%	\$ 3,018,213,965	92.59%	\$ 2,933,523,395	92.36%
Real, Residential, Multi-Family	2,648,080	0.08%	2,889,749	0.09%	3,126,930	0.10%
Real, Vacant Lots/Tracts	32,014,390	0.96%	27,034,546	0.83%	28,337,746	0.89%
Real, Acreage (Land Only)	53,082,891	1.59%	53,318,324	1.64%	54,232,849	1.71%
Improvements on Qualified OP	14,562,650	0.44%	980,882	0.03%	1,973,346	0.06%
Real, Farm and Ranch Improvements	17,908,264	0.54%	31,832,921	0.98%	19,140,106	0.60%
Real, Commercial and Industrial	51,824,065	1.55%	49,392,505	1.52%	46,245,340	1.46%
Real & Tangible, Personal Utilities	4,471,378	0.13%	4,161,810	0.13%	4,075,063	0.13%
Tangible Personal Business	6,810,943	0.20%	6,739,293	0.21%	9,944,980	0.31%
Real Property, Inventory	12,396,460	0.37%	28,713,583	0.88%	39,855,520	1.25%
Totally Exempt Property	38,144,347	1.14%	36,553,281	1.12%	35,719,004	1.12%
Total Appraised Value	<u>\$ 3,336,804,307</u>	100.00%	<u>\$ 3,259,830,859</u>	100.00%	<u>\$ 3,176,174,279</u>	100.00%
Less:						
Over-65 or Disabled Exemption	\$ 77,600,107		\$ 74,337,985		\$ 69,913,902	
Veterans' Exemption	232,403,104		199,165,626		164,390,824	
Productivity Value Loss	52,946,521		53,158,529		54,095,712	
Homestead	17,076,278		16,749,494		15,909,288	
Other Exemption	39,302,804		37,073,052		35,719,004	
10% Per Year Cap on Res. Homesteads	64,175,774		178,243,473		346,740,405	
Net Taxable Assessed Valuation	<u>\$ 2,853,299,719</u>		<u>\$ 2,701,102,700</u>		<u>\$ 2,489,405,144</u>	

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	
2016	\$ 1,342,380,386	0.323360	\$4,340,721	99.19	99.86	9/30/2017
2017	1,549,811,266	0.329500	5,106,628	99.47	99.73	9/30/2018
2018	1,559,025,469	0.366780	5,718,194	99.85	99.79	9/30/2019
2019	1,655,060,303	0.373500	6,181,650	99.10	99.72	9/30/2020
2020	1,727,905,074	0.373500	6,453,725	99.00	99.77	9/30/2021
2021	1,874,813,923	0.351800	6,595,595	99.34	99.69	9/30/2022
2022	2,168,433,823	0.329100	7,136,316	99.17	99.67	9/30/2023
2023	2,489,405,144	0.300500	7,480,662	96.10	99.21	9/30/2024
2024	2,701,102,700	0.285300	7,612,695	96.26	96.26	9/30/2025*
2025	2,853,299,719		-			

*As of May 31, 2025

TAX RATE DISTRIBUTION
TABLE 6

	2024	2023	2022	2021	2020
M & O	\$ 0.2512	\$ 0.2776	\$ 0.3023	\$ 0.3223	\$ 0.3409
I & S	0.0341	0.0229	0.0268	0.0295	0.0326
Total	<u>\$ 0.2853</u>	<u>\$ 0.3005</u>	<u>\$ 0.3291</u>	<u>\$ 0.3518</u>	<u>\$ 0.3735</u>

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas 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⁾
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	1,805,154	23.71%	0.067	514,269
2025*	1,247,693			275,651

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, 2025.

OVERLAPPING DEBT INFORMATION

(as of August 1, 2025)

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 8/1/2025)	% Overlapping	Amount Overlapping
Alamo CCD	\$ 674,050,000	0.63%	\$ 4,246,515
Bexar County	2,152,210,000	0.63%	13,558,923
Bexar County Hospital District	1,238,865,000	0.63%	7,804,850
Boerne ISD	384,264,896	17.02%	65,401,885
Comal County	98,450,000	0.92%	905,740
Comal ISD	1,230,925,214	0.40%	4,923,701
Kendall Co	30,700,000	5.01%	1,538,070
Total Gross Overlapping Debt			\$ 98,379,684
Fair Oaks Ranch, City of			\$ 17,610,000
Total Gross Direct and Overlapping Debt			\$ 115,989,684
Ratio of Direct and Overlapping Debt to 2025 Net Assessed Valuation			4.07%
Per Capita Direct and Overlapping Debt			\$9,876.51

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 \$5,820,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 104,199,684
Ratio of Net Debt and Overlapping Debt to 2025 Net Assessed Valuation	3.65%
Per Capita Direct and Overlapping Debt	\$8,872.59

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2024 Assessed Valuation	% of Actual	2024 Tax Rate
Alamo CCD	\$ 264,667,825,782	100%	\$ 0.149000
Bexar Co	225,077,496,945	100%	0.288000
Bexar Co Hosp Dist	229,211,538,249	100%	0.276000
Boerne ISD	11,586,681,091	100%	0.991000
Comal Co	38,116,051,964	100%	0.227000
Comal ISD	32,746,480,543	100%	1.087000
Kendall Co	11,453,114,820	100%	0.375425

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	5/3/2025	\$ 987,000,000	\$ -	\$ 987,000,000
Bexar Co	None	-	-	-
Bexar Co Hosp Dist	None	-	-	-
Boerne ISD	None	-	-	-
Comal Co	None	-	-	-
Comal ISD *	5/6/2023	\$ 588,564,863	\$ 588,564,863	-
	11/2/2021	\$ 445,827,320	\$ 445,827,320	-
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.

* Includes Series 2025 expected to close August 14, 2025.

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				
	9/30/2024	9/30/2023*	9/30/2022	9/30/2021	9/30/2020
Fund Balance - Beginning of Year	\$ 6,628,607	\$ 8,780,176	\$ 7,355,562	\$ 5,237,166	\$ 3,710,568
Revenues	\$ 11,283,970	\$ 10,731,428	\$ 10,682,358	\$ 9,124,058	\$ 8,379,534
Expenditures	9,570,430	9,598,517	7,805,917	6,846,838	6,328,912
Excess (Deficit) of Revenues Over Expenditures	\$ 1,713,540	\$ 1,132,911	\$ 2,876,441	\$ 2,277,220	\$ 2,050,622
Other Financing Sources (Uses):					
Proceeds from SBITAs	\$ -	\$ 193,012	\$ -	\$ -	\$ -
Operating Transfers In	-	303,067	58,907	287,339	177,272
Operating Transfers Out	(893,217)	(3,797,490)	(1,511,407)	(472,493)	(830,017)
Proceeds from the Sale of Capital Assets	219,859	16,931	673	26,330	128,721
Total Other Financing Sources (Uses):	\$ (673,358)	\$ (3,284,480)	\$ (1,451,827)	\$ (158,824)	\$ (524,024)
Prior Period Adjustment	1,040,182	(2,151,569)	1,424,614	2,118,396	1,526,598
Fund Balance - End of Year	\$ 7,668,789	\$ 6,628,607	\$ 8,780,176	\$ 7,355,562	\$ 5,237,166

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, 2025 with an unaudited general fund balance of \$7,733,944.

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 2024 ACFR, page 52.

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

	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Revenues	\$ 7,460,262	\$ 6,523,840	\$ 6,552,783	\$ 5,684,435	\$ 5,889,635
Expenses ⁽¹⁾	\$ 5,214,740	\$ 5,216,551	\$ 5,121,832	\$ 4,098,434	\$ 4,475,167
Net Revenue Available for Debt Service	\$ 2,245,522	\$ 1,307,289	\$ 1,430,951	\$ 1,586,001	\$ 1,414,468
Utility System Supported Debt Service	\$ 336,514	\$ 339,746	\$ 337,952	\$ 251,824	\$ -
Utility System Debt Service Coverage Ratio	6.67X	3.85X	4.23X	6.30X	N/A
Customer Count:					
Water	3,285	3,248	3,201	3,157	3,083
Sewer	2,028	2,001	1,979	1,943	1,886

⁽¹⁾ Excludes depreciation and debt service.

Source: The Issuer's Annual Comprehensive Financial Reports.

WATER RATES AND WATER FEES

Effective October 1, 2024 to September 30, 2025	
Water Service Availability:	
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 Water Usage 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
Monthly Water Fees:	
Surface Water	
The cost of water distributed by the Guadalupe-Blanco River Authority calculated in dollars per 1,000 gallons multiplied by the 6,000 gallon minimum.	\$15.90
TCEQ	
The annual TCEQ (Texas Commission on Environmental Quality) water fee divided by the number of service connections from 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.	\$0.00
Debt Service	
The water portion of the total bond payment (including principal and interest) for improvements in the upcoming fiscal year divided by number of service connections on June 1st.	\$23.85
Capital Reserve	
The budget goal divided by number of service connections on June 1st.	\$2.67

Sewer Service Availability	
All sewer connections:	\$28.94
Sewer Usage Charges Based On Winter Average	
Usage Rate: \$6 per 1,000 gallons:	
1. Current customers winter average will be \$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.	
2. New customers without a three-month winter average will be billed \$36 monthly based on an assigned winter average of 6,000 gallons (\$6 per 1,000 gallons) until their individual winter average is established.	
3. Customers moving service locations within the City will be billed in accordance with their established volumetric fee from their previous location.	
Monthly Sewer Fees:	
TCEQ	
The annual TCEQ (Texas Commission on Environmental Quality) water fee divided by the number of service connections from the month payment is made to TCEQ.	\$0.05
Debt Service	
The sewer portion of the total bond payment (including principal and interest) for improvements in upcoming fiscal year divided by number of service connections.	\$17.03
Capital Reserve	
The budget goal divided by number of service connections.	\$0.00

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF FAIR OAKS RANCH
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 2025 estimated population is 11,744. 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	18,100
City of San Antonio	14,500
Northside ISD	12,900
Methodist Healthcare System	12,000
North East ISD	8,208
University of Texas Health Science	7,930
San Antonio ISD	7,500
Baptist Health System	7,291
Wells Fargo	--

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 estimated 2025 population of 2,142,655. 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 5 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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August 27, 2025

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

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the “City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025” (the *Certificates*), dated August 1, 2025 in the aggregate principal amount of \$7,815,000 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 Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2026 through 2040 and 2042 through 2045, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. 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 Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates 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 or the Issuer’s combined utility system and 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 Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, 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 Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate 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 in such certificates. We express no opinion

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF FAIR OAKS RANCH, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates 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 Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and 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 Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON 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 Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates 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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF FAIR OAKS RANCH, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”

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.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

(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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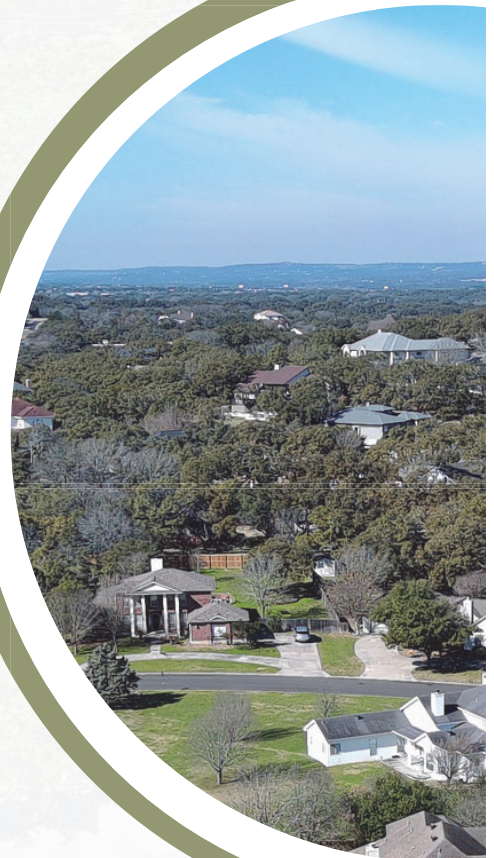


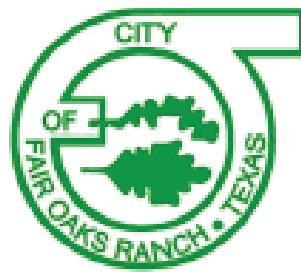
CITY OF
Fair Oaks Ranch

Annual Comprehensive Financial Report

For Fiscal Year Ended
September 30, 2024

Prepared By:
City of Fair Oaks Ranch
Finance Department





*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Fair Oaks Ranch, Texas

**For the Year Ended
September 30, 2024**

Prepared by

Finance
Department



City of Fair Oaks Ranch, Texas

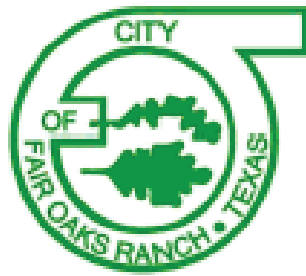
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INTRODUCTORY SECTION





March 11, 2025

City of Fair Oaks Ranch, Texas

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

The Finance Department and the City Manager's Office are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of Fair Oaks Ranch, Texas for the fiscal year ending September 30, 2024.

The City 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. 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 BrooksWatson and Company, 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, 2024, 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, 2024, 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 statements 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 11,406. 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 City of Fair Oaks Ranch Municipal Development District (MDD) meets the criteria of a component unit; therefore, it has been included in the report as a discretely presented component unit. The MDD is governed by a seven-member board, consisting of two Council Members and five other members appointed by City Council. The MDD is funded through a half-cent Section 4B sales tax. The City is financially accountable for the MDD because the City appoints the governing body, and the City is obligated to finance any deficits that may occur.

LOCAL ECONOMY

The information presented in the financial statements 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, 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.

Data from the U.S. Census Bureau shows the City's median household income is \$150,237, which is noticeably higher than the \$76,292 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 33.1% 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.

FINANCIAL INFORMATION

Financial Policies

The City adopted a comprehensive set of financial policies to ensure that the City's resources are managed in a prudent manner and to provide a foundation for financial sustainability. An important element of the policies dictates that current revenue will be sufficient to support current expenditures (defined as "structural balance.")

The City maintains a goal of a structurally balanced budget to achieve long-term financial stability for the City. Additionally, the City has a fund balance policy to maintain an operating reserve equal to six months of operating expenditures. 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

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 2024 staff presented to Council an updated 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.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. Annual budgets are legally required for the General Fund and debt service funds. While not legally required, annual budgets are also adopted for the enterprise funds, and annual updates to the Capital Improvements Program budgets follow a similar process.

The budget process includes multiple phases, each of which requires a joint effort by the City Council and staff. The City Manager provides the City Council the proposed budget before filing with the City Secretary and making it 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. The City Council considers and adopts the budget in accordance with Texas Local Government Code and Truth-in-Taxation Laws.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense and revenue rests with the finance department in conjunction with the department operating the program. The level of budgetary control is at the department level in the General Fund. The City Manager is authorized to transfer appropriation balances among departments within a fund, and the City Council must approve amendments to the budget and transfers of appropriations from one fund to another.

STRATEGIC INITIATIVES

The City continued to focus on initiatives that will best help accomplish the vision and mission of Fair Oaks Ranch.

Vision: To offer the ideal place to call home in the hill country, guided by strong community values and responsible growth that provides residents of all ages a place to relax and reconnect.

Mission: To deliver exceptional public services, preserve the natural beauty of our City, protect and promote quality of life, and foster community engagement.

Citizen Focus

After a review of multiple competitive bids, the City successfully negotiated a solid waste contract with a new vendor, Frontier Waste Services, that enhances service levels while maintaining a lower cost compared to simply renewing the previous contract. By leveraging market competition and engaging in careful negotiations, the City demonstrated its commitment to maximizing value and ensuring cost-effective public services.

The City Council reduced the property tax rate for the fourth consecutive year, from \$0.3005 to \$0.2853 per \$100 valuation, resulting in a \$0.0152 reduction for tax year 2024. Over those years the tax rate has been reduced a total of \$.0882 per \$100 valuation. The age-65 or older and disabled exemption was raised from \$20,000 to \$50,000 in 2022 further highlighting the City Council's commitment to responsible financial management and prioritization of community well-being. The increase in appraisal values combined with prudent budgeting has allowed for the recent tax rate decreases in an environment of rising costs and inflation. This approach not only supports homeowners but also ensures the continued delivery of essential services without compromising long-term fiscal sustainability.

Additionally, the City held a successful special election on May 4, 2024, reauthorizing the collection of a local sales and use tax of one-fourth of one percent to provide revenue for maintenance and repair of municipal streets. This sales tax provides funding that would otherwise be funded from property taxes.

2024-2029 Bond Program

On May 4, 2024, Fair Oaks Ranch residents approved one proposition for the City's 2024-2029 Bond Program totaling \$16 million and including four roadway projects. The bond program was developed with an extensive public input process. From October 2023 to May 2024, nine residents comprising the Bond Advisory Committee appointed by City Council met to review and discuss recommended projects from the approved Capital Improvements Plan (CIP). The meetings provided citizens an opportunity to provide input on the CIP and resulted in a committee recommendation for project timing and sources of financing. With voter approval, Public Works is ready to get to work with the design and construction of these four roadway projects.

Drainage and Utility Projects

Drainage and aging infrastructure issues have been one of the City's top long-range priorities. The City issued Certificates of Obligation in September 2024 to fund utility capital projects including expansion and improvements to Water Plant 5 and the City's Wastewater Treatment Plant. The FY 2025 Budget also includes funding for water line replacements, electrical upgrades to Water Plant 3, sewer upgrade at Cojak Circle, and drainage projects on Rolling Acres Trail and Pimlico Lane.

Tree City USA and Oak Wilt Grant Programs

The City has made significant strides in environmental conservation by becoming a member of the Tree City USA program and declaring April 26, 2024, as Arbor Day in the City. To further its

commitment to protecting and enhancing green spaces, the City established a tree mitigation fund aimed at preserving existing trees, supporting reforestation, and beautifying the area. Additionally, an oak wilt remediation grant program was introduced to incentivize and assist residents in treating oak wilt, demonstrating a proactive approach to preserving the community's natural resources.

CERTIFICATE OF ACHIEVEMENT AND AWARDS

For the seventh consecutive year the City of Fair Oaks Ranch was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2023. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. 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.

In addition, the City received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) for its PAFR for the fiscal year ended September 30, 2023, for a third consecutive time.

The GFOA also presented a Distinguished Budget Presentation Award to the City of Fair Oaks Ranch for its annual budget for the fiscal year beginning October 1, 2024 (FY 2025). This reflects the sixth consecutive time the City has achieved this prestigious award. To receive this award a government must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. Budget documents must be rated "proficient" in all four categories, and in the fourteen mandatory criteria within those categories, to receive the award.

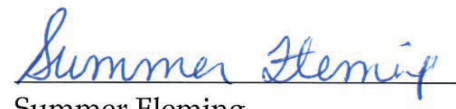
The culmination of achieving all three awards represents a significant achievement by the finance department earning the City "Triple Crown" status with GFOA.

ACKNOWLEDGEMENTS

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,



Scott M. Huizenga
City Manager

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, 2023

Christopher P. Morill

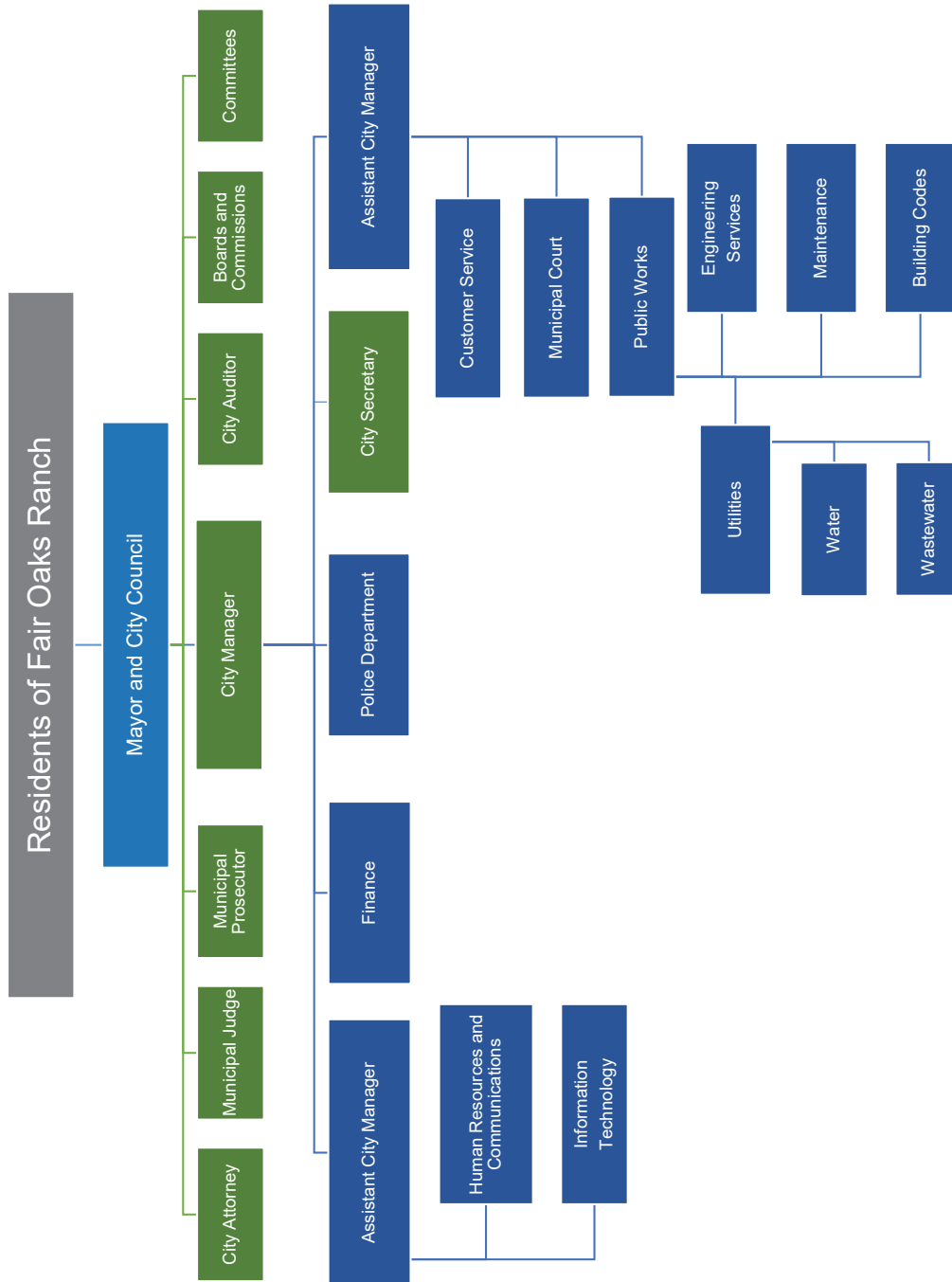
Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

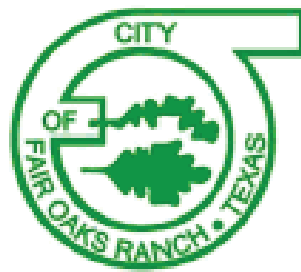
PRINCIPAL OFFICIALS

September 30, 2024

MAYOR	GREG MAXTON
MAYOR PRO TEM – PLACE 4	LAURA KOERNER
CITY COUNCIL MEMBERS	
PLACE 1	EMILY STROUP
PLACE 2	KEITH RHODEN
PLACE 3	RUBEN OLVERA
PLACE 5	SCOTT PARKER
PLACE 6	CHESLEY MUENCHOW
CITY MANAGER	SCOTT HUIZENGA
ATTORNEY	DENTON, NAVARRO, RODRIGUEZ, BERNAL, SANTEE, & ZECH, P.C.
AUDITOR	BROOKSWATSON & CO., PLLC



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2024, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fair Oaks Ranch, Texas, as of September 30, 2024, 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 (GAAS). 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 City of Fair Oaks Ranch, Texas 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

The City's 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 one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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.

Emphasis of Matter

As discussed in Note V.G. to the financial statements, due to various accounting corrections and the implementation of GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and the water and sewer fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

This accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 11, 2025

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***



City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2024

As management of the City of Fair Oaks Ranch, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The City's total combined net position is \$39,986,906 at September 30, 2024.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$14,888,042, an increase of \$3,771,412.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,565,160 or 27% of total general fund expenditures.
- The City had an overall increase in net position of \$3,100,094, which is primarily due to the surplus in revenues over expenses during the year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, human resources/communication, finance, and engineering. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Fair Oaks Ranch Municipal Development District, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Fair Oaks Ranch. They are usually segregated for specific activities or objectives. The City of Fair Oaks Ranch uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Fair Oaks Ranch maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, capital projects, and nonmajor governmental funds. The general, strategic projects, bond capital, and equipment replacement funds are considered to be major funds.

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

The City of Fair Oaks Ranch adopts an annual appropriated budget for all governmental funds, with the exception of the bond capital fund. A budgetary comparison schedule has been provided to demonstrate compliance with all governmental funds with an adopted budget.

Proprietary Funds

The City maintains one proprietary fund. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its public utilities. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. *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.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Fair Oaks Ranch Municipal Development District is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

budgetary comparison schedule for the general fund and schedules for the City's Defined Pension Plan and Other Post Employment Benefit Plans. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Fair Oaks Ranch, assets and deferred outflows exceeded liabilities and deferred inflows by \$39,986,906 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$19,638,016, reflects its investments in capital assets (e.g., land, city hall, streets, and utility systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of the primary government increased by \$8,231,027 or 38%. The increase was primarily due to greater cash on hand resulting from unspent bond proceeds as of yearend.

Capital assets for governmental activities increased by \$1,658,261 or 14% primarily due to new roadway infrastructure improvements over the course of the year.

Total other liabilities of the primary government increased by \$1,644,831 or 59% primarily due to nonrecurring payables for capital improvements.

Total long-term liabilities of the primary government increased by \$4,844,213 or 68% due to new bond issuances outweighing principal payments made in the current year.

Total deferred outflows of the primary government decreased by \$712,963 or 40%. This variance was directly related to the significant decrease in City's net pension liability and actuarial changes in the City's pension inputs over the course of the year.

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 16,700,149	\$ 13,056,178	\$ 29,756,327	\$ 12,480,005	\$ 9,045,295	\$ 21,525,300
Capital assets, net	13,901,383	11,776,802	25,678,185	12,243,122	11,360,088	23,603,210
Total Assets	30,601,532	24,832,980	55,434,512	24,723,127	20,405,383	45,128,510
Total Deferred Outflows	910,253	156,054	1,066,307	1,316,638	462,632	1,779,270
Other liabilities	2,612,791	1,836,856	4,449,647	1,620,169	1,184,647	2,804,816
Long-term liabilities	7,547,953	4,428,751	11,976,704	5,061,080	2,071,411	7,132,491
Total Liabilities	10,160,744	6,265,607	16,426,351	6,681,249	3,256,058	9,937,307
Total Deferred Inflows	74,747	12,815	87,562	63,127	20,534	83,661
Net Position:						
Net investment in capital assets	9,594,671	10,043,345	19,638,016	8,589,537	9,524,748	18,114,285
Restricted	235,514	-	235,514	192,536	-	192,536
Unrestricted	11,446,109	8,667,267	20,113,376	10,513,316	8,066,675	18,579,991
Total Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 19,295,389	\$ 17,591,423	\$ 36,886,812

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 961,983	\$ 6,974,514	\$ 7,936,497	\$ 829,500	\$ 6,165,245	\$ 6,994,745
Operating grants	141,826	-	141,826	379,340	-	379,340
General revenues:						
Property taxes	7,390,813	-	7,390,813	7,062,241	-	7,062,241
Sales taxes	1,817,285	-	1,817,285	1,656,135	-	1,656,135
Franchise and local taxes	743,231	-	743,231	776,385	-	776,385
Investment income	712,804	427,654	1,140,458	581,995	348,789	930,784
Other revenue	138,785	58,094	196,879	150,838	-	150,838
Total Revenues	11,906,727	7,460,262	19,366,989	11,436,434	6,514,034	17,950,468
Expenses						
Mayor & council	2,899	-	2,899	7,643	-	7,643
City administration	893,391	-	893,391	1,189,239	-	1,189,239
City secretary	273,114	-	273,114	277,612	-	277,612
HR & communication	258,298	-	258,298	228,388	-	228,388
Finance	342,958	-	342,958	341,093	-	341,093
Information technology	371,430	-	371,430	391,185	-	391,185
Municipal court	270,852	-	270,852	256,851	-	256,851
Public safety	4,179,786	-	4,179,786	4,147,473	-	4,147,473
Public works	1,433,859	-	1,433,859	2,366,969	-	2,366,969
Bldg codes & permits	270,819	-	270,819	280,890	-	280,890
Engineering & planning	1,369,461	-	1,369,461	1,529,149	-	1,529,149
Interest & fiscal chrgs.	258,955	-	258,955	113,242	-	113,242
Water and sewer	-	6,341,073	6,341,073	-	6,235,130	6,235,130
Total Expenses	9,925,822	6,341,073	16,266,895	11,129,734	6,235,130	17,364,864
Change in Net Position	1,980,905	1,119,189	3,100,094	306,700	278,904	585,604
Beg. Net Position (as previously presented)	19,202,296	17,749,207	36,951,503	18,988,689	17,312,519	36,301,208
Prior year corrections	93,093	(157,784)	(64,691)	-	-	-
Beg. Net Position (as adjusted)	19,295,389	17,591,423	36,886,812	18,988,689	17,312,519	36,301,208
Ending Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 19,295,389	\$ 17,591,423	\$ 36,886,812

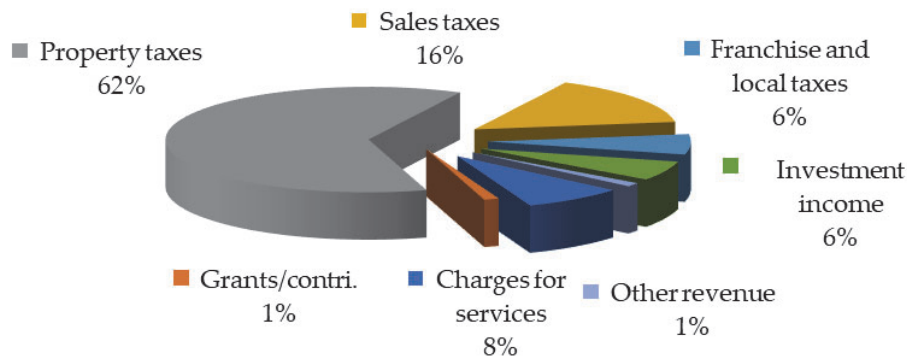
City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

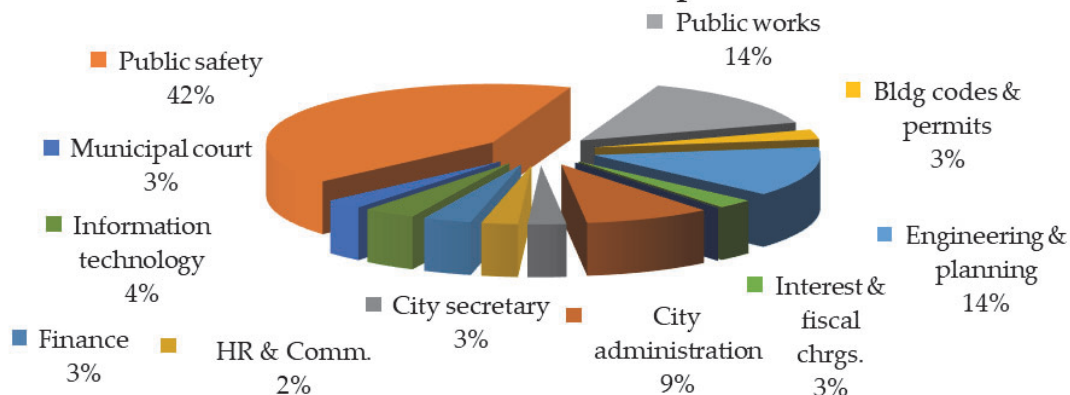
Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$11,906,727. Property tax and sales tax are the City's largest revenue sources. Charges for services increased by \$132,483 or 16% primarily due to an increase in tree mitigation fees earned in the current year. Grants and contributions decreased by \$237,514 or 63% due to nonrecurring FEMA disaster recovery grant funds received in the prior year. Sales taxes increased by \$161,150 or 10% due to economic growth fueled by local purchases. Investment income increased by \$130,809 or 22% primarily due to greater interest-bearing accounts and the realization of higher interest rates in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2024, expenses for governmental activities totaled \$9,925,822. This represents a decrease of \$1,203,912 or 11% from the prior year. The City's largest functional expense is public safety of \$4,179,786, which includes administrative and operating costs for the City's police department. Public safety expenses remained consistent with the prior year. City administration

City of Fair Oaks Ranch, Texas

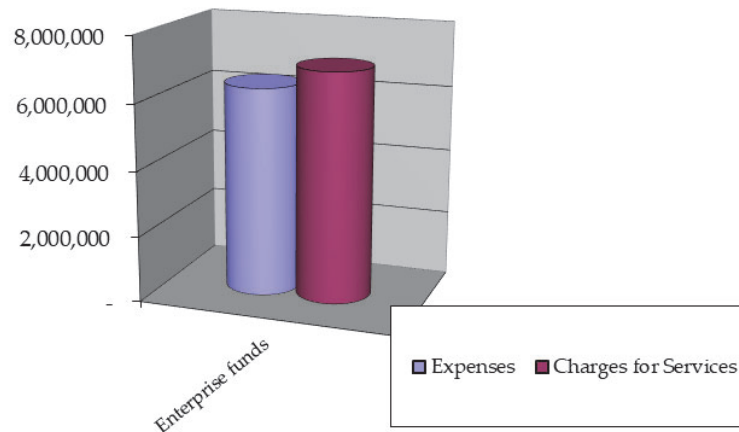
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

expenses decreased by \$295,848 or 25% primarily due to nonrecurring costs to remove roadway debris in the aftermath of a winter storm disaster in the prior year. Public works expenses decreased by \$933,110 or 39% primarily due to planning costs for projects that the City decided not to pursue. In addition, the City incurred more significant repairs/maintenance expenses in the prior year. Engineering and planning expenses decreased by \$159,688 or 10% primarily due to nonrecurring street maintenance projects in the prior year. Interest and fiscal charges increased by \$145,713 or over 100% due to nonrecurring bond issuance costs recognized in the current year. All other expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$6,974,514. Charges for services increased by \$809,269 or 13% primarily due to greater sewer service rates and active customer accounts in the current year. Investment income increased by \$78,865 or 23% due to greater interest-bearing accounts and the realization of higher interest rates in the current year.

Total business-type expenses increased \$105,943 or 2% compared to the prior year, which is considered consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

As of the end of the year the general fund reflected a total fund balance of \$7,668,789, \$2,565,160 of which was unassigned. The general fund increased by \$1,040,182 primarily due to greater than anticipated revenues and less than anticipated expenditures.

As of the end of the year the strategic projects fund reflected a total fund balance of \$2,297,490, a decrease of \$972,083. The decrease was primarily due to capital outlay expenditures exceeding transfers in from other funds during the year.

The bond capital fund reflected a fund balance of \$3,596,650, an increase of \$3,596,650. Fiscal year 2024 was the initial year of this fund. The increase was solely a result of the bond issuance in the current year.

The equipment replacement fund reflected a fund balance of \$1,220,166, an increase of \$79,691 from the previous year. The increase was solely a result of transfers in from other funds during the year.

There was an increase in total governmental fund balance of \$3,771,412 over the prior year. The increase was primarily due to the bond issuance in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,910,120 in the general fund. This was a combination of a positive revenue variance of \$890,403, a positive expenditure variance of \$850,104, and a positive variance of \$169,613 in other financing sources and uses. The most significant revenue variances were for property tax, sales tax, other fees & services, and investment income. Expenditures did not exceed appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$13,901,383 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$11,776,802 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Tivoli Way construction costs for \$748,863.
- City hall renovations totaling \$183,336.

City of Fair Oaks Ranch, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

- Community center design for \$140,875.
- Dietz Elkhorn roadway and sidewalk reconstruction project investments totaling \$324,001.
- Purchased new fuel tanks/pumps for \$97,150.
- Purchase new vehicles and equipment for governmental activities totaling \$721,582.
- Purchase new vehicles and equipment for business-type activities totaling \$451,619.
- New software asset subscription agreements totaling \$343,691.
- Wastewater treatment plant improvements totaling \$142,937.
- Well improvements totaling \$120,000.
- Purchased new generator at water plant for \$93,599.
- Purchase new well pump equipment for \$167,040.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$11,785,000 (excluding premiums). The City issued new General Obligation Bonds and Certificates of Obligation for \$3,550,000 and \$3,705,000, respectively. During the year, the City made principal payments on these bonds of \$790,000. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Fair Oaks Ranch and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming fiscal year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Fair Oaks Ranch's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the contact City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 (210-698-0900) or (866-258-2505).

FINANCIAL STATEMENTS

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2024

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 11,616,832	\$ 12,676,952	\$ 24,293,784
Restricted cash	3,587,475	-	3,587,475
Receivables, net	865,087	670,099	1,535,186
Due from component unit	868	-	868
Inventory	-	197,983	197,983
Prepays	85,344	53,728	139,072
Due from the fiduciary fund	1,959	-	1,959
Internal balances	542,584	(542,584)	-
Total Current Assets	16,700,149	13,056,178	29,756,327
Capital assets:			
Non-depreciable	2,282,072	949,844	3,231,916
Net depreciable capital assets	11,619,311	10,826,958	22,446,269
Total Noncurrent Assets	13,901,383	11,776,802	25,678,185
Total Assets	30,601,532	24,832,980	55,434,512
<u>Deferred Outflows of Resources</u>			
Pension outflows	908,802	155,805	1,064,607
OPEB outflows	1,451	249	1,700
Total Deferred Outflows of Resources	910,253	156,054	1,066,307

See Notes to Financial Statements.

Component Unit
Municipal
Dev. District

\$	3,256,981
	-
	75,342
	-
	-
	-
	-
	-
	3,332,323
	-
	-
	-
	3,332,323
	-
	-
	-
	-

City of Fair Oaks Ranch, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2024

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	\$ 1,403,728	\$ 287,032	\$ 1,690,760
Accrued interest	24,978	20,998	45,976
Unearned revenue	-	145,712	145,712
Due to primary government	-	-	-
Compensated absences, current	278,888	111,681	390,569
Long term debt due within one year	905,197	1,271,433	2,176,630
Total Current Liabilities	2,612,791	1,836,856	4,449,647
Noncurrent liabilities:			
Debt due in more than one year	6,103,431	4,174,006	10,277,437
Compensated absences, noncurrent	30,988	12,409	43,397
OPEB liability- TMRS	109,228	18,726	127,954
Net pension liability	1,304,306	223,610	1,527,916
Total Noncurrent Liabilities	7,547,953	4,428,751	11,976,704
Total Liabilities	10,160,744	6,265,607	16,426,351
<u>Deferred Inflows of Resources</u>			
Pension inflows	49,077	8,414	57,491
OPEB inflows	25,670	4,401	30,071
Total Deferred Inflows of Resources	74,747	12,815	87,562
<u>Net Position</u>			
Net investment in capital assets	9,594,671	10,043,345	19,638,016
Restricted for:			
Municipal court and felony forfeiture	106,009	-	106,009
PEG fees	4,319	-	4,319
Public safety	20,239	-	20,239
Debt service	104,947	-	104,947
Unrestricted	11,446,109	8,667,267	20,113,376
Total Net Position	\$ 21,276,294	\$ 18,710,612	\$ 39,986,906

See Notes to Financial Statements.

Component Unit
Municipal
Dev. District

\$	-
	-
	-
	868
	-
	-
	868
	-
	-
	-
	-
	-
	868
	-
	-
	-
	-
	-
	-
	-
	3,331,455
\$	3,331,455

City of Fair Oaks Ranch, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Mayor & council	\$ 2,899	\$ -	\$ -
City administration	893,391	519,220	141,826
City secretary	273,114	-	-
Human resources & communication	258,298	-	-
Finance	342,958	-	-
Information technology	371,430	-	-
Municipal court	270,852	208,241	-
Public safety	4,179,786	2,384	-
Public works	1,433,859	-	-
Building codes and permits	270,819	232,138	-
Engineering & planning	1,369,461	-	-
Interest and fiscal charges	258,955	-	-
Total Governmental Activities	9,925,822	961,983	141,826
Business-Type Activities			
Water and sewer	6,341,073	6,974,514	-
Total Business-Type Activities	6,341,073	6,974,514	-
Total Primary Government	\$ 16,266,895	\$ 7,936,497	\$ 141,826
Component Units			
Municipal Development District	38,534	-	-
	\$ 38,534	\$ -	\$ -
General Revenues:			
Taxes			
Property taxes			
Sales taxes			
Franchise and local taxes			
Investment income			
Other revenues			
Total General Revenues and Transfers			
Change in Net Position			
Beginning Net Position (as previously presented)			
Correction to capital assets			
Correction to payables			
GASB 87 restatement			
GASB 96 restatement			
Beginning Net Position (as adjusted)			
Ending Net Position			

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Municipal Dev. District
\$ (2,899)	\$ -	\$ (2,899)	\$ -
(232,345)	-	(232,345)	-
(273,114)	-	(273,114)	-
(258,298)	-	(258,298)	-
(342,958)	-	(342,958)	-
(371,430)	-	(371,430)	-
(62,611)	-	(62,611)	-
(4,177,402)	-	(4,177,402)	-
(1,433,859)	-	(1,433,859)	-
(38,681)	-	(38,681)	-
(1,369,461)	-	(1,369,461)	-
(258,955)	-	(258,955)	-
(8,822,013)	-	(8,822,013)	-
-	633,441	633,441	-
-	633,441	633,441	-
(8,822,013)	633,441	(8,188,572)	-
			(38,534)
			(38,534)
7,390,813	-	7,390,813	-
1,817,285	-	1,817,285	510,915
743,231	-	743,231	-
712,804	427,654	1,140,458	157,987
138,785	58,094	196,879	-
10,802,918	485,748	11,288,666	668,902
1,980,905	1,119,189	3,100,094	630,368
19,202,296	17,749,207	36,951,503	2,701,087
113,746	-	113,746	-
-	(131,610)	(131,610)	-
749	(453)	296	-
(21,402)	(25,721)	(47,123)	-
19,295,389	17,591,423	36,886,812	2,701,087
\$ 21,276,294	\$ 18,710,612	\$ 39,986,906	\$ 3,331,455

City of Fair Oaks Ranch, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
<u>Assets</u>				
Cash and cash equivalents	\$ 10,293,759	\$ -	\$ 9,175	\$ 1,209,496
Restricted cash	-	-	3,587,475	-
Prepays	85,344	-	-	-
Receivables, net	850,549	-	-	-
Due from component unit	868	-	-	-
Due from other funds	-	3,228,072	-	10,670
Due from fiduciary fund	1,959	-	-	-
Total Assets	\$ 11,232,479	\$ 3,228,072	\$ 3,596,650	\$ 1,220,166
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 473,146	\$ 930,582	\$ -	\$ -
Due to other funds	2,696,158	-	-	-
Total Liabilities	3,169,304	930,582	-	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue				
Property taxes	169,627	-	-	-
Court fines	224,759	-	-	-
Total Deferred Inflows of Resources	394,386	-	-	-
<u>Fund Balances</u>				
<u>Nonspendable:</u>				
Prepays	85,344	-	-	-
Restricted for:				
Municipal court and felony forfeiture	106,009	-	-	-
PEG fees	4,319	-	-	-
Public safety	20,239	-	-	-
Capital projects	-	-	3,596,650	-
Debt service	-	-	-	-
Assigned for:				
Strategic expenditures	-	2,297,490	-	-
Capital equipment	-	-	-	1,220,166
Legal and tree mitigation reserve	199,600	-	-	-
Six month operating reserve	4,688,118	-	-	-
Unassigned reported in:				
General fund	2,565,160	-	-	-
Total Fund Balances	7,668,789	2,297,490	3,596,650	1,220,166
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 11,232,479	\$ 3,228,072	\$ 3,596,650	\$ 1,220,166

See Notes to Financial Statements.

<u>Nonmajor</u> <u>Debt service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 104,402	\$ 11,616,832
-	3,587,475
-	85,344
14,538	865,087
-	868
-	3,238,742
-	1,959
<u>\$ 118,940</u>	<u>\$ 19,396,307</u>

\$ -	\$ 1,403,728
-	2,696,158
<u>-</u>	<u>4,099,886</u>

13,993	183,620
-	224,759
<u>13,993</u>	<u>408,379</u>

-	85,344
-	106,009
-	4,319
-	20,239
-	3,596,650
104,947	104,947
-	2,297,490
-	1,220,166
-	199,600
-	4,688,118
-	2,565,160
<u>104,947</u>	<u>14,888,042</u>
<u>\$ 118,940</u>	<u>\$ 19,396,307</u>

City of Fair Oaks Ranch, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2024

Fund Balances - Total Governmental Funds

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable

Capital assets - net depreciable

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable

Court receivables

Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure)/(revenue) until then.

Pension outflows

Pension inflows

OPEB outflows

OPEB inflows

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest

Compensated absences

Bond premiums

Long-term debt obligations, excluding premiums

Net pension liability

OPEB liability - TMRS

Net Position of Governmental Activities

See Notes to Financial Statements.

\$ 14,888,042

2,282,072
11,619,311

183,620
224,759

908,802
(49,077)
1,451
(25,670)

(24,978)
(309,876)
(221,702)
(6,786,926)
(1,304,306)
(109,228)

\$ 21,276,294

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
<u>Revenues</u>				
Property tax	\$ 6,813,962	\$ -	\$ -	\$ -
Sales tax	1,817,285	-	-	-
Franchise and local taxes	743,231	-	-	-
License and permits	232,138	-	-	-
Animal control	2,384	-	-	-
Utility management fee	289,039	-	-	-
Contributions and donations	141,826	-	-	-
Other fees and services	230,181	-	-	-
Fines and forfeitures	191,584	-	-	-
Investment income	683,555	-	11,650	-
Other revenue	138,785	-	-	-
Total Revenues	11,283,970	-	11,650	-
<u>Expenditures</u>				
Current:				
Mayor & council	6,500	-	-	-
City administration	630,873	-	-	-
City secretary	270,071	-	-	-
Human resources & communication	255,147	-	-	-
Finance	338,347	-	-	-
Information technology	298,154	-	-	-
Municipal court	268,049	-	-	-
Public safety	3,909,349	-	-	-
Public works	881,595	-	-	-
Building codes and permits	267,900	-	-	-
Engineering & planning	1,360,991	-	-	-
Nondepartmental	162,682	-	-	-
Debt service:				
Principal	119,812	-	-	-
Interest and fiscal charges	10,418	-	-	-
Bond issuance costs	-	-	146,669	-
Capital outlay	790,542	1,785,609	-	-
Total Expenditures	9,570,430	1,785,609	146,669	-
Excess of Revenues Over (Under)				
Expenditures	1,713,540	(1,785,609)	(135,019)	-

<u>Nonmajor</u>		Total	
Debt service		Governmental	
		Funds	
\$	562,936	\$	7,376,898
	-		1,817,285
	-		743,231
	-		232,138
	-		2,384
			289,039
	-		141,826
	-		230,181
	-		191,584
	17,599		712,804
	-		138,785
	<u>580,535</u>		<u>11,876,155</u>
	-		6,500
	-		630,873
	-		270,071
	-		255,147
	-		338,347
	-		298,154
			268,049
	-		3,909,349
	-		881,595
	-		267,900
	-		1,360,991
	-		162,682
	470,000		589,812
	83,563		93,981
	-		146,669
	-		2,576,151
	<u>553,563</u>		<u>12,056,271</u>
	26,972		(180,116)

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Strategic Projects	Bond Capital Fund	Equipment Replacement
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 813,526	\$ -	\$ 79,691
Transfers (out)	(893,217)	-	-	-
Issuances of debt	219,859	-	-	-
Bond issuance	-	-	3,550,000	-
Premium on bond issuance	-	-	181,669	-
Total Other Financing Sources (Uses)	(673,358)	813,526	3,731,669	79,691
Net Change in Fund Balances	1,040,182	(972,083)	3,596,650	79,691
Beginning Fund Balance	6,628,607	3,269,573	-	1,140,475
Ending Fund Balances	\$ 7,668,789	\$ 2,297,490	\$ 3,596,650	\$ 1,220,166

See Notes to Financial Statements.

<u>Nonmajor</u> Debt service	Total Governmental Funds
\$ -	\$ 893,217
-	(893,217)
-	219,859
-	3,550,000
-	181,669
-	3,951,528
26,972	3,771,412
77,975	11,116,630
\$ 104,947	\$ 14,888,042

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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, 2024

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

Net changes in fund balances - total governmental funds	\$ 3,771,412
Governmental funds report 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.	
Capital outlay	2,435,667
Depreciation expense	(777,406)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Court receivables	16,657
Property tax receivable	13,915
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	31,379
Accrued interest	(24,978)
Pension expense	(103,954)
OPEB - TMRS expense	(26,744)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
SBITA/Lease issuances	(219,859)
Bond issuance	(3,550,000)
Premium on bond issuance	(181,669)
Current year amortization of bond premiums	6,673
Principal payments	589,812
Change in Net Position of Governmental Activities	\$ 1,980,905

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2024

	Water & Sewer Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 12,676,952
Receivables, net	670,099
Inventory	197,983
Prepays	53,728
Total Current Assets	13,598,762
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	949,844
Net depreciable capital assets	10,826,958
Total Noncurrent Assets	11,776,802
Total Assets	25,375,564
<u>Deferred Outflows of Resources</u>	
Pension outflows	155,805
OPEB outflows	249
Total Deferred Outflows of Resources	156,054

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2024

	Water & Sewer Fund
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	\$ 287,032
Accrued interest	20,998
Unearned revenue	145,712
Due to other funds	542,584
Compensated absences - current	111,681
Long-term debt-current	1,271,433
Total Current Liabilities	2,379,440
<u>Noncurrent Liabilities</u>	
Compensated absences, noncurrent	12,409
Net pension liability	223,610
OPEB liability - TMRS	18,726
Long term debt-noncurrent	4,174,006
Total Liabilities	6,808,191
<u>Deferred Inflows of Resources</u>	
Pension inflows	8,414
OPEB inflows	4,401
Total Deferred Inflow of Resources	12,815
<u>Net Position</u>	
Net investment in capital assets	10,043,345
Unrestricted	8,667,267
Total Net Position	\$ 18,710,612

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Water & Sewer Fund
<u>Operating Revenues</u>	
Charges for services	\$ 6,974,514
Other revenue	58,094
Total Operating Revenues	7,032,608
<u>Operating Expenses</u>	
Personnel	1,970,151
Professional fees	182,007
Repairs/maintenance	598,259
Administration	436,061
Utilities	216,757
Management fees	289,039
Water reservation fees	1,522,466
Depreciation	972,902
Total Operating Expenses	6,187,642
Operating Income (Loss)	844,966
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	427,654
Bond issuance costs	(115,876)
Interest and amortization expense	(37,555)
Total Nonoperating Revenues (Expenses)	274,223
Change in Net Position	1,119,189
Beginning net position (as previously presented)	17,749,207
Restatement for GASB 87	(453)
Restatement for GASB 96	(25,721)
Correction to payables	(131,610)
Beginning net position (as adjusted)	17,591,423
Ending Net Position	\$ 18,710,612

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2024

	Water & Sewer Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 7,150,048
Payments to suppliers	(3,540,432)
Payments to employees	(1,957,087)
Net Cash Provided by (Used) by Operating Activities	1,652,529
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating transfers in	542,584
Net Cash Provided by (Used) by Noncapital Financing Activities	542,584
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(1,248,692)
Proceeds from capital debt	3,850,876
Principal paid on debt	(381,701)
Bond issuance costs paid	(115,876)
Interest paid on debt	(28,546)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,076,061
<u>Cash Flows from Investing Activities</u>	
Interest on investments	427,654
Net Cash Provided by Investing Activities	427,654
Net Increase (Decrease) in Cash and Cash Equivalents	4,698,828
Beginning cash and cash equivalents	7,978,124
Ending Cash and Cash Equivalents	\$ 12,676,952

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2024

	<u>Water & Sewer Fund</u>
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income / (Loss)	\$ 844,966
Adjustments to reconcile operating income / (loss) to net cash provided / (used):	
Depreciation	972,902
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	117,440
Inventory	21,226
Prepays	6,695
Deferred outflows of resources - pension	298,145
Deferred outflows of resources - OPEB	8,433
Deferred inflows of resources - OPEB	(11,687)
Deferred inflows of resources - pension	3,968
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(323,764)
Compensated absences	6,036
Net pension liability	(283,192)
OPEB liabilities	(8,639)
Net Cash Provided (Used) by Operating Activities	\$ 1,652,529
<u>Schedule of Noncash Capital and Related Financing Activities</u>	
SBITA debt issuance	\$ 140,924

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2024

	Employee Benefit Trust Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 10,611
Other receivables	1,959
Total Assets	12,570
<u>Liabilities</u>	
Accounts payable	
accrued liabilities	
Due to the general fund	1,959
Total Liabilities	1,959
<u>Net Position</u>	
Net position held in trust for employees	10,611
Total Net Position	10,611
Total Liabilities and Net Position	\$ 12,570

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2024

		Employee Benefit Trust Fund
<u>Additions:</u>		
Contributions from employees		\$ 35,929
	Total Additions	<u>\$ 35,929</u>
<u>Deductions:</u>		
Benefit payments		30,877
	Total Deductions	<u>30,877</u>
Increase (decrease) in net position		5,052
Net position, beginning of year		<u>5,559</u>
Net position, end of year		<u>\$ 10,611</u>

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Fair Oaks Ranch, Texas (the “City”) was incorporated on January 27, 1988, and operates under a Council-Manager form of government.

The City Council is the principal legislative and administrative body of the City.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: general government, streets, public safety, municipal court, public works, and water and wastewater services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Fair Oaks Municipal Development District (“MDD”), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Fair Oaks Ranch Municipal Development District ("MDD")

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

C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The City presents the following major governmental funds.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public safety, public works, public health, capital acquisition, and municipal court. The general fund is always considered a major fund for reporting purposes.

Strategic Projects Fund

The City's strategic projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Equipment Replacement Fund

The City's equipment replacement fund accounts for funds assigned for capital equipment additions.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Bond Capital Fund

The City's bond capital fund is a fund established to account for capital outlays financed by general obligation bond proceeds. Capital projects funded by general obligation bonds generally include large-scale infrastructure projects, such as building new or reconstructing existing roads.

The government reports the following nonmajor governmental funds:

Debt Service Fund

The debt service fund is used to account for debt service activities for governmental fund types.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB). The City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the operations that provide water and sewer services to the citizens of the City. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The government reports the following fiduciary fund types:

Fiduciary Fund

The City's fiduciary fund used to account for resources held in trust for employees to pay for employee medical expenses. Contributions into the fund come from the employees.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements, proprietary, and fiduciary statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances

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NOTES TO FINANCIAL STATEMENTS, *Continued*
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to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Machinery & equipment	5 - 10 years
Utility system in service	20 - 40 years
Infrastructure	5 - 40 years
Land improvements	5 - 10 years
Buildings and improvements	20 - 40 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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(revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and EMS revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes 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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
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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.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. 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.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental and proprietary funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and lease liabilities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Unearned revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue is carried as a liability until the revenue recognition criteria are met and the liability is relieved to revenue.

14. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense,

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDBF) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

17. Leases

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
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lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

18. Subscription Based Information Technology Arrangements (“SBITA”)

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (“SBITA”). When implementing GASB 96, the City records right to use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets will be included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities will accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and enterprise fund. 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. All annual budget appropriations lapse at fiscal year end.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2024, the primary government had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	\$ 10,774,517	0.08
External investment pool - TexasCLASS	\$ 15,878,095	0.10
Total	<u>\$ 26,652,612</u>	
Portfolio weighted average maturity		0.09

As of September 30, 2024, the component unit had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	\$ 1,012,848	0.07
External investment pool - TexasCLASS	2,180,457	0.10
Total	<u>\$ 3,193,305</u>	
Portfolio weighted average maturity		0.08

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its operating investment portfolio to less than 13 months. The City’s investment portfolio policy limits the final stated maturity of any security to no more than two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

City of Fair Oaks Ranch, Texas

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Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments 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 the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

TexasCLASS

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS Government seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Texas CLASS Government is rated 'AAAM' by S&P Global Ratings. There were no limitations or restrictions on withdrawals.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water & Sewer	Total
Property taxes	\$ 176,284	\$ 14,538	\$ -	\$ 190,822
Sales tax	273,906	-	-	273,906
Franchise & local taxes	174,521	-	-	174,521
Court	449,517	-	-	449,517
Other	939	-	-	939
Accounts	141	-	690,647	690,788
Allowance	(224,759)	-	(20,548)	(245,307)
	<u>\$ 850,549</u>	<u>\$ 14,538</u>	<u>\$ 670,099</u>	<u>\$ 1,535,186</u>

C. Inventory

The following comprise the inventory balances of the primary government at year end:

Inventory type	Cost
Water Department	\$ 197,983
Total	<u>\$ 197,983</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land and improvements	\$ 116,798	\$ -	\$ -	\$ 116,798
Construction in progress	768,198	1,397,076	-	2,165,274
Total capital assets not being depreciated	<u>884,996</u>	<u>1,397,076</u>	<u>-</u>	<u>2,282,072</u>
Capital assets, being depreciated:				
Buildings and improvements	4,037,291	-	-	4,037,291
Vehicles and equipment	2,563,109	721,582	(38,229)	3,246,462
Infrastructure	10,148,595	97,151	-	10,245,746
Right-of-use assets - leases	96,555	17,092	-	113,647
Right-of-use assets - SBITA	44,394	202,766	-	247,160
Total capital assets being depreciated	<u>16,889,944</u>	<u>1,038,591</u>	<u>(38,229)</u>	<u>17,890,306</u>
Less accumulated depreciation				
Buildings and improvements	(1,554,036)	(102,942)	-	(1,656,978)
Vehicles and equipment	(1,731,015)	(309,410)	38,229	(2,002,196)
Infrastructure	(2,189,589)	(252,868)	-	(2,442,457)
Right-of-use assets - leases	(46,910)	(25,080)	-	(71,990)
Right-of-use assets - SBITA	(10,268)	(87,106)	-	(97,374)
Total accumulated depreciation	<u>(5,531,818)</u>	<u>(777,406)</u>	<u>38,229</u>	<u>(6,270,995)</u>
Net capital assets being depreciated	11,358,126	261,185	-	11,619,311
Total Capital Assets	<u><u>\$ 12,243,122</u></u>	<u><u>\$ 1,658,261</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,901,383</u></u>

Depreciation was charged to governmental functions as follows:

Administration	\$ 91,962
Public safety	233,824
Information technology	71,165
Public works	380,455
Total Governmental Activities Depreciation Expense	<u><u>\$ 777,406</u></u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Construction in progress	1,649,487	527,861	(1,281,104)	896,244
Total capital assets not being depreciated	<u>1,703,087</u>	<u>527,861</u>	<u>(1,281,104)</u>	<u>949,844</u>
Capital assets, being depreciated:				
Infrastructure	19,453,243	287,352	1,262,963	21,003,558
Vehicles and equipment	1,306,453	451,619	-	1,758,072
Right-of-use assets - leases	15,463	-	-	15,463
Right-of-use assets - SBITA	44,394	140,925	-	185,319
Total capital assets being depreciated	<u>20,819,553</u>	<u>879,896</u>	<u>1,262,963</u>	<u>22,962,412</u>
Less accumulated depreciation				
Infrastructure	(10,334,985)	(773,640)	-	(11,108,625)
Vehicles and equipment	(811,600)	(134,177)	-	(945,777)
Right-of-use assets - leases	(5,699)	(3,073)	-	(8,772)
Right-of-use assets - SBITA	(10,268)	(62,012)	-	(72,280)
Total accumulated depreciation	<u>(11,162,552)</u>	<u>(972,902)</u>	<u>-</u>	<u>(12,135,454)</u>
Net capital assets being depreciated	<u>9,657,001</u>	<u>(93,006)</u>	<u>1,262,963</u>	<u>10,826,958</u>
Total Capital Assets	<u><u>\$ 11,360,088</u></u>	<u><u>\$ 434,855</u></u>	<u><u>\$ (18,141)</u></u>	<u><u>\$ 11,776,802</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 631,889
Wastewater	341,013
Total Business-type Activities Depreciation Expense	<u><u>\$ 972,902</u></u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. The City uses the enterprise fund to liquidate business-type activities debts.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization/ Payments</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 3,525,000	\$ 3,550,000	\$ (470,000)	\$ 6,605,000	\$ 785,000
Less deferred amounts:					
For issuance premiums	46,706	181,669	(6,673)	221,702	-
Other liabilities:					
SBITA liabilities	30,122	202,767	(95,160)	137,729	96,551
Lease liabilities	51,757	17,092	(24,652)	44,197	23,646
Total Governmental					
Activities	<u>\$ 3,653,585</u>	<u>\$ 3,951,528</u>	<u>\$ (596,485)</u>	<u>\$ 7,008,628</u>	<u>\$ 905,197</u>
Long-term liabilities due in more than one year				<u>\$ 6,103,431</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
Certificates of obligation	\$ 1,795,000	\$ 3,705,000	\$ (320,000)	\$ 5,180,000	\$ 1,205,000
Less deferred amounts:					
For issuance premiums	-	145,876	-	145,876	-
Other liabilities:					
SBITA liabilities	30,122	140,924	(58,663)	112,383	63,231
Lease liabilities	10,218	-	(3,038)	7,180	3,202
Total Business-Type					
Activities	<u>\$ 1,835,340</u>	<u>\$ 3,991,800</u>	<u>\$ (381,701)</u>	<u>\$ 5,445,439</u>	<u>\$ 1,271,433</u>
Long-term liabilities due in more than one year				<u>\$ 4,174,006</u>	

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities
General Obligation Bonds:		
\$7,000,000 General Obligation Refunding Bond, Series 2015, due in annual installments through 2030, interest at 1% to 3%	\$ 3,055,000	\$ -
\$3,550,000 General Obligation Refunding Bond, Series 2024, due in installments through 2044, interest at 4% to 5%	3,550,000	-
Total General Obligation Bonds	\$ 6,605,000	\$ -
Certificates of Obligation:		
\$2,660,000 Certificates of Obligation, Series 2020, due in annual installments through 2029, interest at 1.01%	\$ -	\$ 1,475,000
\$3,705,000 Certificates of Obligation, Series 2023, due in installments through 2044, interest at 4% to 5%	-	3,705,000
Total Certificates of Obligation	\$ -	\$ 5,180,000
Plus Deferred Amounts:		
Issuance premium	\$ 221,702	\$ 145,876
Total Deferred Amounts	\$ 221,702	\$ 145,876
SBITA Liabilities:		
\$247,161 software subscriptions (10 in total), due in installments through 2028, interest at 3.98% to 4.92%	\$ 137,729	\$ -
\$185,318 software subscriptions (7 in total), due in installments through 2028, interest at 3.98% to 4.92%	-	112,383
Total SBITA Liabilities	\$ 137,729	\$ 112,383
Lease Liabilities:		
\$104,630 lease payables for office equipment, due in annual installments through 2027, interest at 4.92% to 5.25%	44,197	7,180
Total Lease Liabilities	\$ 44,197	\$ 7,180
Total Long-term Liabilities	\$ 7,008,628	\$ 5,445,439

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Lease & SBITA Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 785,000	\$ 207,391	\$ 120,197	\$ 8,243
2026	600,000	198,450	35,128	2,511
2027	615,000	180,450	15,488	997
2028	635,000	167,887	11,113	479
2029	655,000	142,700	-	-
2030-2034	1,275,000	504,025	-	-
2035-2039	920,000	319,000	-	-
2040-2044	1,120,000	115,600	-	-
	<u>\$ 6,605,000</u>	<u>\$ 1,835,503</u>	<u>\$ 181,926</u>	<u>\$ 12,230</u>

The City entered into General Obligation Bonds, Series 2024 in the current year. The bonds will be paid annually through February 1, 2044 and bear an interest rate ranging from 4% to 5%. The unpaid balance as of September 30, 2024 is \$3,550,000.

The City entered into multiple equipment lease agreements (GASB 87 and 96) under governmental activities in the current year. The lease agreements were for office equipment and software licenses. The lease agreements will be fully paid off in 2028. The current book value of the leases were \$191,443 as of September 30, 2024.

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		Lease & SBIA Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 1,205,000	\$ 144,110	\$ 66,433	\$ 5,194
2026	510,000	128,099	17,775	2,102
2027	520,000	115,416	16,285	1,287
2028	390,000	105,933	19,070	661
2029	215,000	100,683	-	-
2030-2034	625,000	417,550	-	-
2035-2039	770,000	269,000	-	-
2040-2044	945,000	97,700	-	-
	<u>\$ 5,180,000</u>	<u>\$ 1,378,491</u>	<u>\$ 119,563</u>	<u>\$ 9,244</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The City entered into multiple lease agreements (GASB 87 and 96) under business-type activities in the current year. The lease agreements were for office equipment and software licenses. The lease agreements will be fully paid off in 2028. The current book value of the leases were \$119,730 as of September 30, 2024.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended September 30, 2024. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 341,255	\$ 275,751	\$ (307,130)	\$ 309,876	\$ 278,888
Total Governmental Activities	<u>\$ 341,255</u>	<u>\$ 275,751</u>	<u>\$ (307,130)</u>	<u>\$ 309,876</u>	<u>\$ 278,888</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 30,988</u>	
Business-Type Activities:					
Compensated Absences	\$ 118,054	\$ 112,285	\$ (106,249)	\$ 124,090	\$ 111,681
Total Business-Type Activities	<u>\$ 118,054</u>	<u>\$ 112,285</u>	<u>\$ (106,249)</u>	<u>\$ 124,090</u>	<u>\$ 111,681</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 12,409</u>	

G. Unearned revenue

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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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, 2024. 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.

H. Interfund Transactions

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and reallocation of pension expenses.

Transfer Out:	Transfer In:		
	Strategic Projects	Equip. Replacement	Total
General	\$ 813,526	\$ 79,691	\$ 893,217
	<u>\$ 813,526</u>	<u>\$ 79,691</u>	<u>\$ 893,217</u>

The composition of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

Due to (payable fund):	Due from (receivable fund):		
	Strategic Projects	Equip. Replacement	Total
General	\$ 2,696,158	\$ -	\$ 2,696,158
Water & sewer	531,914	10,670	542,584
	<u>\$ 3,228,072</u>	<u>\$ 10,670</u>	<u>\$ 3,238,742</u>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

The composition of amounts owed to/from the primary government to the component unit as of September 30, 2024 were as follows:

Payable fund:	Receivable fund:
	General Fund
Fair Oaks Ranch MDD	\$ 868
	<u>\$ 868</u>

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The composition of amounts owed to/from the primary government to the fiduciary fund as of September 30, 2024 were as follows:

<u>Payable fund:</u>	<u>Receivable fund:</u>
	<u>General Fund</u>
Employee Benefit Trust	\$ 1,959
	<u>\$ 1,959</u>

I. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restrictions and assignments of fund balances for the City:

	<u>Restricted</u>	<u>Assigned</u>
Special revenue:		-
Municipal court & forfeitures	\$ 106,009 *	\$ -
PEG fees	4,319 *	-
Public safety	20,239 *	-
Bond capital	3,596,650	-
Debt service	104,947	-
Strategic expenditures	-	2,297,490
Capital equipment	-	1,220,166
Legal and tree mitigation reserve	-	199,600
Six month operating reserve	-	4,688,118
Total	<u>\$ 3,832,164</u>	<u>\$ 8,405,374</u>

* Restricted by enabling legislation.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2024

the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The City corrects billing errors when identified. The City then assesses the impact of prior billings to determine whether any refunds or further billings are appropriate. Liabilities for any prior billing errors are recorded if and when known and probable, and calculable.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Defined Benefit Pension Plans

1. Plan Description

The City of Fair Oaks Ranch, Texas participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. 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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	60
Active employees	74
Total	159

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Fair Oaks Ranch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Fair Oaks Ranch were 11.72% and 12.23% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$665,807, and were equal to the required contributions.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2024

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 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 to 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

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Real Return	12.0%	8.0%
Real Estate	12.0%	7.6%
Absolute Return	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

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 employee 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 employees. 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.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/22	\$ 13,312,437	\$ 11,188,510	\$ 2,123,927
Changes for the year:			
Service Cost	915,043	-	915,043
Interest (on the Total Pension Liab.)	914,291	-	914,291
Change in assumptions	(75,520)	-	(75,520)
Difference between expected and actual experience	(50,180)	-	(50,180)
Contributions – employer	-	630,101	(630,101)
Contributions – employee	-	376,340	(376,340)
Net investment income	-	1,301,500	(1,301,500)
Benefit payments, including refunds of emp. contributions	(449,807)	(449,807)	-
Administrative expense	-	(8,238)	8,238
Other changes	-	(58)	58
Net changes	1,253,827	1,849,838	(596,011)
Balance at 12/31/23	<u>\$ 14,566,264</u>	<u>\$ 13,038,348</u>	<u>\$ 1,527,916</u>

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,040,854	\$ 1,527,916	\$ (481,486)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

5. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the City recognized pension expense of \$788,687.

At September 30, 2024, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ 277,823	\$ -
Changes in assumptions	-	(57,491)
Difference between projected and investment earnings	267,066	-
Contributions subsequent to the measurement date	519,718	-
Total	\$ 1,064,607	\$ (57,491)

The City reported \$519,718 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2024	\$ 197,899
2025	188,622
2026	227,696
2027	(126,819)
2028	-
Thereafter	-
	\$ 487,398

E. Postemployment Benefits Other Than Pensions

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

(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 employees. The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. 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.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	10
Active employees	74
Total	101

The City's retiree contribution rates to the TMRS SDBF for the years ended 2024, 2023 and 2022 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.04%	0.04%	100.0%
2023	0.04%	0.04%	100.0%
2024	0.04%	0.04%	100.0%

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The City's contributions to the TMRS SDBF for retirees for the years ended 2024 and 2023, were \$2,198 and \$2,148, respectively, which equaled the required contributions each year.

Total OPEB Liability – Supplemental Death Benefits Insurance Fund

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77%
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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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 3.77%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease (2.77%)	Current Single Rate Assumption 3.77%	1% Increase (4.77%)
\$ 153,996	\$ 127,954	\$ 107,634

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/22	\$ 111,081
Changes for the year:	
Service Cost	11,828
Interest	4,695
Difference between expected and actual experience	(3,754)
Changes of assumptions	6,255
Benefit payments	(2,151)
Net changes	16,873
Balance at 12/31/23	\$ 127,954

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$12,803.

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

At September 30, 2024, the City reported deferred outflows and inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (8,077)
Changes in assumptions	-	(21,994)
Contributions subsequent to measurement date	1,700	-
Total	\$ 1,700	\$ (30,071)

The City reported \$1,700 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2024	\$	(4,288)
2025		(4,275)
2026		(5,304)
2027		(7,867)
2028		(8,697)
Thereafter		360
	\$	(30,071)

City of Fair Oaks Ranch, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

G. Restatement

Due to accounting corrections and the full implementation of GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and the water and sewer fund. The restatements were as follows:

	Governmental Activities	Business-Type Activities	Water & Sewer Fund
Prior year ending net position/fund balance, as reported	\$ 19,202,296	17,749,207	\$ 17,749,207
Corrections to capital assets	113,746	-	-
Adoption of GASB 87 (lessee)	749	(453)	(453)
Adoption of GASB 96	(21,402)	(25,721)	(25,721)
Corrections to payables	-	(131,610)	(131,610)
Restated beginning net position/fund balance	<u>\$ 19,295,389</u>	<u>\$ 17,591,423</u>	<u>\$ 17,591,423</u>

H. Subsequent Events

There were no material subsequent events through March 11, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Property tax	\$ 6,600,557	\$ 6,600,557	\$ 6,813,962	\$ 213,405
Sales tax	1,700,071	1,700,071	1,817,285	117,214
Franchise and local taxes	740,685	740,685	743,231	2,546
License and permits	209,075	209,075	232,138	23,063
Animal control	1,135	1,135	2,384	1,249
Utility management fee	210,003	210,003	289,039	79,036
Contributions and donations	103,600	103,600	141,826	38,226
Other fees and services	68,050	68,050	230,181	162,131
Fines and forfeitures	176,465	176,465	191,584	15,119
Investment income	450,000	450,000	683,555	233,555
Other revenue	133,926	133,926	138,785	4,859
Total Revenues	<u>10,393,567</u>	<u>10,393,567</u>	<u>11,283,970</u>	<u>890,403</u>
<u>Expenditures</u>				
Current:				
Mayor & council	30,100	30,100	6,500	23,600
City administration	718,468	718,657	630,873	87,784
City secretary	282,088	282,852	270,071	12,781
Human resources & communication	268,107	268,107	255,147	12,960
Finance	380,333	380,333	338,347	41,986
Information technology	417,648	434,894	298,154	136,740
Municipal court	251,974	297,690	268,049	29,641
Public safety	4,081,518	4,101,551	3,909,349	192,202
Public works	927,712	957,656	881,595	76,061
Building codes and permits	330,152	331,285	267,900	63,385
Engineering & planning	1,501,604	1,552,602	1,360,991	191,611
Nondepartmental	277,819	225,066	162,682	62,384
Debt service:				
Principal	119,812	119,812	119,812	-
Interest and fiscal charges	7,671	7,671	10,418	(2,747)
Capital outlay	514,111	712,258	790,542	(78,284)
Total Expenditures	<u>10,109,117</u>	<u>10,420,534</u>	<u>9,570,430</u>	<u>850,104</u>
Revenues Over (Under)				
Expenditures	<u>284,450</u>	<u>\$ (26,967)</u>	<u>\$ 1,713,540</u>	<u>\$ 1,740,507</u>

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND
For the Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	\$ (842,971)	\$ (842,971)	\$ (893,217)	\$ (50,246)
Issuances of debt	-	-	219,859	219,859
Total Other Financing Sources				
(Uses)	<u>(842,971)</u>	<u>(842,971)</u>	<u>(673,358)</u>	<u>169,613</u>
Net Change in Fund Balance	<u><u>(558,521)</u></u>	<u><u>\$ (869,938)</u></u>	<u>1,040,182</u>	<u>\$ 1,910,120</u>
Beginning fund balance			<u>6,628,607</u>	
Ending Fund Balance			<u><u>\$ 7,668,789</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
For the Year Ended September 30, 2024

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	41,945	79,691	37,746
Total Other Financing Sources (Uses)	<u>41,945</u>	<u>79,691</u>	<u>37,746</u>
Net Change in Fund Balance	<u>\$ 41,945</u>	79,691	<u>\$ 37,746</u>
Beginning fund balance		1,140,475	
Ending Fund Balance		<u>\$ 1,220,166</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 915,043	\$ 836,697	\$ 747,891	\$ 687,662
Interest (on the Total Pension Liability)	914,291	796,374	700,139	618,696
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(50,180)	433,116	186,130	100,676
Changes of assumptions	(75,520)	-	-	-
Benefit payments, including refunds of participant contributions	(449,807)	(267,066)	(238,666)	(222,498)
Net change in total pension liability	1,253,827	1,799,121	1,395,494	1,184,536
Total pension liability - beginning	13,312,437	11,513,316	10,117,822	8,933,286
Total pension liability - ending (a)	\$ 14,566,264	\$ 13,312,437	\$ 11,513,316	\$ 10,117,822
Plan fiduciary net position				
Contributions - employer	630,101	571,343	499,891	464,390
Contributions - members	376,340	342,708	302,440	277,603
Net investment income	1,301,500	(833,252)	1,250,635	640,072
Benefit payments, including refunds of participant contributions	(449,807)	(267,066)	(238,666)	(222,498)
Administrative expenses	(8,238)	(7,184)	(5,769)	(4,131)
Other	(58)	8,572	40	(161)
Net change in plan fiduciary net position	1,849,838	(184,879)	1,808,571	1,155,275
Plan fiduciary net position - beginning	11,188,510	11,373,389	9,564,818	8,409,543
Plan fiduciary net position - ending (b)	\$ 13,038,348	\$ 11,188,510	\$ 11,373,389	\$ 9,564,818
Fund's net pension liability - ending (a) - (b)	\$ 1,527,916	\$ 2,123,927	\$ 139,927	\$ 553,004
Plan fiduciary net position as a percentage of the total pension liability	89.51%	84.05%	98.78%	94.53%
Covered payroll	\$ 5,376,281	\$ 4,895,830	\$ 4,320,572	\$ 3,965,754
Fund's net position as a percentage of covered payroll	28.42%	43.38%	3.24%	13.94%

Notes to schedule:

2019		2018		2017		2016		2015		2014		1
\$	648,430	\$	577,241	\$	483,263	\$	415,604	\$	372,932	\$	314,855	
	550,195		478,426		428,795		377,577		347,674		303,986	
	-		-		-		-		-		-	
	(79,808)		86,113		(101,894)		47,016		(72,739)		66,156	
	51,465		-		-		-		51,102		-	
	(127,623)		(100,655)		(143,110)		(87,360)		(99,327)		(80,511)	
	1,042,659		1,041,125		667,054		752,837		599,642		604,486	
	7,890,627		6,849,502		6,182,448		5,429,611		4,829,969		4,225,483	
\$	8,933,286	\$	7,890,627	\$	6,849,502	\$	6,182,448	\$	5,429,611	\$	4,829,969	
	437,261		400,446	\$	318,292	\$	276,800	\$	265,412	\$	234,399	
	261,163		232,624		194,528		172,450		158,118		143,051	
	1,052,635		(193,745)		742,178		316,200		6,418		219,419	
	(127,623)		(100,655)		(143,110)		(87,360)		(99,327)		(80,511)	
	(5,933)		(3,738)		(3,841)		(3,568)		(3,909)		(2,290)	
	(178)		(195)		(195)		(192)		(193)		(188)	
	1,617,325		334,737		1,107,852		674,330		326,519		513,880	
	6,792,218		6,457,481		5,349,629		4,675,299		4,348,780		3,834,900	
\$	8,409,543	\$	6,792,218	\$	6,457,481	\$	5,349,629	\$	4,675,299	\$	4,348,780	
\$	523,743	\$	1,098,409	\$	392,021	\$	832,819	\$	754,312	\$	481,189	
	94.14%		86.08%		94.28%		86.53%		86.11%		90.04%	
\$	3,730,898	\$	3,323,206	\$	2,778,969	\$	2,463,571	\$	2,258,825	\$	2,043,586	
	14.04%		33.05%		14.11%		33.81%		33.39%		23.55%	

City of Fair Oaks Ranch, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Actuarially determined employer contributions	\$ 665,807	\$ 628,870	\$ 568,318	\$ 490,444
Contributions in relation to the actuarially determined contribution	\$ 665,807	\$ 628,870	\$ 568,318	\$ 490,444
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,496,024	\$ 5,371,078	\$ 4,880,414	\$ 4,045,825
Employer contributions as a percentage of covered payroll	12.11%	11.71%	11.64%	12.12%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes Adopted restricted prior service credit.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 479,231	\$ 427,169	\$ 375,269	\$ 306,515	\$ 272,041	\$ 238,287
<u>\$ 479,231</u>	<u>\$ 427,169</u>	<u>\$ 375,269</u>	<u>\$ 306,515</u>	<u>\$ 272,041</u>	<u>\$ 238,287</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,091,573	\$ 3,616,851	\$ 3,150,696	\$ 2,689,459	\$ 2,387,202	\$ 2,103,123
11.71%	11.81%	11.91%	11.40%	11.40%	11.33%

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years ended December 31,

	2023	2022	2021
Total OPEB liability			
Service cost	\$ 11,828	\$ 13,219	\$ 13,826
Interest (on the OPEB Liability)	4,695	3,106	2,913
Differences between expected and actual experience	(3,754)	(3,252)	2,905
Changes of assumptions	6,255	(63,202)	5,642
Benefit payments, including refunds of participant contributions	(2,151)	(1,958)	(1,728)
Net changes	<u>16,873</u>	<u>(52,087)</u>	<u>23,558</u>
Total OPEB liability - beginning	<u>111,081</u>	<u>163,168</u>	<u>139,610</u>
Total OPEB liability - ending	<u><u>\$ 127,954</u></u>	<u><u>\$ 111,081</u></u>	<u><u>\$ 163,168</u></u>
 Covered payroll	 \$ 5,376,281	 \$ 4,895,830	 \$ 4,320,572
Total OPEB Liability as a percentage of	2.38%	2.27%	3.78%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

	2020		2019		2018		2017	¹
\$	10,311	\$	7,462	\$	7,311	\$	5,280	
	3,233		3,385		2,830		2,653	
	(6,486)		(5,875)		2,643		-	
	20,334		20,311		(6,763)		6,688	
	(397)		(373)		(332)		(278)	
	26,995		24,910		5,689		14,343	
	112,615		87,705		82,016		67,673	
\$	139,610	\$	112,615	\$	87,705	\$	82,016	²
\$	3,965,754	\$	3,730,898	\$	3,323,206	\$	2,778,969	
	3.52%		3.02%		2.64%		2.95%	

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 545,997	\$ 562,936	\$ 16,939
Investment income	3,500	17,599	14,099
Total Revenues	<u>549,497</u>	<u>580,535</u>	<u>31,038</u>
<u>Expenditures</u>			
Debt service:			
Principal	470,000	470,000	-
Interest and fiscal charges	83,563	83,563	-
Total Expenditures	<u>553,563</u>	<u>553,563</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ (4,066)</u>	<u>\$ 26,972</u>	<u>\$ 31,038</u>
Net Change in Fund Balance	<u>\$ (4,066)</u>	<u>26,972</u>	<u>\$ 31,038</u>
Beginning fund balance		77,975	
Ending Fund Balance		<u>\$ 104,947</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Fair Oaks Ranch, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STRATEGIC PROJECTS FUND
For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures</u>				
Capital outlay	\$ 1,069,064	\$ 4,068,601	\$ 1,785,609	\$ 2,282,992
Total Expenditures	<u>1,069,064</u>	<u>4,068,601</u>	<u>1,785,609</u>	<u>2,282,992</u>
Revenues Over (Under)				
Expenditures	<u>\$ (1,069,064)</u>	<u>\$ (4,068,601)</u>	<u>\$ (1,785,609)</u>	<u>\$ 2,282,992</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	<u>813,526</u>	<u>813,526</u>	<u>813,526</u>	<u>-</u>
Total Other Financing Sources	<u>813,526</u>	<u>813,526</u>	<u>813,526</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (255,538)</u>	<u>\$ (3,255,075)</u>	<u>(972,083)</u>	<u>\$ 2,282,992</u>
Beginning fund balance			<u>3,269,573</u>	
Ending Fund Balance			<u><u>\$ 2,297,490</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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STATISTICAL SECTION

This part of the City's annual comprehensive financial report presents 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	Page
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Financial Trends	94
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	106
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	114
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These schedules 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	122
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	126
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Fair Oaks Ranch, Texas

NET POSITIONS BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2015*	2016	2017	2018**
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 4,103,711	\$ 6,606,072	\$ 6,898,385	\$ 7,334,582
Restricted	66,909	77,162	76,346	95,553
Unrestricted	3,798,804	2,089,120	2,714,487	3,277,879
Total governmental activities net position	\$ 7,969,424	\$ 8,772,354	\$ 9,689,218	\$ 10,708,014
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 6,751,803	\$ 6,667,928	\$ 8,682,584	\$ 8,464,020
Unrestricted	475,381	5,372,865	4,474,678	5,448,975
Total business-type activities net position	\$ 11,505,614	\$ 12,040,793	\$ 13,157,262	\$ 13,912,995
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 10,855,514	\$ 13,274,000	\$ 15,580,969	\$ 15,798,602
Restricted	66,909	77,162	76,346	95,553
Unrestricted	8,552,615	7,461,985	7,189,165	8,726,854
Total primary government net position	\$ 19,475,038	\$ 20,813,147	\$ 22,846,480	\$ 24,621,009

Source: The data in this schedule is extracted from the City's audited financial statements.

*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.

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 7,576,143	\$ 7,523,360	\$ 7,647,912	\$ 8,025,653	\$ 8,589,537	\$ 9,594,671
108,461	132,938	153,339	166,961	192,536	235,514
<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>11,446,109</u>
<u>\$ 12,813,049</u>	<u>\$ 14,368,305</u>	<u>\$ 16,470,501</u>	<u>\$ 19,015,987</u>	<u>\$ 19,295,389</u>	<u>\$ 21,276,294</u>
\$ 8,466,058	\$ 8,307,519	\$ 8,081,383	\$ 8,572,922	\$ 9,524,748	\$ 10,043,345
<u>5,686,797</u>	<u>6,316,241</u>	<u>7,353,325</u>	<u>8,754,416</u>	<u>8,066,675</u>	<u>8,667,267</u>
<u>\$ 14,152,855</u>	<u>\$ 14,623,760</u>	<u>\$ 15,434,708</u>	<u>\$ 17,327,338</u>	<u>\$ 17,591,423</u>	<u>\$ 18,710,612</u>
\$ 16,042,201	\$ 15,830,879	\$ 15,729,295	\$ 16,598,575	\$ 18,114,285	\$ 19,638,016
108,461	132,938	153,339	166,961	192,536	235,514
<u>10,815,242</u>	<u>13,028,248</u>	<u>16,022,575</u>	<u>19,577,789</u>	<u>18,579,991</u>	<u>20,113,376</u>
<u>\$ 26,965,904</u>	<u>\$ 28,992,065</u>	<u>\$ 31,905,209</u>	<u>\$ 36,343,325</u>	<u>\$ 36,886,812</u>	<u>\$ 39,986,906</u>

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 1 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

EXPENSES	2015*	2016	2017	2018**
Governmental Activities				
City administration	\$ 1,796,709	\$ 950,918	\$ 1,431,472	\$ 1,499,717
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal Court	81,316	86,288	92,032	131,153
Public safety	1,735,259	2,017,858	2,124,882	2,394,097
Public health/emergency	293,092	307,665	299,734	322,918
Engineering and planning	-	-	-	-
Building codes	161,821	179,577	177,495	198,266
Public works	869,328	869,215	982,474	992,400
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture/recreation/other	33,233	57,833	44,896	89,710
Interest on long term debt	136,008	153,011	119,880	114,211
Total governmental activities expenses	5,106,766	4,622,365	5,272,865	5,742,472
Business-Type Activities				
Water/sewer utility	3,352,439	3,933,872	3,846,778	4,215,641
Total business-type activities expenses	3,352,439	3,933,872	3,846,778	4,215,641
Total primary government expenses	8,459,205	8,556,237	9,119,643	9,958,113
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
City administration	171,929	177,050	201,334	215,959
Municipal court	158,352	161,818	129,260	126,152
Public safety	9,034	9,448	3,715	10,026
Public health/emergency	5,245	5,711	2,500	2,415
Building codes	298,806	314,738	274,079	228,715
Operating grants and contributions	2,149	-	13,295	51,102
Capital grants and contributions	-	-	-	15,908
Total governmental activities program revenues	645,515	668,765	624,183	650,277
Business-Type Activities				
Charges for services:				
Water/sewer utility	4,454,644	4,463,303	4,930,347	4,908,925
Total primary government program revenues	\$ 5,100,159	\$ 5,132,068	\$ 5,554,530	\$ 5,559,202

Source: The data in this schedule is extracted from the City's audited financial statements.

*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.

2019	2020	2021	2022	2023	2024
\$ 682,316	\$ 1,235,258	\$ 711,344	\$ 1,121,778	\$ 617,620	\$ 893,391
11,381	23,568	4,774	7,268	7,643	2,899
153,944	159,376	230,348	197,308	277,612	273,114
114,659	168,794	220,869	168,913	228,388	258,298
271,247	339,295	322,851	292,851	341,093	342,958
161,422	184,553	192,956	206,843	256,851	270,852
2,915,589	3,001,619	3,161,031	3,456,846	4,147,473	4,179,786
-	-	-	-	-	-
270,309	718,380	976,254	1,493,654	1,529,149	1,369,461
241,097	248,414	253,665	273,015	280,890	270,819
740,477	870,398	922,990	920,678	2,366,969	1,433,859
-	-	394,288	403,168	391,185	371,430
301,984	459,298	251,462	252,706	571,619	-
-	-	-	-	-	-
109,849	-	-	-	113,242	258,955
5,974,274	7,408,953	7,642,832	8,795,028	11,129,734	9,925,822
4,746,849	5,418,730	4,873,487	5,904,286	6,235,130	6,341,073
4,746,849	5,418,730	4,873,487	5,904,286	6,235,130	6,341,073
10,721,123	12,827,683	12,516,319	14,699,314	17,364,864	16,266,895
237,193	297,808	274,550	317,083	297,356	519,220
137,176	101,409	139,753	301,655	289,055	208,241
6,845	5,410	1,350	930	1,415	2,384
-	-	-	-	-	-
253,815	405,231	499,547	348,333	241,674	232,138
15,579	3,728	190,841	1,283,952	379,340	141,826
-	-	-	-	-	-
650,608	813,586	1,106,041	2,251,953	1,208,840	1,103,809
4,875,781	5,839,886	5,681,369	6,497,720	6,165,245	6,974,514
\$ 5,526,389	\$ 6,653,472	\$ 6,787,410	\$ 8,749,673	\$ 7,374,085	\$ 8,078,323

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 2 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2015*	2016	2017	2018**
Net (Expense) Revenues				
Governmental Activities	\$ (4,461,251)	\$ (3,953,600)	\$ (4,648,682)	\$ (5,092,195)
Business-type activities	1,102,205	529,431	1,083,569	693,284
Total primary government net expenses	<u>(3,359,046)</u>	<u>(3,424,169)</u>	<u>(3,565,113)</u>	<u>(4,398,911)</u>
Government Revenues and Other				
Changes in net position				
Governmental Activities				
Taxes				
Property Taxes	2,823,221	3,587,677	4,264,687	4,712,247
Non-property taxes	1,028,559	1,109,048	1,192,774	1,328,220
Investment income	25,359	38,950	56,545	94,557
Gain on sale of capital assets	-	-	23,874	16,452
Miscellaneous	18,130	20,855	27,666	11,402
Transfers	-	-	-	-
Total governmental activities	<u>3,895,269</u>	<u>4,756,530</u>	<u>5,565,546</u>	<u>6,162,878</u>
Business Type Activities				
Investment income	4,177	5,748	32,900	78,236
Transfers	-	-	-	-
Other income (loss)	-	-	-	-
Total business-type activities	<u>4,177</u>	<u>5,748</u>	<u>32,900</u>	<u>78,236</u>
Total primary government	<u>3,899,446</u>	<u>4,762,278</u>	<u>5,598,446</u>	<u>6,241,114</u>
Changes in Net Position				
Government activities	(565,982)	802,930	916,864	1,070,683
Business-type activities	<u>1,106,382</u>	<u>535,179</u>	<u>1,116,469</u>	<u>771,520</u>
Total primary government	<u>\$ 540,400</u>	<u>\$ 1,338,109</u>	<u>\$ 2,033,333</u>	<u>\$ 1,842,203</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

*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.

2019	2020	2021	2022	2023	2024
\$ (5,323,666)	\$ (6,595,367)	\$ (6,536,791)	\$ (6,543,075)	\$ (9,920,894)	\$ (8,822,013)
128,932	421,156	807,882	1,837,567	(69,885)	633,441
(5,194,734)	(6,174,211)	(5,728,909)	(4,705,508)	(9,990,779)	(8,188,572)
5,742,831	6,202,561	6,482,238	6,614,489	7,062,241	7,390,813
1,496,073	1,796,558	2,112,076	2,365,342	2,432,520	2,560,516
150,030	72,151	4,345	80,336	581,995	712,804
20,206	12,534	19,848	674	16,931	-
9,711	66,819	20,480	27,720	133,907	138,785
9,850	-	-	-	-	-
7,428,701	8,150,623	8,638,987	9,088,561	10,227,594	10,802,918
120,778	49,749	3,066	55,063	358,595	427,654
(9,850)	-	-	-	-	-
-	-	-	-	(9,806)	58,094
110,928	49,749	3,066	55,063	348,789	485,748
7,539,629	8,200,372	8,642,053	9,143,624	10,576,383	11,288,666
2,105,035	1,555,256	2,102,196	2,545,486	306,700	1,980,905
239,860	470,905	810,948	1,892,630	278,904	1,119,189
\$ 2,344,895	\$ 2,026,161	\$ 2,913,144	\$ 4,438,116	\$ 585,604	\$ 3,100,094

City of Fair Oaks Ranch, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Nonspendable Fund Balance:				
Prepaid items	\$ 43,625	\$ 14,563	\$ 19,281	\$ 54,260
Restricted Fund Balance:				
Court technology	14,802	14,047	11,535	15,700
Court security	47,270	49,816	51,473	52,996
Court efficiency	140	140	292	333
Felony forfeiture	378	378	378	5,514
Other court restrictions	-	-	-	-
PEG fees	4,319	4,319	4,319	4,319
Public safety	-	-	1,104	8,087
Debt service	-	8,462	7,245	8,604
Capital projects	6,919,193	6,252,941	2,319,870	456,345
Total restricted fund balance	<u>6,986,102</u>	<u>6,330,103</u>	<u>2,396,216</u>	<u>551,898</u>
Assigned Fund Balance:				
Capital projects	2,448,838	553,000	906,921	223,508
Capital equipment	-	-	-	760,599
Other reserves	50,000	50,000	50,000	50,000
Six month operating reserve	-	-	-	2,566,167
Total assigned fund balance	<u>2,498,838</u>	<u>603,000</u>	<u>956,921</u>	<u>3,600,274</u>
Unassigned	<u>1,581,382</u>	<u>1,807,719</u>	<u>2,065,994</u>	<u>-</u>
Total government funds	<u><u>\$ 11,109,947</u></u>	<u><u>\$ 8,755,385</u></u>	<u><u>\$ 5,438,412</u></u>	<u><u>\$ 4,206,432</u></u>

Source: The data in this schedule is extracted from the City's audited financial statements.

2019	2020	2021	2022	2023	2024
\$ 53,275	\$ 82,635	\$ 96,070	\$ 25,328	\$ 77,024	\$ 85,344
11,386	14,520	17,819	13,873	18,587	21,707
54,849	57,330	57,924	59,243	15,322	17,531
401	438	439	439	439	1,681
8,954	10,774	10,901	11,783	43,914	43,275
-	1,428	4,753	10,216	15,975	21,815
4,319	4,319	4,319	4,319	4,319	4,319
9,912	11,819	12,847	14,429	16,005	20,239
18,640	32,310	44,337	52,659	77,975	104,947
128,162	-	-	-	-	3,596,650
236,623	132,938	153,339	166,961	192,536	3,832,164
1,110,229	1,154,394	1,073,184	1,407,555	3,269,573	2,297,490
816,395	869,615	872,769	1,089,047	1,140,475	1,220,166
50,000	50,000	50,000	50,000	50,000	199,600
3,517,472	3,678,069	3,835,321	4,225,321	4,505,321	4,688,118
5,494,096	5,752,078	5,831,274	6,771,923	8,965,369	8,405,374
-	1,309,011	3,265,169	4,365,225	1,881,701	2,565,160
\$ 5,783,994	\$ 7,276,662	\$ 9,345,852	\$ 11,329,437	\$ 11,116,630	\$ 14,888,042

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 1 of 2)

Last Ten Fiscal Years (Accrual Basis of Accounting)

REVENUES	2015	2016	2017	2018
Taxes	\$ 3,358,145	\$ 4,148,224	\$ 4,907,367	\$ 5,472,987
Franchise fees	496,714	527,109	540,605	576,181
Licenses and permits	304,051	320,449	280,294	236,020
Animal control	-	-	-	-
Fines and forfeits	158,352	161,818	129,260	126,152
Utility management fee and other	171,929	177,050	195,334	205,959
Other fees and services	-	-	-	-
Investment income	25,359	38,950	56,545	94,557
Donations	-	-	-	48,828
Grant revenue	-	-	-	-
Miscellaneous	30,789	53,714	46,961	44,721
Total revenues	<u>4,545,339</u>	<u>5,427,314</u>	<u>6,156,366</u>	<u>6,805,405</u>
EXPENDITURES				
Current:				
City administration	1,749,973	931,255	1,380,476	1,461,708
Mayor and council	-	-	-	-
City secretary	-	-	-	-
HR and communications	-	-	-	-
Finance	-	-	-	-
Municipal court	81,918	84,869	90,428	131,267
Public safety	1,653,785	1,811,200	1,920,485	2,234,431
Public health/emergency	281,876	296,450	288,066	311,250
Engineering and planning	-	-	-	-
Building codes	162,100	176,077	172,849	198,648
Public works	759,233	748,454	852,315	871,371
Information technology	-	-	-	-
Non-departmental	-	-	-	-
Culture and recreation	33,233	57,833	44,896	89,710
Capital projects/outlays	568,981	3,111,050	4,196,145	2,214,919
Debt service				
Principal payments	-	390,000	425,000	430,000
Interest and fiscal charges	-	174,688	126,553	122,278
Bond issuance costs	100,090	-	-	-
Total Expenditures	<u>5,391,189</u>	<u>7,781,876</u>	<u>9,497,213</u>	<u>8,065,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(845,850)</u>	<u>(2,354,562)</u>	<u>(3,340,847)</u>	<u>(1,260,177)</u>

2019	2020	2021	2022	2023	2024
\$ 6,570,863	\$ 7,387,684	\$ 7,904,760	\$ 8,244,424	\$ 8,717,151	\$ 9,194,183
618,758	605,103	651,534	761,408	748,401	743,231
257,220	410,641	499,777	348,333	241,674	232,138
-	-	1,120	930	1,415	2,384
137,176	101,409	139,753	174,573	208,035	191,584
192,808	214,908	206,955	257,566	257,499	289,039
-	-	59,735	59,517	51,745	230,181
150,030	72,151	4,345	80,336	581,995	712,804
5,915	59,925	-	-	-	-
-	-	-	1,283,952	310,696	141,826
67,200	93,522	219,181	29,226	190,663	138,785
7,999,970	8,945,343	9,687,160	11,240,265	11,309,274	11,876,155
644,481	1,188,519	663,012	1,101,253	692,188	630,873
11,381	23,568	4,774	7,268	7,643	6,500
150,845	158,624	230,348	203,099	266,799	270,071
112,797	168,057	220,869	172,822	220,709	255,147
266,445	337,815	322,851	299,194	329,737	338,347
158,322	183,851	192,956	210,560	250,804	268,049
2,696,334	2,781,577	2,800,098	3,238,832	3,786,061	3,909,349
-	-	-	-	-	-
264,128	717,010	976,254	1,503,785	1,516,776	1,360,991
235,603	247,209	253,665	281,032	279,180	267,900
413,041	521,395	582,532	594,514	2,002,915	881,595
-	-	394,288	381,535	321,470	298,154
301,985	372,665	152,060	159,793	591,897	162,682
-	-	-	-	-	-
644,693	312,344	316,341	554,081	827,236	2,576,151
435,000	440,000	445,000	450,000	539,788	589,812
117,409	111,940	106,075	99,585	98,821	93,981
-	-	-	-	-	146,669
6,452,464	7,564,574	7,661,123	9,257,353	11,732,024	12,056,271
1,547,506	1,380,769	2,026,037	1,982,912	(422,750)	(180,116)

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 2 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2015	2016	2017	2018
OTHER FINANCING SOURCES (USES)				
Sales of assets	\$ -	\$ -	\$ -	\$ -
Lease issuances	-	-	-	-
Bond issuance	7,000,000	-	-	-
Premium on bond issuance	100,090	-	-	-
Transfer (to) from other funds	-	-	-	-
Proceeds from disposal of equipment	-	-	23,874	28,197
Total other financing sources (uses)	7,100,090	-	23,874	28,197
Net change in fund balances	\$ 6,254,240	\$ (2,354,562)	\$ (3,316,973)	\$ (1,231,980)
Debt service as a percentage of noncapital expenditures	2.1%	11.9%	10.4%	9.4%

2019	2020	2021	2022	2023	2024
\$ -	\$ 128,721	\$ 26,330	\$ 673	\$ 16,931	\$ -
-	-	-	-	193,012	219,859
-	-	-	-	-	3,550,000
-	-	-	-	-	181,669
9,850	-	-	-	-	-
20,206	-	-	-	-	-
30,056	128,721	26,330	673	209,943	3,951,528
\$ 1,577,562	\$ 1,509,490	\$ 2,052,367	\$ 1,983,585	\$ (212,807)	\$ 3,771,412
9.5%	7.6%	7.5%	6.3%	5.8%	8.6%

City of Fair Oaks Ranch, Texas
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

Year	Property	Sales Tax	Franchise	Mixed Beverage	Total
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
2024	7,390,813	1,788,324	743,231	28,961	9,951,329

Source: Annual Financial Reports.

City of Fair Oaks Ranch, Texas

TOP TEN SALES TAX PROVIDERS

Current and Eight Years Ago

(Unaudited)

	2024		2017	
		Percentage of Total City Taxable		Percentage of Total City Taxable
<u>Taxpayer</u>	<u>Rank</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Assessed Value</u>
Full-service restaurant	1	12.5%	1	19.0%
Electronic shopping and mail-order houses	2	11.9%	2	5.1%
Electronic shopping and mail-order houses	3	7.1%	-	-
Electronic shopping and mail-order houses	4	3.1%	-	-
Gasoline stations with convenience stores	5	1.9%	9	2.0%
Pharmacies and drug stores	6	1.6%	4	3.2%
Gasoline stations with convenience stores	7	1.4%		
Wired telecommunications carriers	8	1.1%	6	3.9%
Limited-service restaurant	9	1.0%	7	2.5%
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%
Security guard and patrol	-	-	3	4.3%

Source: Texas Comptroller

Ten years of data will be accumulated. Data prior to 2017 is not 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
(Unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount *	Percentage of Levy	Collections in Subsequent Years	Amount *	Percentage of Levy	
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%	29,011	4,326,302	99.86%	
2018	4,813,737	4,788,010	99.47%	12,806	4,800,816	99.73%	
2019	5,718,331	5,652,427	98.85%	53,686	5,706,114	99.79%	
2020	6,182,363	6,126,458	99.10%	38,825	6,165,283	99.72%	
2021	6,453,874	6,389,402	99.00%	49,715	6,439,117	99.77%	
2022	6,547,412	6,504,177	99.34%	22,899	6,527,076	99.69%	
2023	7,036,602	6,978,473	99.17%	34,761	7,013,234	99.67%	
2024	7,358,389	7,300,443	99.21%	-	7,300,443	99.21%	

Source: Bexar County Appraisal District

* Includes discounts allowed for early payments and adjustments.

City of Fair Oaks Ranch, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City	Boerne School District	Comal School District	Bexar County	Kendall County	Comal Country
2015	0.2663	1.2940	1.4300	0.2687	0.3940	0.3429
2016	0.3073	1.2940	1.3900	0.3145	0.3867	0.3429
2017	0.3234	1.3160	1.3900	0.2933	0.4127	0.3579
2018	0.3295	1.3540	1.3900	0.2912	0.4127	0.3579
2019	0.3668	1.3540	1.3900	0.2774	0.4127	0.3779
2020	0.3735	1.2840	1.3200	0.2774	0.4127	0.3926
2021	0.3735	1.2519	1.2800	0.2763	0.4127	0.3585
2022	0.3518	1.2046	1.2900	0.2763	0.4127	0.3140
2023	0.3291	1.1786	1.2750	0.2763	0.3877	0.2489
2024	0.3005	0.9932	1.0892	0.2763	0.3827	0.2262

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.

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City of Fair Oaks Ranch, Texas
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
Last Ten Fiscal Years

Tax Year	Fiscal Year	Residential Property	Commercial Property	Less: Tax-exempt Property	Estimated Actual Value	Total Direct Tax Rate
2015	2016	\$ 1,193,076,434	\$ 128,637,815	\$ 65,052,850	\$ 1,256,661,399	\$ 0.307300
2016	2017	1,265,114,959	150,509,495	73,244,068	1,342,380,386	0.323360
2017	2018	1,487,818,815	185,977,352	123,984,901	1,549,811,266	0.329500
2018	2019	1,472,341,175	187,839,320	101,155,026	1,559,025,469	0.366780
2019	2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.373500
2020	2021	1,698,442,549	181,448,336	151,985,811	1,727,905,074	0.373500
2021	2022	2,061,749,363	216,788,137	417,511,646	1,861,025,853	0.351800
2022	2023	2,368,440,927	249,036,039	479,617,789	2,137,859,177	0.329100
2023	2024	2,799,735,924	331,416,028	681,203,508	2,449,948,444	0.300500

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

City of Fair Oaks Ranch, Texas

PRINCIPAL PROPERTY TAX PAYERS

Current and Nine Years Ago

<u>Taxpayer</u>	2024		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Spirit Realty LP	\$ 9,105,100	1	0.37%
HPI Fair Oaks Storage LLC	7,975,000	2	0.33%
Scott Felder Homes LLC	5,924,170	3	0.24%
Jerry and Esther Hicks	5,845,190	4	0.24%
T&J Fair Oaks LLC	5,200,000	5	0.21%
Bella Vista CMI Ltd	4,247,740	6	0.17%
Bright Minds Montessori LLC	4,192,220	7	0.17%
Frost Bank	3,887,450	8	0.16%
Taylor Living Trust	3,857,214	9	0.16%
Fair Oaks Country Store LLC	3,689,720	10	0.15%
Fair Oaks Club Corp	-	-	-
Fair Oaks Village II Ltd	-	-	-
Ashton San Antonio LLC	-	-	-
Greenland Ventures	-	-	-
Elkhorn Ridge SA LLC	-	-	-
Highland Homes-San Antonio Ltd	-	-	-
Fair Oaks Parkway Associates LLC	-	-	-
B & M Fair Oaks Ltd	-	-	-
Guadalupe Valley Tele Co Inc	-	-	-
	<u>\$ 53,923,804</u>		<u>2.20%</u>

Sources: Kendall Appraisal District, Bexar Appraisal District, and Comal Appraisal District.

2015		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ 3,388,380	4	0.31%
-	-	-
-	-	-
6,672,810	1	0.62%
4,900,000	2	0.45%
3,668,890	3	0.34%
3,105,510	5	0.29%
2,931,250	6	0.27%
2,435,470	7	0.23%
2,398,279	8	0.22%
2,324,060	9	0.22%
1,818,800	10	0.17%
<u>\$ 33,643,449</u>		<u>3.11%</u>

City of Fair Oaks Ranch, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Refunding Bonds	Leases	SBITA	Certificates of Obligation	SBITA	Leases
2015	\$ 7,100,090	\$ -	\$ -	\$ 790,000	\$ -	\$ 3,128,356
2016	6,703,417	-	-	405,000	-	3,128,356
2017	6,721,744	-	-	-	-	3,128,356
2018	5,835,071	-	-	-	-	3,070,798
2019	5,393,398	-	-	-	-	2,814,779
2020	4,946,725	-	-	2,660,000	-	-
2021	4,495,052	-	-	2,430,000	-	-
2022	4,038,379	63,507	-	2,115,000	-	-
2023	3,571,706	51,757	30,122	1,795,000	30,122	10,218
2024	6,826,702	44,197	137,729	5,325,876	112,383	7,180

Source: Details regarding the City's outstanding debt can be found in the notes to financial statements.

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 11,018,446	19.82%	\$ 1,677
10,236,773	18.67%	1,481
9,850,100	18.61%	1,139
8,905,869	17.30%	980
8,208,177	15.76%	846
7,606,725	13.13%	774
6,925,052	11.95%	659
6,216,886	8.27%	592
5,488,925	6.64%	494
12,454,067	16.43%	1,092

City of Fair Oaks Ranch, Texas
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Governmental Activities	Business-Type Activities	Amounts	
	General Obligation Bonds*	Certificate of Obligation Bonds*	Total Primary Government	Available in Debt Service Fund
2015	\$ 7,100,090	\$ 790,000	\$ 7,890,090	\$ -
2016	6,703,417	405,000	7,108,417	-
2017	6,271,744	-	6,271,744	(7,245)
2018	5,835,071	-	5,835,071	(7,201)
2019	5,393,398	-	5,393,398	(10,940)
2020	4,946,725	2,660,000	7,606,725	(30,969)
2021	4,495,052	2,430,000	6,925,052	(44,337)
2022	4,038,379	2,115,000	6,153,379	(52,658)
2023	3,571,706	1,795,000	5,366,706	(77,975)
2024	6,826,702	5,325,876	12,152,578	(104,947)

* Amount includes bond premiums

Net Debt		Percentage of	
Outstanding		Estimated Actual	
		Taxable Value of	Per Capita
		Property	
\$	7,890,090	0.73%	\$ 1,201
	7,108,417	0.57%	1,028
	6,264,499	0.47%	725
	5,827,870	0.38%	641
	5,382,458	0.35%	555
	7,575,756	0.46%	770
	6,880,715	0.40%	655
	6,100,721	0.33%	581
	5,288,731	0.25%	476
	12,047,631	0.49%	1,056

City of Fair Oaks Ranch, Texas

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years (Unaudited)

	2015	2016	2017	2018
Debt Limit	\$ 16,206,450	\$ 18,849,921	\$ 20,135,706	\$ 23,247,169
Total net debt applicable to limit	7,100,090	6,711,880	6,278,989	5,843,676
Legal debt margin	\$ 9,106,360	\$ 12,138,041	\$ 13,980,764	\$ 17,403,493
Total net debt applicable to the limit as a percentage of debt limit	43.81%	35.61%	31.18%	25.14%

Legal Debt Margin Calculation by Fiscal Year

Total assessed value	1,080,429,983	1,256,661,399	1,342,380,386	1,549,811,266
Debt limit (\$1.50 of total assessed value)	16,206,450	18,849,921	20,135,706	23,247,169
Debt applicable to limit:				
General bonded debt outstanding*	7,100,090	6,703,417	6,271,744	5,835,071
Less: Amount set aside for repayment of general bonded debt	-	8,463	7,245	8,605
Total net debt applicable to limit	7,100,090	6,711,880	6,278,989	5,843,676
Annual Legal debt margin	9,106,360	12,138,041	13,856,717	17,403,493

* Includes bond premium.

Notes: As a Home Rule Charter City, the amount of debt which can be issued by the City of Fair Oaks Ranch, Texas, is not limited by law. Under Article XI, Section 5 of the State of Texas Constitution applicable to the city, the maximum tax rate for all purposes is \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the maximum tax rate for general obligation debt service.

2019	2020	2021	2022	2023	2024
\$ 23,385,382	\$ 24,825,905	\$ 25,918,576	\$ 27,915,388	\$ 32,067,888	\$ 36,749,227
5,412,038	4,979,036	4,539,389	3,985,721	3,493,731	6,721,753
\$ 17,973,344	\$ 19,846,869	\$ 21,379,187	\$ 23,929,667	\$ 28,574,157	\$ 30,027,473
23.14%	20.06%	17.51%	14.28%	10.89%	18.29%
1,559,025,469	1,655,060,303	1,727,905,074	1,861,025,853	2,137,859,177	2,449,948,444
23,385,382	24,825,905	25,918,576	27,915,388	32,067,888	36,749,227
5,393,398	4,946,725	4,495,052	4,038,379	3,571,706	6,826,702
18,640	32,311	44,337	52,658	77,975	104,949
5,412,038	4,979,036	4,539,389	3,985,721	3,493,731	6,721,753
17,973,344	19,846,869	21,379,187	23,929,667	28,574,157	30,027,473

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City of Fair Oaks Ranch, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2024
(Unaudited)

<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	\$ 707,460,000	0.63%	\$ 4,456,998
Bexar Co	2,222,135,000	0.63%	13,999,451
Bexar Co Hosp. Dist.	1,280,820,000	0.63%	8,069,166
Boerne ISD	411,994,896	18.18%	74,900,672
Comal Co	102,715,000	0.97%	996,336
Comal ISD	1,027,760,214	0.40%	4,111,041
Kendall Co	37,065,000	5.36%	1,986,684
Subtotal, overlapping debt	\$ 5,789,950,110		108,520,347
City of Fair Oaks Ranch (direct debt)			7,008,628
Total direct and overlapping debt			\$ 115,528,975

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.

Source: Municipal Advisory Council of Texas

City of Fair Oaks Ranch, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2023		
	Employees	Rank	Percentage of total city employment ¹
Joint Base San Antonio (JBSA) -			
Lackland, Fort Sam & Randolph	82,639	1	7.09%
H.E.B. Food Stores	20,000	2	1.72%
United Services Automobile Assoc	18,100	3	1.55%
City of San Antonio	14,500	4	1.24%
Northside Independent School District	12,900	5	1.11%
Methodist Healthcare System	12,000	6	1.03%
North East Independent School District	8,208	7	0.70%
University of Texas Health Science	7,930	8	0.68%
San Antonio Independent School District	7,500	9	0.64%
Baptist Health Systems	7,291	10	0.63%
Wells Fargo	-		0.00%
Totals	191,068		16.39%

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, TX.

Source: City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2023.

The current year information is not available.

2014		
Employees	Rank	Percentage of total city employment ²
80,165	1	8.86%
20,000	2	2.21%
16,000	3	1.77%
11,326	5	1.25%
13,000	4	1.44%
8,118	7	0.90%
9,141	6	1.01%
-		0.00%
7,425	8	0.82%
7,205	9	0.80%
6,500	10	0.72%
178,880		19.78%

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City of Fair Oaks Ranch, Texas
DEMOGRAPHIC AND ECONOMICAL STATISTICS
Current and Nine Years Ago (Unaudited)

		(1)	(1)	(2)	(3)
	(1)	Per Capita	(1)	School	San Antonio
Year	Population	Personal Income	Median Age	Enrollment	Unemployment Rate
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	1,655	3.7%
2024	11,406	75,780	45.8	1,688	3.8%

Sources:

(1) Population, per capita income and median age based on U.S. Census Bureau.

(2) Boerne Independent School District

(3) United States Bureau of Labor/TWC

City of Fair Oaks Ranch, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Eight Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police				
Incidents/offenses	444	501	504	589
Arrests	191	224	207	157
Calls for service	3,664	3,716	3,913	3,482
Traffic stops	4,217	5,271	4,893	2,924
Public Works				
Street resurfacing (square yards)	118,827	64,496	155,468	80,557
Preventative street maintenance (square yards)	101,646	65,244	49,477	211,529
Building Codes				
Permits issued - new residential	142	190	118	157
Permits issued - other	376	416	506	734
Inspections/reinspections conducted	1,679	1,586	1,898	2,297
Utilities				
Account service orders				
Meter install / change	288	222	252	86
Occupancy change	322	330	288	320
Customer service inquiry	291	247	297	338
Billing (water, sewer, fees, all charges)	\$ 4,632,435	\$ 4,683,010	\$ 4,550,072	\$ 5,002,084
Water				
Service connections	2,929	2,948	3,002	3,083
Purchased (gallons)	296,164,000	276,418,000	318,044,000	337,047,000
Pumped (gallons)	241,088,931	168,328,487	174,702,326	231,668,112
Billed consumption (gallons)	502,639,000	457,611,000	436,094,700	523,698,900
Non-billed & bulk water sold (gallons)	5,182,505	3,476,900	3,350,000	3,192,400
Wastewater/Sewer				
Service connections	1,733	1,775	1,820	1,886
Average daily treatment in gallons	224,046	235,917	225,255	242,174

Source: City Records

Note: Data prior to 2017 was unavailable

2021	2022	2023	2024
666	856	919	674
199	289	294	117
3,955	4,031	4,177	4068
4,026	4,708	6,327	4701
107,108	254,422	244,561	272,413
999	1,337	483	1,780
247	133	86	94
692	645	580	588
2,751	2,732	1,850	1896
217	111	284	427
370	261	181	198
401	199	372	734
\$ 4,758,791	\$ 5,862,105	\$ 6,129,738	\$ 6,605,290
3,157	3,201	3,248	3,285
324,549,963	328,996,000	369,914,400	395,811,000
217,061,572	323,937,547	246,488,566	167,948,427
485,043,800	594,010,700	584,553,400	477,964,400
2,310,900	2,873,400	2,946,600	3,440,900
1,943	1,979	2,001	2,028
256,037	249,076	295,213	322,664

City of Fair Oaks Ranch, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Eight Fiscal Years (Unaudited)

<u>Function/Program</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police					
Stations	1	1	1	1	1
Patrol Units	15	13	14	14	15
Animal Control Vehicle	1	1	1	1	1
Public Works & Utilities					
Vehicles	22	23	25	25	25
Paved streets (in miles)	81.6	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	60	60	60	60
Water					
Water mains (in miles)	76	76	76	76	76
Wells	40	40	40	40	40
Treatment plants	5	5	5	5	5
Number of hydrants	228	266	266	266	266
Sewer					
Lift stations	6	6	6	6	6
Sewer lines (in miles)	33	33	33	33	33
Treatment plants	1	1	1	1	1

Source: City Records

Note: Data prior to 2017 was unavailable

2022	2023	2024
1	1	1
13	13	17
1	1	1
28	27	27
81.6	81.6	81.6
60	60	60
76	76	76
40	40	40
5	5	5
266	266	266
6	6	6
33	33	33
1	1	1

City of Fair Oaks Ranch, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Nine Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Government						
City Manager	1	1	1	1	1	1
Assistant City Manager	1	1	1	1	1	2
City Secretary	1	1	1	2	2	2
HR & Communications	1	1	1	2	2	2
Finance	2	3	3	5	5	5
Municipal Court	1	1	2	2	2	2
Information Technology	0	0	0	1	1	2
Customer Service	1	1	2	3	3	2
Public Safety						
Police	19	20	21	23	23	23
Animal Control	1	1	1	1	1	1
Code Enforcement	1.5	1.5	1.5	4	4	4
Administration	2	2	3	4	4	4
Public Works	9	9	13	14	14	14
Water/Wastewater						
Customer Service	1	1	1	1	1	1
Water and Sewer	9	8	10	10	10	10
Total	<u>50.5</u>	<u>51.5</u>	<u>61.5</u>	<u>74</u>	<u>74</u>	<u>75</u>

Source: City Records

Note: Data prior to 2016 was unavailable

2022	2023	2024
1	1	1
2	2	2
2	2	2
3	3	3
5	5	5
2	2	2
2	2	2
2	2	2
23	25	25
1	1	1
4	4	4
4	4	4
16	17	18
1	1	1
10	10	11
78	81	83

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Financial Advisory Services
Provided By:

