

**CITY OF FAIR OAKS RANCH
MUNICIPAL DEVELOPMENT DISTRICT BOARD OF DIRECTORS
MEETING**

Wednesday, January 14, 2026 at 4:00 PM
Public Safety Training Room, Police Station, Fair Oaks Ranch

AGENDA

OPEN MEETING

1. Roll Call- Declaration of a Quorum
2. Pledge of Allegiance

CITIZENS and GUEST FORUM

To address the Municipal Development District Board of Directors, please sign the Attendance Roster located on the table at the entrance in the foyer of the Public Safety Training Room. In accordance with the Open Meetings Act, Council or Committee may not discuss or take action on any item which has not been posted on the agenda. Speakers shall limit their comments to five (5) minutes each.

3. Citizens to be heard

CONSENT AGENDA

All of the following items are considered to be routine by the Municipal Development District Board of Directors, there will be no separate discussion on these items and will be enacted with one motion. Items may be removed by any Council or Committee Member by making such request prior to a motion and vote.

4. Approval of the October 8, 2025 Municipal Development District meeting minutes

Keith Rhoden, MDD Secretary

REPORTS

5. Financial and Investment Report for the Quarter Ended December 31, 2025

Summer Fleming, CGFO, MDD Investment Officer

CONSIDERATION / ACTION ITEMS

6. Consideration and possible action approving the Municipal Development District Audit Report for the fiscal year ended September 30, 2025

Summer Fleming, CGFO, MDD Investment Officer

WORKSHOP

- 7. Strategic Planning for MDD funds

Nicholas DiCianni, Marketing & Project Opportunities Subcommittee Chair

ADJOURNMENT

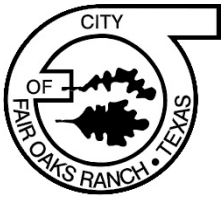
Signature of Agenda Approval:

s/ Laura Koerner
Laura Koerner, President

I, Christina Picioccio, TRMC, City Secretary, certify that the above Notice of Meeting was posted on the outside bulletin board at the Fair Oaks Ranch City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas, and on the City's website www.fairoaksranchtx.org, both places being convenient and readily accessible to the general public at all times.

As per Texas Government Code 551.045, said Notice was posted by January 8, 2026 and remained so posted continuously for at least 3 business days before said meeting was convened. A quorum of various boards, committees, and commissions may attend the MDD meeting.

The Fair Oaks Ranch Police Station is wheelchair accessible at the front main entrance of the building from the parking lot. Requests for special services must be received forty-eight (48) hours prior to the meeting time by calling the City Secretary's office at (210) 698-0900. Braille is not available.



CITY OF FAIR OAKS RANCH
MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, October 08, 2025 at 4:00 PM

Public Safety Training Room in the Police Station, 7286 Dietz Elkhorn, Fair Oaks Ranch

MINUTES

OPEN MEETING

1. Roll Call - Declaration of a Quorum.

Present: President Laura Koerner, Vice President Nicholas DiCianni, Secretary Keith Rhoden, Steven Robertson, and Ruben Olvera

Absent Treasurer Mike Lovelace & David Fairhurst

With a quorum present, the meeting was called to order at 4:00 PM.

2. Pledge of Allegiance – The Pledge of Allegiance was recited in unison.

CITIZENS and GUEST FORUM

3. Citizens to be heard – No citizens signed up to speak.

CONSENT AGENDA

4. Approval of the July 9, 2025 Regular MDD Board meeting minutes

The Consent agenda was approved by consensus.

REPORTS

5. Fair Oaks Ranch Gateway Monument project status update

Project Manager Kelsey Delgado gave an update on the project and the estimated completion date. The project is on time and on budget.

6. Quarterly Financial and Investment Report for the quarter ended September 30, 2025

MDD Investment Officer Summer Fleming provided the Quarterly Financial and Investment Report to the Board.

7. Marketing and Project Opportunities Subcommittee Report

Nicholas DiCianni, Marketing and Project Opportunities Subcommittee Chair discussed the need for a working session to identify opportunities for potential funding considerations. This meeting will be scheduled in 2026.

CONSIDERATION / ACTION ITEMS

8. Consideration and possible action regarding the election of MDD Officers for FY 2025-26

MOTION: Made by Ruben Olvera and seconded by Steven Roberston to elect Laura Koerner for the position of President, Nicholas DiCianni for the position of Vice President, Keith Rhoden for the position of Secretary, and Mike Lovelace for the position of Treasurer.

VOTE: 5-0; Motion Passed.

9. Consideration and possible action approving a resolution reaffirming the Fair Oaks Ranch Municipal Development District's Investment Policy for the investment of public funds, providing for the highest investment return, maximum security, and conforming to all state and local statutes governing the investment of public funds

MOTION: Made by Vice President Nicholas DiCianni and seconded by Secretary Keith Rhoden to approve a resolution reaffirming the Fair Oaks Ranch Municipal Development District's Investment Policy.

VOTE: 5-0; Motion Passed.

10. Consideration and possible action to update MDD policy language regarding a process for managing small dollar project requests

No business presented on this item.

11. Consideration and possible action regarding the posting of Municipal Development District meeting videos on the City's website

MOTION: Made by Secretary Keith Rhoden and seconded by Steven Robertson that the Municipal Development District Board of Directors meeting recordings be posted on the City's website.

VOTE: 5-0; Motion Passed.

12. Consideration and possible action regarding the annual MDD Policy Review

Keith Rhoden, MDD Secretary, noted the schedule for review is in place and the MDD is current in its policy reviews.

13. Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates

MOTION: Made by Secretary Keith Rhoden and seconded by Steven Robertson that the MDD Board set the following dates for their regular quarterly MDD regular meetings:

- January 14, 2026 at 4:00 PM.
- April 8, 2026 at 4:00 PM.
- July 8, 2026 at 4:00 PM.
- October 14, 2026 at 4:00 PM.

VOTE: 5-0; Motion Passed.

ADJOURNMENT

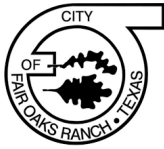
Next quarterly meeting: January 14, 2026.

President Koerner adjourned the meeting at 4:42 PM

ATTEST:

Laura Koerner, MDD President

Keith Rhoden, MDD Secretary



**MUNICIPAL DEVELOPMENT DISTRICT BOARD OF
DIRECTORS REPORT
CITY OF FAIR OAKS RANCH, TEXAS**

AGENDA TOPIC: Financial and Investment Report for the Quarter Ended December 31, 2025

DATE: January 14, 2026

DEPARTMENT: Municipal Development District

PRESENTED BY: Summer Fleming, CGFO, MDD Investment Officer

INTRODUCTION / BACKGROUND:

Pursuant to Texas Government Code Section 2256.023 and Section 11 of the MDD's Investment Policy, the Investment Officer is required to prepare and submit a written quarterly report to the MDD Board detailing the District's investment assets and the market value of those investments. The attached presentation is provided in fulfillment of the first-quarter reporting requirements for Fiscal Year 2025-26 and summarizes the District's investment activity, portfolio composition, and overall financial position.

POLICY ANALYSIS / BENEFIT(S) TO CITIZENS:

Regular review and reporting of the MDD's investment portfolio is a key component of prudent financial management and ensures ongoing compliance with the District's adopted Investment Policy. Quarterly reporting provides transparency, allows the Board to monitor performance and risk, and confirms that public funds are being invested in a manner that prioritizes safety, liquidity, and yield for the benefit of the community.

LONGTERM FINANCIAL AND BUDGETARY IMPACT:

For the first quarter of the fiscal year, the District collected \$46,106 in sales tax revenue for the month of October and accrued an additional \$105,389 in sales tax for the months of November and December. Interest earnings for the quarter totaled \$38,501.

Year-to-date expenditures total \$36,846, reflecting the annual management fee paid to the City and annual audit fees. As the District is only three months into the fiscal year, the sales tax revenue projection remains unchanged and continues to be monitored on a monthly basis. The \$5,652 increase in projected revenues is driven primarily by higher-than-budgeted interest earnings, resulting in a projected increase to fund balance of \$641,172.

As of December 31, 2025, the District's investments are held in two local government investment pools with a combined balance of approximately \$3.77 million, and the District's operating account balance is approximately \$39,000.

Fair Oaks Ranch
Municipal Development District
Quarterly Financial & Investment Report

For the Quarter Ended
December 31, 2025

Prepared by:

Summer Fleming

Summer Fleming, MDD Investment Officer

Fair Oaks Ranch Municipal Development District
Statement of Revenues and Expenditures
Budget and Actual
For the Quarter Ended December 31, 2025

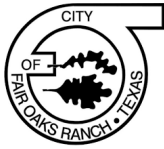
	FY 2026 Adopted Budget	FY 2026 3-Month Actual	FY 2026 12-Month Projected	Budget Variance Positive (Negative)
Beginning Fund Balance	3,763,134	3,763,134	3,763,134	
Revenues				
Local Sales Tax	554,320	151,495	554,320	-
Interest	150,000	38,501	155,652	5,652
Total Revenue	<u>704,320</u>	<u>189,996</u>	<u>709,972</u>	<u>5,652</u>
Expenditures				
Supplies	250	-	250	-
Training/Seminars	500	-	500	-
Attorney	3,500	296	3,500	-
Auditor	4,850	4,850	4,850	-
Professional Services	34,650	31,650	34,650	-
Insurance	50	50	50	-
Grant Awards	25,000	-	25,000	-
Total Expenditures	<u>68,800</u>	<u>36,846</u>	<u>68,800</u>	<u>-</u>
Revenues over/(under) expenditures	635,520	153,150	641,172	5,652
Ending Fund Balance	4,398,654	3,916,284	4,404,306	
Ending Fund Balance Detail				
Operating	50,000	50,000	50,000	
Infrastructure - Assigned	4,348,654	3,866,284	4,354,306	
Infrastructure - Committed	-	-	-	
	<u>4,398,654</u>	<u>3,916,284</u>	<u>4,404,306</u>	

Fair Oaks Ranch Municipal Development District
Investment Report
For the Quarter Ended December 31, 2025

Description	Beginning Balance	Ending Balance	Market Value	QTD Interest	Fiscal YTD Interest	Avg Yield	Weighted Avg Maturity
Frost Bank	21,818	39,199	39,199	240	240	0.32%	N/A
TexPool	1,466,556	1,471,268	1,471,268	14,461	14,461	3.99%	40 Days
Texas Class	2,281,774	2,305,574	2,305,574	23,800	23,800	4.11%	43 Days
Total	3,770,148	3,816,041	3,816,041	38,501	38,501		

Interest Rate Comparison

Qtr Ended	TexPool	Texas CLASS	3 Month T-bill	6 Month T-bill	2 Year Treasury Note	CDARS 6 month CD
Mar-25	4.37%	4.49%	4.20%	4.07%	3.87%	3.65%
Jun-25	4.32%	4.41%	4.24%	4.11%	3.78%	3.50%
Sep-25	4.29%	4.38%	3.95%	3.84%	3.57%	3.06%
Dec-25	3.99%	4.11%	3.54%	3.50%	3.46%	3.01%
Year Average	4.24%	4.35%	3.98%	3.88%	3.67%	3.31%



**MUNICIPAL DEVELOPMENT DISTRICT BOARD OF
DIRECTORS CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS**

AGENDA TOPIC: Consideration and possible action approving the Municipal Development District Audit Report for the fiscal year ended September 30, 2025

DATE: January 14, 2026

DEPARTMENT: Municipal Development District

PRESENTED BY: Summer Fleming, CGFO, MDD Investment Officer

INTRODUCTION / BACKGROUND:

State law requires the City of Fair Oaks Ranch Municipal Development District (MDD) to obtain an annual independent audit of its financial statements. The audit for the fiscal year ended September 30, 2025, has been completed by BrooksWatson & Co., PLLC, and the final Annual Financial Report is included in the Board packet.

The independent auditor issued a clean opinion, indicating that the District's financial statements present fairly, in all material respects, the financial position and results of operations of the District in accordance with generally accepted accounting principles. No audit findings, material weaknesses, or instances of noncompliance were reported.

At fiscal year-end, the District reported a total governmental fund balance of approximately \$3.76 million, reflecting an increase of approximately \$432,000 from the prior fiscal year.

Finance staff will present a summary of the audit results to the Board. While the auditor will not be in attendance at the meeting, the audit has been finalized, and the auditor remains available to respond to any follow-up questions.

POLICY ANALYSIS / BENEFIT(S) TO CITIZENS:

The annual audit provides independent assurance that the District's financial statements are fairly presented and that public funds are managed in compliance with applicable laws and accounting standards. A clean audit opinion supports transparency, strengthens financial oversight, and helps maintain public confidence in the District's stewardship of public funds.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The cost of the annual audit was \$4,850 and was included in the District's adopted annual budget. Acceptance of the audit does not have an additional fiscal impact.

LEGAL ANALYSIS:

N/A

RECOMMENDATION / PROPOSED MOTION:

I move to accept the Municipal Development District Audit Report for the fiscal year ended September 30, 2025, as presented.



CITY OF
FAIR OAKS RANCH
MUNICIPAL DEVELOPMENT
DISTRICT

2025
FINANCIAL
STATEMENTS

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

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ANNUAL FINANCIAL REPORT

of the

**City of Fair Oaks Ranch Municipal Development
District**

**For the Year Ended
September 30, 2025**

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City of Fair Oaks Ranch Municipal Development District

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September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
City of Fair Oaks Ranch Municipal Development District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the City of Fair Oaks Ranch Municipal Development District (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District'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 and the general fund of the District, as of September 30, 2025, and the respective changes in financial position 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 the District, 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 District'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 District'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 District'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 District'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as presented in the table of contents 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.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
January 9, 2026

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

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City of Fair Oaks Ranch Municipal Development District

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

As management of the City of Fair Oaks Ranch Municipal Development District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2025.

Financial Highlights

- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,763,135, an increase of \$431,680. This increase was primarily attributable to higher-than-anticipated investment earnings and sales tax collections, along with expenditures coming in below budget.
- As of the end of the year, the unassigned fund balance of the general fund was \$50,000 or 19% of annual general fund expenditures.

District's Highlights

The City of Fair Oaks Ranch Municipal Development District was formed on May 7, 2011 as a political subdivision of the State of Texas and the City of Fair Oaks Ranch in accordance with Chapter 377 of the Texas Local Government Code. It receives all of the proceeds from a 1/2 cent sales tax approved by a vote of the citizens in 2011 for economic development in the City of Fair Oaks Ranch and the Bexar County and Kendall County ETJ.

Using This Annual Financial Report

This annual report consists of three parts: management's discussion and analysis, basic financial statements, and required supplementary information. The statement of net position and activities provide information on the District as a whole. The District's net position, the difference between assets and liabilities, provides one way to measure financial health or financial position of the District.

City of Fair Oaks Ranch Municipal Development District

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	<u>9/30/25</u>	<u>9/30/24</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Current and other assets	\$ 3,899,294	\$ 3,256,981
Accounts receivable	89,840	75,342
Total Assets	<u>3,989,134</u>	<u>3,332,323</u>
Accounts payable	225,999	868
Total Liabilities	<u>225,999</u>	<u>868</u>
Net Position:		
Unrestricted net position	3,763,135	3,331,455
Total Net Position	<u>\$ 3,763,135</u>	<u>\$ 3,331,455</u>

City of Fair Oaks Ranch Municipal Development District

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Statement of Activities:

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

	2025	2024
	Governmental Activities	Governmental Activities
Revenues		
General revenues	\$ 540,112	\$ 510,915
Investment income	159,514	157,987
Total Revenues	699,626	668,902
Expenses		
Administrative expenses	50	50
Management service fee	30,150	30,150
Professional services	12,906	8,334
Grant awards	224,840	-
Total Expenses	267,946	38,534
Change in Net Position	\$ 431,680	\$ 630,368

BUDGET ANALYSIS

The District adopted a budget for the 2025 fiscal year with \$604,000 in revenues and \$292,315 in expenditures. Actual revenue exceeded the budget by \$95,626, and actual expenditures were \$24,369 less than the budget.

ANALYSIS OF THE DISTRICT'S FUNDS

There are currently no differences between the government-wide financial statements and the fund statements of the District.

Description of Current and Expected Conditions – The District has budgeted \$704,320 in revenues and \$68,800 in expenditures for the 2026 fiscal year, with \$635,520 going to reserves for future capital projects.

City of Fair Oaks Ranch Municipal Development District

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability to its taxpayers. The District is a component unit of the City of Fair Oaks Ranch, Texas and therefore is presented with the City's finances. If you have any questions about this report, need additional financial information, or information on the City of Fair Oaks Ranch, Texas finances, contact the City of Fair Oaks Ranch Municipal Development District at 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015.

FINANCIAL STATEMENTS

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City of Fair Oaks Ranch Municipal Development District

STATEMENT OF NET POSITION

September 30, 2025

	Governmental Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 3,899,294
Sales tax receivable	89,840
Total Current Assets	3,989,134
Total Assets	3,989,134
 <u>Liabilities</u>	
Current liabilities:	
Payable to City of Fair Oaks Ranch	225,999
Total Current Liabilities	225,999
Total Liabilities	225,999
 <u>Net Position</u>	
Unrestricted	3,763,135
Total Net Position	\$ 3,763,135

See Notes to Financial Statements.

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City of Fair Oaks Ranch Municipal Development District

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2025

<u>Expenses</u>	<u>Governmental Activities</u>
General government:	
Management service fee to the City of Fair Oaks Ranch, Texas	\$ 30,150
Professional services	12,906
Insurance	50
Grant awards	224,840
Total general government expenses	267,946
<u>General Revenues</u>	
Sales taxes	540,112
Investment income	159,514
Total general government revenues	699,626
Change in Net Position	431,680
Net Position - Beginning	3,331,455
Net Position - Ending	\$ 3,763,135

See Notes to Financial Statements.

City of Fair Oaks Ranch Municipal Development District

BALANCE SHEET

September 30, 2025

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,899,294
Sales tax receivable	89,840
Total Assets	<u><u>3,989,134</u></u>
<u>Liabilities</u>	
Payable to City of Fair Oaks Ranch	225,999
Total Liabilities	<u>225,999</u>
<u>Fund Balance</u>	
Assigned for:	
Infrastructure improvements	3,713,135
Unassigned fund balance	50,000
Total Fund Balance	<u>3,763,135</u>
Total Liabilities and Fund Balance	<u><u>\$ 3,989,134</u></u>

See Notes to Financial Statements.

City of Fair Oaks Ranch Municipal Development District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2025

		<u>General Fund</u>
<u>Revenues</u>		
Sales tax		\$ 540,112
Investment income		159,514
	Total Revenues	<u>699,626</u>
<u>Expenditures</u>		
Current - General government:		
Management service fee to the City of Fair Oaks Ranch, Texas		30,150
Professional services		12,906
Insurance		50
Grant awards		224,840
	Total Expenditures	<u>267,946</u>
	Excess of Revenues Over (Under) Expenditures	431,680
	Net Change in Fund Balances	431,680
Beginning fund balance		3,331,455
	Ending Fund Balance	<u><u>\$ 3,763,135</u></u>

See Notes to Financial Statements.

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City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements are presented in accordance with GASB 34, which mandates government-wide financial statements of net position and activities, and are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. It also requires that fixed assets be recorded at cost less accumulated depreciation.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The most significant accounting policies of the District are described below.

A. Reporting Entity

The City of Fair Oaks Ranch Municipal Development District (the "District") is a political subdivision of the State of Texas and the City of Fair Oaks Ranch in accordance with Chapter 377 of the Texas Local Government Code. The District was created May 7, 2011 to act on behalf of the City for promotion, development and enhancement of economic development within the City of Fair Oaks Ranch. As a separate legal entity whose Board of Directors is appointed by, and whose budget must be approved by the City Council of the City of Fair Oaks Ranch, the District is considered a component unit of the City of Fair Oaks Ranch.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The financial statements present the financial position and results of operations of the District only.

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

B. Financial Statements Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the District’s activities;
- A change in the fund financial statements to focus on the major fund, which is prepared using modified accrual accounting.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the District as a whole.

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports only one governmental fund:

General Fund

The General Fund accounts for all financial resources of the District.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The District utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Sales taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The District'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.

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or otherwise secured; and certain repurchase agreements.

2. Fair Value

The District 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

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent:

- Nonspendable fund balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventories or prepaid amounts) or legally required to remain intact. Nonspendable items are not expected to be converted to cash within the next year.
- Restricted fund balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation (such as municipal court fines).
- Committed fund balance - represents amounts that can only be used for specific purposes imposed by a formal action of the entity's highest level of decision-making authority, the Board of Directors. Committed resources cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by the same action previously used to commit those amounts. Commitments are typically done through adoption and amendment of the budget.
- Assigned fund balance - represents amounts the entity intends to use for specific purposes as expressed by the Board of Directors or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.
- Unassigned fund balance - represents the residual classification for the general fund or deficit fund balances in other funds.

4. Fund Balance Flow Assumptions

Sometimes the District 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,

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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 to be applied. The District considers 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.

5. 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.

6. Sales tax revenue

In 2011, the citizens of the City of Fair Oaks Ranch approved by a vote an additional one-half of one percent (1/2 cent or \$0.005) local sales and use tax to be used by the District for economic development within the City of Fair Oaks Ranch and the Bexar County and Kendall County ETJ.

7. Federal Income Tax Status

As a City Municipal Development Corporation formed in accordance with Texas state statute, the District's income is derived from essential government function under the general definitions of a public agency of the state, a political subdivision thereof, or a municipality, as provided for by the Internal Revenue Code and as such is excludable from gross income. Therefore, no provision for income taxes is made in the financial statements.

8. Subscription Based Information Technology Arrangements ("SBITA")

The District adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA") in the prior year. The Statement is based on the principle that SBITAs are financings of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

9. Budgets

The District adopts annual operating, and, if necessary, capital budgets which are approved by the City of Fair Oaks Ranch, Texas's City Council. Formal budgetary accounting is employed as a management control. The budgets can be amended by the Board of Directors, subject to City Council approval. Actual expenditures cannot legally exceed budgeted appropriations at the fund level. All budgeted appropriations lapse at the end of each fiscal year.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. The legal level of control is the fund level.

The following procedures are followed in establishing the budgetary data:

- Prior to September 30, the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget.
- Prior to September 30, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. The City Council of the City of Fair Oaks Ranch must also approve the budget and any amendments to that budget.
- All budget appropriations lapse at year end.

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk – at September 30, 2025, the carrying amount of the District’s deposits in the bank was \$21,818 and the bank balance was the same. The bank balance was fully covered by federal deposit insurance as of September 30, 2025.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowance investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statement disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District has adhered to the requirements of the Act. Investment practices of the District were in accordance with local policies. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) money market mutual funds, and 4) eligible public funds investment pools.

As of September 30, 2025, the District had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Investment pool - Texpool	\$ 1,595,702	0.12
Investment pool - Texas CLASS	2,281,774	0.12
Total	\$ 3,877,476	
Portfolio weighted average maturity		0.12

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Custodial credit risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All of the District's investments are held by its agents in the District's name.

Interest rate risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to less than 13 months. The District's investment policy limits the final stated maturity of any security to no more than two years. As a matter of policy, the District holds all investments to maturity.

Credit risk

The District's investment policy states that investments in local government pools will be no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

Investment accounting policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. TexPool is an investment pool that meets these criteria.

TexPool is an investment pool in which the Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company), which is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and does not have any limitations or restrictions on participants' withdrawals.

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

B. Receivables

The receivable as of year-end consisted entirely from sales tax for \$89,840.

City of Fair Oaks Ranch Municipal Development District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

IV. OTHER INFORMATION

A. Litigation

Management of the District is not aware of any pending litigation.

B. Related Parties

The District has a payable to the City of Fair Oaks Ranch for \$225,999 as of September 30, 2025. The District is a component unit of the City of Fair Oaks Ranch.

C. Subsequent Events

There were no material subsequent events warranting disclosure through January 9, 2026, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Fair Oaks Ranch Municipal Development District

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales taxes	\$ 504,000	\$ 504,000	\$ 540,112	\$ 36,112
Investment income	100,000	100,000	159,514	59,514
Total Revenues	604,000	604,000	699,626	95,626
<u>Expenditures</u>				
Current - General government:				
Administrative	750	750	-	750
Management service fee	30,150	30,150	30,150	-
Professional services	11,525	11,525	12,906	(1,381)
Insurance	50	50	50	-
Grants	25,000	249,840	224,840	25,000
Total Expenditures	67,475	292,315	267,946	24,369
Excess of Revenues Over (Under)	536,525	311,685	431,680	119,995
Net Change in Fund Balance	\$ 536,525	\$ 311,685	431,680	\$ 119,995
Beginning fund balance			3,331,455	
Ending Fund Balance			\$ 3,763,135	

Notes to Required Supplementary Information

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

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FY 2025 MDD Audit Overview



January 14, 2026

Summer Fleming, CGFO
Director of Finance

FY 2025 MDD Audit Overview



FY 2025 Audit Results

Fair Oaks Ranch Municipal Development District

Fiscal Year Ended September 30, 2025

- Independent audit completed by BrooksWatson & Co., PLLC
- Clean audit opinion
- No audit findings, material weaknesses, or compliance issues
- Auditor not present, but is available for follow-up questions

Reference: Audit Report, page 1

MD&A



Management's Discussion & Analysis

- Narrative overview of financial activity
- Explains changes from prior year
- Provides condensed Statement of Net Position and Statement of Activities

Reference: Audit Report, page 7 - 10

FY 2025 Financial Snapshot



Financial Position and Activity

- Total assets: ~\$4.0 million
- Total liabilities: ~\$226,000
 - Payable to the City for Gateway Monument grant
- Ending fund balance / net position: ~\$3.76 million
- FY 2025 net increase: ~\$432,000

Reference: Statement of Net Position (pg. 13) & Statement of Activities (pg. 15)

Contact Information



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