

CITY OF FAIR OAKS RANCH

MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, January 12, 2022 at 4:00 PM

City Hall Council Chambers, 7286 Dietz Elkhorn, Fair Oaks Ranch

AGENDA

OPEN MEETING

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

CITIZENS and GUEST FORUM

To address the Board, please sign the Attendance Roster located on the table at the entrance of the Council Chambers. In accordance with the Open Meetings Act, the MDD Board 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

4. Approval of the October 13, 2021 Regular MDD Board meeting minutes.

Roy Elizondo, MDD Secretary

CONSIDERATION / ACTION ITEMS

5. Consideration and possible action to approve the MDD Audit Report (FY 2020-21).

Michael Del Toro, ABIP Partner
Summer Fleming, MDD Investment Officer
Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

6. Consideration and possible action to accept amendments to the MDD Financial Management Policy.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

7. Consideration and possible action approving a Resolution authorizing representatives to TexPool, the District's investment pool.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

8. Consideration and possible action to create a fund for Boy Scout Eagle projects and Girl Scout Gold Award projects that meet the criteria for improving parks and public spaces.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

9. Discussion regarding MDD marketing & project opportunities.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

- [10.](#) Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates.

Laura Koerner, MDD President

REPORTS

- [11.](#) MDD Future Sales Tax Projections and Project Funding.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

Summer Fleming, MDD Investment Officer

- [12.](#) Quarterly Financial & Investment Report

Summer Fleming, MDD Investment Officer

ADJOURNMENT

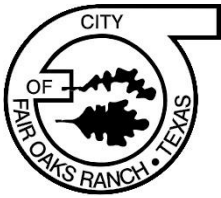
Signature of Agenda Approval: s/ Laura Koerner

Laura Koerner, MDD President

I, Amanda Valdez, TRMC, Deputy 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 4:00 PM, January 9, 2022 and remained so posted continuously for at least 72 hours before said meeting was convened.

<p>The Fair Oaks Ranch City Hall is wheelchair accessible at the side 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.</p>
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CITY OF FAIR OAKS RANCH

MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, October 13, 2021 at 4:00 PM

City Hall Council Chambers, 7286 Dietz Elkhorn, Fair Oaks Ranch

MINUTES

OPEN MEETING

1. Roll Call - Declaration of a Quorum.

Present: Vice President Laura Koerner, Treasurer Mike Lovelace, Secretary Roy Elizondo, Rachelle Garcia, and Steven Robertson.

Absent: Nicholas DiCianni and Rene Gallegos

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

2. Pledge of Allegiance – The pledge of Allegiance was led by Steven Robertson.

CITIZENS and GUEST FORUM

3. Citizens to be heard – No guests spoke.

PRESENTATIONS

4. **Welcome of new MDD Board Members: Rachelle Garcia and Steven Robertson.**

Vice President, Laura Koerner, introduced and welcomed the newest members of the MDD.

WORKSHOP

5. **Conduct a Legal Training Workshop.**

MDD Attorney, Daniel Santee, presented “Municipal Development Districts Local Government Code Chapter 377.” The presentation included comments, questions and answers from the Board members and Mr. Seth Mitchell, who was in attendance as a citizen.

CONSENT AGENDA

6. **Approval of the July 14, 2021 Regular MDD Board meeting minutes.**

MOTION: Made by MDD Secretary Roy Elizondo, seconded by MDD Treasurer Mike Lovelace, to approve the Consent Agenda.

VOTE: 5-0; Motion Passed.

CONSIDERATION / ACTION ITEMS**7. Consideration and possible action regarding the election of MDD Officers for Fiscal Year 2021/2022.**

MOTION: Made by Secretary Roy Elizondo, seconded by Vice President Koerner, to nominate the following:

- MDD President – Laura Koerner
- MDD Vice President – Nicholas DiCianni
- Treasurer – Mike Lovelace
- Secretary – Roy Elizondo

There were no other nominations.

VOTE: 5-0; Motion Passed.

8. Consideration and possible action to document and adopt a procedure for the periodic review and reaffirmation of Fair Oaks Ranch Municipal Development District policies.

MOTION: Made by Steven Robertson, seconded by Rachelle Garcia, to adopt the Fair Oaks Ranch MDD Procedure for the Periodic Review and Reaffirmation of Fair Oaks Ranch MDD Policies (It was noted to change “Rules of Operation” to Rules of Procedure” on the Tracking Log Template).

VOTE: 5-0; Motion Passed.

9. Consideration and possible action to update the Fair Oaks Ranch MDD Rules of Procedure.

It was noted to add the word “Association” after Fair Oaks Ranch Homeowner’s in Article II, Section 1.C.

MOTION: Made by Treasurer Mike Lovelace, seconded by Steven Robertson, to approve the Fair Oaks Ranch Municipal Development District Rules of Procedure, as presented in the attached document, and to forward the Rules to the City of Fair Oaks Ranch City Council to inform them of the change.

VOTE: 5-0; Motion Passed.

10. Consideration and possible action to approve an Interlocal Agreement between the Fair Oaks Ranch MDD and City of Fair Oaks Ranch and to authorize the MDD President to execute the agreement.

MOTION: Made by Secretary Roy Elizondo, seconded by Treasurer Mike Lovelace, to approve the Interlocal Agreement with the City of Fair Oaks Ranch and to authorize the MDD President to execute the agreement.

VOTE: 5-0; Motion Passed.

11. Consideration and possible action to approve any recommended updates to the existing MDD Project Evaluation / Grant Process Policy.

MOTION: Made by Steven Robertson, seconded by Treasurer Mike Lovelace, to approve the changes to the MDD Project Evaluation/Grant Process Policy as discussed subject to legal concurrence.

VOTE: 5-0; Motion Passed.

REPORTS**12. Quarterly Financial & Investment Report – Q3 2021.**

Summer Fleming, the MDD Finance Officer, presented to the MDD Board the Q3 2021 Quarterly Financial and Investment Reports. No action taken.

ADJOURNMENT

President Koerner informed the attendees for items for future agendas. The following items were listed:

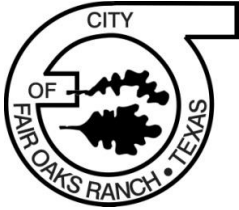
- 1.) MDD marketing & project opportunities;
- 2.) Future MDD meeting dates & times.

MDD President, Laura Koerner, adjourned the meeting at 5:42 PM. The next MDD Board Regular Meeting is scheduled for January 12, 2022, at 4:00 PM.

ATTEST:

Laura Koerner, MDD President

Roy E. Elizondo, MDD Secretary



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #5.

AGENDA TOPIC: Consideration and possible action to approve the MDD Audit Report (FY 2020-21)

DATE: January 12, 2022

PRESENTED BY: Michael Del Toro, ABIP Partner
Summer Fleming, MDD Investment Officer
Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

INTRODUCTION/BACKGROUND:

The Board of the MDD requires that its financial statements are reviewed by an independent auditor on an annual basis.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

An annual review of the financial records of the MDD serves as a check on the accuracy of records, compliance with accounting methods, and soundness of financial practices, including internal controls.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

N/A

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

I move to approve the MDD's 2020-2021 Audit Report.

CITY OF FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Fair Oaks Ranch Municipal Development District (the "District"), a component unit of the City of Fair Oaks Ranch, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Fair Oaks Ranch Municipal Development District as of September 30, 2021, 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.

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 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.

ABIP, PC

San Antonio, Texas
January 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the City of Fair Oaks Ranch Municipal Development District (the "District"), a component unit of the City of Fair Oaks Ranch, Texas (the "City"), provides an overview of the District's financial activity for the fiscal year ended September 30, 2021. It should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$1,781,432 (net position) at September 30, 2021.
- The District's total revenues were \$390,362, while total expenses were \$37,071, thereby increasing the District's net position by \$353,291.
- The District reported an ending fund balance of \$1,781,432, an increase of \$353,291.

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.

Statement of Net Position

Table 1 shows all assets and liabilities of the District and is presented on the accrual basis of accounting. The total net position is \$1,781,432 as of September 30, 2021.

TABLE 1
CITY OF FAIR OAKS MUNICIPAL DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30,

	2021	2020
Cash and investments	\$ 1,716,836	\$ 1,371,041
Accounts receivable	65,441	58,827
Total assets	<u>1,782,277</u>	<u>1,429,868</u>
Accounts payable	<u>845</u>	<u>1,727</u>
Unrestricted net position	<u>\$ 1,781,432</u>	<u>\$ 1,428,141</u>

Statement of Activities

Table 2 shows summarized expenses and revenues of the District and is also presented on the accrual basis of accounting. General revenues consist primarily of the 1/2 cent sales tax the District collects from retail sales within The City of Fair Oaks Ranch.

TABLE 2
CITY OF FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CHANGE IN NET POSITION
SEPTEMBER 30,

	2021	2020
General revenues	\$ 389,676	\$ 316,733
Investment income	686	9,995
Total revenues	<u>390,362</u>	<u>326,728</u>
Administrative expenses	350	-
Professional services	36,671	35,895
Insurance	50	50
Total expenses	<u>37,071</u>	<u>35,945</u>
Changes in net position	<u>\$ 353,291</u>	<u>\$ 290,783</u>

BUDGET ANALYSIS

The District adopted a budget for the 2021 fiscal year with \$200,400 in revenues and \$200,400 in expenditures. Actual revenue exceeded the budget by \$189,962, and actual expenditures were \$163,329 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 \$396,500 in revenues and \$42,850 in expenditures for the 2022 fiscal year, with \$353,650 going to reserves for future capital projects.

CONTACTING THE DISTRICT'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. If you have any questions about this report or need additional financial information, contact the City of Fair Oaks Ranch Municipal Development District at 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015.

BASIC FINANCIAL STATEMENTS

CITY OF FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT

Item #5.

STATEMENT OF NET POSITION

September 30, 2021

ASSETS

Cash and cash equivalents	\$ 1,716,836
Accounts receivable	<u>65,441</u>
Total assets	<u>1,782,277</u>

LIABILITIES

Accounts payable	<u>845</u>
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NET POSITION

Unrestricted	<u><u>\$ 1,781,432</u></u>
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The accompanying notes are an integral part of these statements.

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STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

REVENUES

Sales taxes	\$ 389,676
Investment income	<u>686</u>
Total revenues	<u>390,362</u>

EXPENSES

Administrative expenses	350
Professional services	36,671
Insurance	<u>50</u>
Total expenses	<u>37,071</u>

CHANGE IN NET POSITION	353,291
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NET POSITION - BEGINNING	<u>1,428,141</u>
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NET POSITION - ENDING	<u><u>\$ 1,781,432</u></u>
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The accompanying notes are an integral part of these statements.

CITY OF FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT

Item #5.

BALANCE SHEET**September 30, 2021****ASSETS**

Cash and cash equivalents	\$ 1,716,836
Accounts receivable	<u>65,441</u>
Total assets	<u>\$ 1,782,277</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 845
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FUND BALANCE

Committed for:

Infrastructure improvements	600,000
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Assigned for:

Infrastructure improvements	1,081,432
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Unassigned fund balance	<u>100,000</u>
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Total fund balances	<u>1,781,432</u>
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Total liabilities and fund balance	<u>\$ 1,782,277</u>
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RECONCILIATION OF THE BALANCE SHEET**TO THE STATEMENT OF NET POSITION:**

TOTAL FUND BALANCE	<u>\$ 1,781,432</u>
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TOTAL NET POSITION	<u>\$ 1,781,432</u>
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The accompanying notes are an integral part of these statements.

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**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2021

REVENUES

Sales taxes	\$ 389,676
Investment income	<u>686</u>
Total revenues	<u>390,362</u>

EXPENDITURES

Administrative expenditures	350
Professional services	36,671
Insurance	<u>50</u>
Total expenditures	<u>37,071</u>

Net change in fund balance	<u>353,291</u>
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BEGINNING FUND BALANCE	<u>1,428,141</u>
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ENDING FUND BALANCE	<u><u>\$ 1,781,432</u></u>
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RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES:

NET CHANGE IN FUND BALANCE	<u>\$ 353,291</u>
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CHANGE IN NET POSITION	<u><u>\$ 353,291</u></u>
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The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies

Financial 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.

Basis of presentation

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.

Budgets

The District adopts annual operating, and, if necessary, capital budgets which are approved by the 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.

Cash and cash equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the District.

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.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)

Fund balance

Committed – represents amounts that can only be used for the specific purpose imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

Assigned – represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed.

Unassigned – represents the residual balance that may be spent on any other purpose of the District.

When an expenditure is incurred for a purpose in which multiple classifications are available, the District considers committed or assigned balances spent first before unassigned.

Net position

Net position represents the difference between assets and liabilities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and investments

Deposits

Custodial credit risk – at September 30, 2021, the carrying amount of the District’s deposits in the bank was \$94,497 and the bank balance was the same. The bank balance was fully covered by federal deposit insurance.

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(2) Deposits and investments (continued)

Investments (continued)

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.

The District's investments at September 30, 2021 were as shown below:

	<u>Rating</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	AAAm	\$ 1,622,339	37
(valued at amortized cost)			

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.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(2) Deposits and investments (continued)

Investments (continued)

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. TexPool is an investment pool that meets these criteria.

TexPool is an investment pool in which the 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.

(3) Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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

For the year ended September 30, 2021

	Budgeted Amounts		Actual Amounts 2021	Variance with Final Budget Positive (Negative)	Actual Amounts 2020
	Original	Final			
REVENUES					
Sales taxes	\$ 190,400	\$ 190,400	\$ 389,676	\$ 199,276	\$ 316,733
Investment income	10,000	10,000	686	(9,314)	9,995
Total revenues	<u>200,400</u>	<u>200,400</u>	<u>390,362</u>	<u>189,962</u>	<u>326,728</u>
EXPENDITURES					
Administrative expenditures	850	850	350	500	-
Professional services	47,750	47,750	36,671	11,079	35,895
Insurance	50	50	50	-	50
Capital contribution	<u>151,750</u>	<u>151,750</u>	<u>-</u>	<u>151,750</u>	<u>-</u>
Total expenditures	<u>200,400</u>	<u>200,400</u>	<u>37,071</u>	<u>163,329</u>	<u>35,945</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	353,291	353,291	290,783
FUND BALANCE - BEGINNING	<u>1,428,141</u>	<u>1,428,141</u>	<u>1,428,141</u>	-	<u>1,137,358</u>
FUND BALANCE - ENDING	<u>\$ 1,428,141</u>	<u>\$ 1,428,141</u>	<u>\$ 1,781,432</u>	<u>\$ 353,291</u>	<u>\$ 1,428,141</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

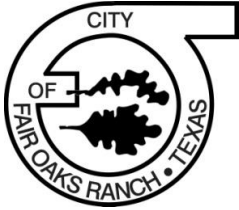
September 30, 2021

Budgetary information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The District does not use encumbrances.



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #6.

AGENDA TOPIC: Consideration and possible action to accept amendments to the MDD Financial Management Policy.

DATE: January 12, 2022

PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer
Summer Fleming, MDD Investment Officer

INTRODUCTION/BACKGROUND:

The Board of the MDD, at their October 13, 2021 regular meeting, voted to periodically review their policies to review and reaffirm significant policies to better ensure accuracy, relevance, and completeness. The frequency for review of the policy is two years at a minimum. The financial management policy was last reviewed on November 7, 2013 when it was approved by Resolution 2013-01.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

A periodic review of the financial management policy of the MDD serves as a check on the accuracy of records, compliance with accounting methods, and soundness of financial practices, including internal controls.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

N/A

LEGAL ANALYSIS:

Periodic review and reaffirmation of significant policies helps to better ensure compliance with statutory requirements and MDD policies.

RECOMMENDATION/PROPOSED MOTION:

I move to accept amendments to the MDD Financial Management Policy as presented.

**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
FINANCIAL MANAGEMENT POLICY**

R2013....

Adopt Financial/Investment Policy

November 2013

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I. PURPOSE STATEMENT

These policies are developed by the Municipal Development District Board to guide the Board ~~and the City of Fair Oaks Ranch's Finance Officer (contracted financial vendor)~~ in financial matters^[r1]^[SF2]. The overriding goal of the Financial Management Policy is to enable the District to achieve a long-term stable and positive financial condition while conducting its operations consistent with state laws. The watchwords of the District's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The purpose of the Financial Management Policy is to provide guidelines for the District in planning and directing the Board's financial affairs.

The scope of these policies span accounting, investments, auditing, financial reporting, internal controls, budgeting, capital program including capitalization, revenue and cash management, expenditure control, debt management, and identity theft prevention.

II. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **ACCOUNTING** - The ~~Board will establish Finance Officer is responsible for establishing~~ the chart of accounts, and ~~will for~~ properly recording and report financial transactions^{activity}.
- B. **FUNDS** - Self-balancing groups of accounts are used to account for financial transactions in accordance with generally accepted accounting principles. Each fund is created for a specific purpose. Funds are created and fund names are changed by Board approval either during the year or in the Board's approval of the annual operating budget.
- C. **EXTERNAL AUDITING** - The District's financial statements will be audited annually by an outside independent auditor. ~~For efficiency purposes, use of the City's auditing firm is recommended. The auditor must be a CPA, and must demonstrate that they have the breadth and depth of staff to who will~~ conduct the ~~city's District's~~ audit in accordance with generally accepted auditing standards, generally accepted government auditing standards and contractual requirements. ~~The auditor's report on the District's financial statements including federal grants single audit [r2] will be completed within 120 days of the District's fiscal year end, and the auditors management letter will be presented to the Board President within 150 days after the District's fiscal year end. An interim management letter will be issued prior to this date if any materially significant internal control weaknesses are discovered. The Board President and/or Treasurer and auditor will jointly review the management letter with the Board.~~
- D. **EXTERNAL AUDITORS RESPONSIBLE TO BOARD** - The external auditor is accountable to the Board and will have access to direct communication with the Board ~~if the Board President and/or Treasurer or Finance Officer [r4] is unresponsive to auditor recommendations or if the auditor considers such communication necessary to fulfill their legal and professional responsibilities.~~
- E. **EXTERNAL AUDITOR ROTATION** - The District will not require external auditor rotation, but may circulate requests for proposal for audit services, periodically.
- F. **INTERNAL AUDITING CONTROLS** - The Board ~~President and/or Treasurer [r5]~~ is responsible for ~~developing written guidelines on accounting, cash handling, and other financial matters which will be approved by the Board. ensuring a strong internal controls environment. The Board President, with the assistance of the Treasurer, is responsible for establishing and performing an internal audit function. The internal auditor work plan~~

| includes compliance test work and performance auditing. Based on these

Item #6.

reviews of the written guidelines and/or internal audit, the President and/or Treasurer will recommend any internal control improvements. [r6]

III. OPERATING BUDGET

- A. PREPARATION** - The District's operating budget is the District's annual financial operating plan and the Board President Treasurer is the Budget Officer. ~~The budget is prepared by the Board President and/or Treasurer.~~ No later than July of each year, the Budget is submitted to the Board for changes prior to approval. Prior to the budget's fiscal year, the Budget must be approved by the Fair Oaks Ranch City Council.
- ~~**B. BALANCED BUDGET** - The operating budget will be balanced, with the total revenues equaling total expenditures or balanced by the use of unrestricted reserves.~~
- ~~**C.B. REPORTING** - Periodic financial reports will be prepared in conformance with pertinent statutes, regulations and policies of the Board to enable the President to manage the budget and to enable the Treasurer to monitor and control the budget as authorized by the Board.~~ Financial reports will be presented to the Board at each of its regularly called meetings and include current year revenue and expenditures and fund balances.
- E. CONTROL** - Operating Expenditure Control is addressed in Section VI.
- F. RECORD KEEPING** - All permanent historical budget documents will be filed with the Fair Oaks Ranch City Secretary for record keeping pursuant to State law and District resolution [m7].

IV. FUND BALANCE/RESERVES POLICY

- A.** Fund balance shall mean the gross difference between fund assets and liabilities reflected on the balance sheet. The District shall report fund balances per GASB54 definitions on the balance sheet as follows:
1. Non-spendable – Portion of total fund balance that is not in spendable form or required to be maintained intact. Example: Prepaids.
 2. Restricted – Portion of total fund balance constrained for specific purposes by such grantors, bondholders, higher level of government or by law.
 3. Committed – Portion of total fund balance constrained to specific purposes and amounts by the Board. Only the Board can release committed funds. Example: Grants awarded by the District.
 4. Assigned – Portion of total fund balance the Board designates for specific purposes as expressed by the Board. Example: Infrastructure Improvements.
 5. Unassigned – Portion of total fund balance not identified in one of the above categories.
- B.** The fund balance will be managed carefully and used wisely by the Board.
- ~~**A. RESTRICTED** [sfg] - The Board shall report restricted reserves on the balance sheet as follows:~~
- ~~1. Operating Expense - A reserve with a goal of at least \$100,000 continual operating expense.~~
 - ~~2. Bond Debt(s) - A reserve with a minimum of the fiscal year's Principal and Interest on the bond debt(s) if any.~~
 - ~~3. Infrastructure Improvements - A reserve to be used for new, rehabilitation or~~

~~replacement infrastructure improvements.~~

~~The fiscal year surplus will be distributed according to the needs of the restricted reserves as determined by the Board.~~

~~**B. UNRESTRICTED** Funds not restricted will be considered unrestricted. The unrestricted reserve will be managed carefully and used wisely by the Board.~~

V. REVENUE MANAGEMENT

A. SIMPLICITY - The District will rely on local sales tax as its main source of recurring revenue.

B. ADMINISTRATION - The benefits of a revenue will exceed the cost of producing the revenue. The cost of collection will be reviewed annually-as appropriate for cost effectiveness as a part of the indirect cost, and cost of services analysis.

- C. **INTEREST INCOME** - Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating budgets which, wherever possible, will be in accordance with the equity balance of the fund from which monies were provided to be invested.
- D. **REVENUE MONITORING** - Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated.

VI. EXPENDITURE CONTROL^[r9]^[SF10]

- A. **APPROPRIATIONS** - Budget adjustments must be approved by the Board and City Council.
- ~~B.~~ **PURCHASING**^[m11] - The District will pay from receipts, invoices and disbursement vouchers that have the approval of the Board President appropriate authorizing signature, date of approval, total dollar amount (excluding tax), and general ledger account code. The President Board members can authorize up to \$2,000 in addition to annual and District approved contracts, recurring charges, and approved budgetary items. All other disbursements exceeding \$2,000 require Board approval.
- ~~C.B.~~ **PROFESSIONAL SERVICES** - Professional services will be processed through a request for qualifications as defined by the Texas local government code. The Board President may execute any professional services contract, except for insurance, less than \$25,000 provided there is an appropriation for such contract.
- ~~D.C.~~ **ADMINISTRATIVE CHARGES** ~~— A An Inter-Local Agreement with the City method~~ will be maintained whereby the District will pay a management fee to the City of Fair Oaks Ranch for administrative costs performed on the District's^u behalf.
- ~~E.D.~~ **PROMPT PAYMENT** - All invoices will be paid 30 days of receipt in accordance with the prompt payment requirements of State law. Procedures will be used to take advantage of all purchase discounts where considered cost effective. However, payments will also be reasonably delayed in order to to maximize the District's investable cash, where such delay does not violate the agreed upon payment terms.
- ~~F.E.~~ **REIMBURSEMENTS** - The policy of the District is that employees/board members are to be reimbursed for necessary and reasonable district-related expenses incurred in the authorized conduct of business. All requests for reimbursement of expenses are subject to requirements of documentation and reasonableness, and will be honored in conformance with adopted policies, provided that the travel expenditure was properly authorized. See Appendix C for complete details.

VII. ASSET MANAGEMENT^[r12]^[SF13]

- A. **INVESTMENTS** - Investments will be conducted in accordance with the Investment Policy attached as Appendix A.
- B. **CASH MANAGEMENT** - The District's cash flow will be managed to maximize the cash available to invest.
- C. **FIXED ASSETS AND INVENTORY** - The assets will be reasonably safeguarded and properly accounted for, and prudently insured.

- D. CAPITALIZATION OF CAPITAL ASSETS** - The capitalization of capital assets will be conducted in accordance with the Capitalization of Capital Assets Policy attached as Appendix B.

VIII. FINANCIAL CONDITION/DEBT MANAGEMENT

- A. NO OPERATING DEFICITS** - Current operating expenditures will be paid with current operating revenues. ~~Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques.~~
- B. GENERAL** - The District's borrowing practices, including issuing bonds, will be conducted in accordance with state law and the Board's Rules of Procedure.
- C. ANALYSIS OF FINANCING ALTERNATIVES** - The District will explore all other financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, and use of reserves or current monies.
- ~~**D. VOTER AUTHORIZATION** - The District shall obtain voter authorization before issuing General Obligation Bonds as required by law. Voter authorization is not required for the issuance of Revenue Bonds.~~

IX. ANNUAL REVIEW^[r14]_[SF15]

- A. The Financial Management Policy will be reviewed bi-annually or as needed by the Board President and Treasurer. Recommended amendments will be presented to the Board for approval.
- B. The Board, pursuant to Government Code §2256.005, shall adopt, annually, a resolution stating the Investment Policy has been reviewed and, record any changes made thereof.

Appendix A

INVESTMENT POLICY^[r16]^[SF17]

:

I. Policy

It is the policy of the District to invest funds in a manner which will provide the highest, reasonable investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all federal, state, and local statutes governing the investment of public funds. It is also the policy of the District that the administration of its funds and the investment of those funds shall be handled as its highest public trust.

The Investment Policy shall be adopted by Resolution as part of the Financial Management Policies. The policy shall be reviewed and adopted by Resolution annually by the Board of Directors.

II. Purpose

The purpose of this policy is to comply with Chapters 2256 and 2257 of the Texas Government Code, which requires the adoption of a written investment policy regarding the investment of funds. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District's funds.

III. Scope

This investment policy applies to all financial assets and funds of the District. Funds are defined in the District's audited Annual Financial Report. Funds are created by the Board unless specifically exempted by the Board and this policy.

IV. General Objectives

The primary objectives, in priority order, of the District's investment activities shall be safety, liquidity, diversification, and yield.

Safety - Safety of the principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ~~insure~~ensure the preservation of capital in the overall portfolio.

Liquidity - The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.

Diversification - Diversification of the portfolio will include diversification by maturity and market sector.

Yield - The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Market rate of return may be defined as the average yield of the current ~~six months~~six-month US Treasury Bill. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Effective cash management is recognized as essential to good fiscal management. Cash Management is defined as the process of managing monies in order to ensure maximum cash availability. The District will effectively collect account receivables, practice prudent investment of its available cash, disburse payments in accordance with invoice terms and manage banking services.

V. Prudence

The standard of prudence to be used by investing officials shall be the "prudent person" rule and shall be applied in the context of managing an overall portfolio. This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and

intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability - Investment officials acting in accordance with this policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change is reported in a timely fashion and the appropriate action is taken to control unfavorable developments.

Ethics and Conflicts of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions that conduct business with the District. An investment official who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing the relationship. A statement required under this subsection must be filed with the Texas Ethics Commission.

VI. Delegation of Authority

~~The Finance Officer, [SF18] acting on behalf of the District, is designated as the Investment Officer of the District.~~ The Board of Directors will appoint an Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the ~~Investment officer~~ Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and established written procedures.

Training - Investment ~~officials~~ Officials (an Investment Committee made up of the President, Treasurer and Investment Officer) must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend a PFA certified ~~investment training session~~ course not less than once in a two year period ~~and receive not less than 10 hours of instruction relating to investment responsibilities.~~

VII. Internal Controls [SF19]

The Board President is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

VIII. Safekeeping and Custody

Authorized Financial Dealers and Institutions - The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment/depository services.

Those firms that request to become qualified bidders for securities transactions must provide one or more of the following as applicable: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registrations, certification of having read the entity's investment policy and depository contracts.

Depository Agreement - The District shall follow Section 105 of the Local Government Code when entering

into a depository agreement for normal banking services including disbursements, collections, and safekeeping. Other banking institutions from which the District may purchase certificates of deposit will

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also be designated as a depository.

Item #6.

Delivery vs Payment - All trades ~~with the exception of~~ except for investment pools and mutual funds will be executed by delivery vs payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the District's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

IX. Authorized and Suitable Investments

Eligible Investments - Assets of the District may be invested in the following instruments as authorized by the Public Funds Investment Act (Section 2256). Only those instruments listed in this section are authorized and will be used as needed to maintain an appropriate diversified portfolio:

1. Local Government Investment Pools which meets the requirements of Chapters 2256.016-2256.019 of the Public Funds Act and are rated no lower than AAA or AAA-~~+~~ or an equivalent rating by at least one nationally recognized rating service.
2. Obligations of the United States or its agencies and instrumentalities.
3. Certificates of Deposit CDs issued by a depository institution that has its main office or a branch in Texas. The CD must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law.
4. No-load Money Market Mutual Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or fewer, 3) seek to maintain a net asset value of \$1 ~~for per~~ share, and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City may not invest in money market mutual funds in the aggregate more than 80 percent of its monthly average fund balance [SF20].

Collateralization - Collateralization will be required on all funds on deposits with a depository bank, other than investments. ~~In order to~~ To anticipate market changes and provide a level of security, the collateralization level will be not less than [SF21] one hundred two percent (102%) of market value of principal and accrued interest.

X. Investment Parameters

Diversification - See Section IV; General Objectives

Maximum Maturities - To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 13 months from the date of purchase. Reserve funds may be invested in securities up to 2 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

XI. Investment Strategies

The District maintains separate portfolios for individual funds that are managed according to the terms of this Policy. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed to ensure that it will meet all the requirements established by the District's investment policy and the Public Funds Investment Act.

The District's portfolio is maintained to meet anticipated cash needs for operations, capital projects and debt service. In order to ensure the ability to meet obligations and to minimize potential liquidation losses,

the dollar-weighted average stated maturity of the investment portfolio shall not exceed one (1) year. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the objectives and restrictions set for in this Policy.

XII. Reporting

Methods - As required by Government Code 2256.023, on a quarterly basis, the Investment Officer shall prepare and submit to the Board, a written report of investment transactions that have occurred since the previous report and, the market value of current investments.

Performance Standards - The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The ~~investment officer~~ **Investment Officer** shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

CAPITALIZATION POLICY FOR CAPITAL ASSETS^[r22]

The purpose of this policy is to establish a capitalization policy for auditing purposes and, to set standards of accounting for City of Fair Oaks Ranch Municipal Development District according to Government Accounting Standards Board Statement 34 [\(and subsequent relevant guidance\)](#) with regard to categories and threshold amounts to be capitalized.

SECTION 1. Capital assets categories and thresholds are:

Land/land improvement	Any amount
Buildings/building improvements	\$25,000. 00
Infrastructure	\$25,000. 00
Personal property	\$ 5,000. 00
Leasehold improvements	\$25,000. 00

SECTION 2. For clarification purposes the above items are generally defined as, but not expressly limited to the following definitions:

Land is the purchase price or fair market value at time of gift, any commissions, professional fees, land excavation, fill, grading, drainage, demolition of existing building (less salvage), property removal (relocation or reconstruction) of others (railroad, telephone, and power lines), date of purchase accrued mortgage interest and any unpaid taxes and right of way cost. Land improvements are considered to be fencing, landscaping structure(s), parking lots, driveway, recreation areas, septic systems, and pavilions.

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls. A building improvement must extend the life of the building or increase the value of the building. Examples of capitalized building improvements are structural changes & installation or upgrade of roofing, heating & cooling systems, electrical, etc.

Infrastructure is usually considered stationary and can be preserved for a significantly greater number years than most capital assets. They are often linear and continuous in nature. Infrastructure improvements should extend the useful life and /or increase the value by 25% of the original cost or life period. Examples of infrastructure are streets, curbs, gutters, sidewalks, fire hydrants, bridges, dam, drainage facility, radio tower, water main and distribution lines, light systems and signage.

Personal property is fixed or movable tangible assets to be used for operations that has a life beyond one year. Examples of personal property are vehicles, other motor vehicles, furnishings & equipment.

Leasehold improvements are the construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease.

REIMBURSEMENTS

GENERAL POLICY

Travel expenses will be reimbursed for travel within the continental United States only. Reimbursement is based upon the most economical conveyance that is reasonably available. In some cases, the District may prepay such expenses as registration fees, hotel costs, and/or airline or other public transportation costs directly to the entity involved.

PROFESSIONAL MEMBERSHIPS AND SEMINARS

Subject to the approval of the Board, membership to a professional association related to the District will be reimbursed for dues. Necessary travel expenses for meetings, conferences, or seminars judged to offer special training or information of value to the attendee, and if the meeting, conference or seminar is related to the District, reimbursement of authorized expenses will be made.

TRAVEL AUTHORIZATION AND REIMBURSABLE EXPENSES

In and out of state travel is permissible provided that it is authorized in advance by the Board President and does not exceed budgetary limitations.

Travel. Necessary and authorized travel expenditures in the conduct of business will be reimbursed for actual costs of reasonable and documented expenses (furnished receipts). Reimbursable expenses will be for food, registration, lodging, parking, tolls, transportation, and reasonable gratuities. Conference registration checks will be made payable only to the organization sponsoring the conference. When private automobiles are used, reimbursement is allowed on the basis of actual mileage traveled at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service.

Overnight Travel. When travel is required for more than one consecutive day, thereby spending the night, hotel cost, and transportation will be submitted for reimbursement based on reasonableness of the expense and subject to the approval of the Board President. The District pays the single standard room hotel rate only. Parking and meals will be paid based on presentation of receipts and within a reasonable cost.

Expense Report. Within five days of the date the authorized travel was concluded, the attendee shall complete an expense report documenting actual expenses incurred on the trip which were not prepaid directly by the District to the entity involved. A reimbursement check will be issued as approved by the Board President.

USE OF PERSONAL VEHICLE

Use of a personal vehicle is authorized when on official District business as determined by the Board President. Reimbursement will be for actual miles driven, as documented at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service. The shortest distance between points of departure and destinations for travel by personal vehicle is to be reported.

OTHER EXPENSES

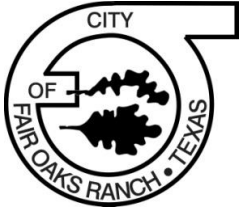
[Other incidental expenses are governed under the terms defined in Section VI. B. of this document.](#)

LIMITATIONS

Costs of personal entertainment, amusements, social activities, spouse's or others' expenses, alcoholic beverages, traffic citations, or illegal activities are not reimbursable.

The District reserves the right to limit the availability of education/training reimbursement due to budgetary

or other reasons.



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #7.

AGENDA TOPIC: Consideration and possible action approving a Resolution authorizing representatives to TexPool, the District's investment pool

DATE: January 12, 2022

PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

INTRODUCTION/BACKGROUND:

TexPool, the District's investment fund pool, requires representatives of the District to perform fund transactions, receive confirmations and statements, and to have inquiry rights. As the Board elects new members, it is necessary to update authorized representatives to the investment pool. The proposed Resolution lists Laura Koerner, President, Michael Lovelace, Treasurer, and Summer Fleming, Investment Officer, as authorized representatives of the District. The Resolution also names Summer Fleming as the Authorized Representative who will have primary responsibility for performing transactions and receiving confirmations and monthly statements under the Participation Agreement.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

For ongoing security of funds and operational processes, updated authorized representatives is warranted.

BUDGETARY IMPACT:

None.

LEGAL ANALYSIS:

The amending Resolution is provided by TexPool and has been approved to form by the City Attorney.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a Resolution listing authorized representatives to the MDD's investment pool.

A RESOLUTION

AUTHORIZING REPRESENTATIVES TO THE FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT'S INVESTMENT POOL

WHEREAS, the City of Fair Oaks Ranch Municipal Development District ("MDD") is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the MDD to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool, was created on behalf of entities whose investment objective in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, TexPool requires a Resolution amending Authorized Representatives.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MUNICIPAL DEVELOPMENT DISTRICT OF FAIR OAKS RANCH, TEXAS:

- A. That Laura Koerner, President, Michael B. Lovelace, Treasurer, and Summer Fleming, Investment Officer, are authorized representatives of the MDD and are hereby authorized to transmit funds for investment in TexPool and are each further authorized to withdraw funds from time to time, to issue letters of instruction, and to take all other actions deemed necessary or appropriate for the investment of local funds.
- B. That an Authorized Representative of the MDD may be deleted by a written instrument signed by two remaining Authorized Representatives provided that the deleted Authorized Representative (1) is assigned job duties that no longer require access to the MDD's TexPool account or (2) is no longer employed by the MDD; and,
- C. That Summer Fleming, Investment Officer, hereby has the primary responsibility for performing transactions and receiving confirmations and monthly statements under TexPool's Participation Agreement.
- D. That this Resolution and its authorization shall continue in full force and effect until amended or revoked by the MDD, and until TexPool receives a copy of any such amendment or revocation.

PASSED, APPROVED, AND ADOPTED on this 12th day of January, 2022.

Laura Koerner, MDD President

ATTEST:

APPROVED AS TO FORM:

Roy Elizondo, MDD Secretary

Denton Navarro Rocha Bernal & Zech, P.C.,
Attorney



Resolution Amending Authorized Representatives

Item #7.

Please complete this form to amend or designate Authorized Representatives. *This document supersedes all prior Authorized Representative forms.*

* Required Fields

1. Resolution

WHEREAS,

Fair Oaks Ranch Municipal Development District

Participant Name*

7 9 5 5 6

Location Number*

("Participant") is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the Texas Local Government Investment Pool ("TexPool / Texpool Prime"), a public funds investment pool, were created on behalf of entities whose investment objective in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act.

NOW THEREFORE, be it resolved as follows:

- A. That the individuals, whose signatures appear in this Resolution, are Authorized Representatives of the Participant and are each hereby authorized to transmit funds for investment in TexPool / TexPool Prime and are each further authorized to withdraw funds from time to time, to issue letters of instruction, and to take all other actions deemed necessary or appropriate for the investment of local funds.
- B. That an Authorized Representative of the Participant may be deleted by a written instrument signed by two remaining Authorized Representatives provided that the deleted Authorized Representative (1) is assigned job duties that no longer require access to the Participant's TexPool / TexPool Prime account or (2) is no longer employed by the Participant; and
- C. That the Participant may by Amending Resolution signed by the Participant add an Authorized Representative provided the additional Authorized Representative is an officer, employee, or agent of the Participant;

List the Authorized Representative(s) of the Participant. Any new individuals will be issued personal identification numbers to transact business with TexPool Participant Services.

1. Summer Fleming Investment Officer

Name

Title

2 1 0 6 9 8 0 9 0 0

Phone

2 1 0 6 9 8 3 5 6 5

Fax

sfleming@fairoaksranchtx.org

Email

Signature

2. Laura Koerner President

Name

Title

2 1 0 6 9 8 0 9 0 0

Phone

2 1 0 6 9 8 3 5 6 5

Fax

lkoerner@fairoaksranchtx.org

Email

Signature

3. Michael B. Lovelace Treasurer

Name

Title

2 1 0 6 9 8 0 9 0 0

Phone

2 1 0 6 9 8 3 5 6 5

Fax

mlovelace@fairoaksranchtx.org

Email

Signature

1. Resolution (continued)

Item #7.

4.
 Name Title

 Phone Fax Email

 Signature

List the name of the Authorized Representative listed above that will have primary responsibility for performing transactions and receiving confirmations and monthly statements under the Participation Agreement.

Summer Fleming
 Name

In addition and at the option of the Participant, one additional Authorized Representative can be designated to perform only inquiry of selected information. *This limited representative cannot perform transactions.* If the Participant desires to designate a representative with inquiry rights only, complete the following information.

Name Title

 Phone Fax Email

- D. That this Resolution and its authorization shall continue in full force and effect until amended or revoked by the Participant, and until TexPool Participant Services receives a copy of any such amendment or revocation. This Resolution is hereby introduced and adopted by the Participant at its regular/special meeting held on the day of , 20 .

Note: Document is to be signed by your Board President, Mayor or County Judge and attested by your Board Secretary, City Secretary or County Clerk.

Fair Oaks Ranch Municipal Development District
 Name of Participant*

SIGNED

Signature*
Laura Koerner
 Printed Name*
President
 Title*

ATTEST

Signature*
Roy Elizondo
 Printed Name*
Board Secretary
 Title*

2. Mailing Instructions

The completed Resolution Amending Authorized Representatives can be faxed to TexPool Participant Services at 1-866-839-3291, and mailed to:

TexPool Participant Services
 1001 Texas Avenue, Suite 1150
 Houston, TX 77002



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #8.

AGENDA TOPIC: Consideration and possible action to create a fund for Boy Scout Eagle projects and Girl Scout Gold Award projects that meet the criteria for improving parks and public spaces.

DATE: January 12, 2022

PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

INTRODUCTION/BACKGROUND:

The District's Board has a responsibility to fund projects that meet its guidelines but does not meet often enough to accommodate proposed Boy Scout Eagle Scout projects and Girl Scout Gold Award projects (both of which have relatively small budgets – frequently less than \$2,000) that would meet these guidelines.

The City has the staff and capacity to represent the District's Board in these smaller, faster cycle projects.

Both the Boy Scouts and the Girl Scouts exercise significant adult supervision and planning oversight to safely perform beneficial projects to the District.

I am proposing the District Board develop a simple agreement with the City to act as our representative and use our funds to support such projects. We could re-visit the agreement any time but at least annually to evaluate the program and determine if continued funding is warranted.

City Staff will report on projects funded at regularly scheduled Board meetings.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Area residents interested in performing projects that would meet our guidelines will be able to access funds for reimbursement after the satisfactory completion of the project.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

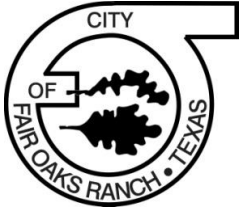
The District will be able to nimbly support small projects that add to the quality of life in the District. We can replenish the fund as needed to maintain a \$10,000 balance.

LEGAL ANALYSIS:

TBD

RECOMMENDATION/PROPOSED MOTION:

I move to approve the creation of a fund for Boy Scout Eagle projects and Girl Scout Gold Award projects that meet the criteria for improving parks and public spaces and to develop an agreement for City Council consideration.



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #10.

AGENDA TOPIC: Consideration and possible action regarding upcoming Regular
MDD Board Meeting Dates.

DATE: January 12, 2022

PRESENTED BY: Laura Koerner, MDD President

INTRODUCTION/BACKGROUND:

MDD By Laws require a minimum of two meetings each fiscal year (Article II, Section 3). This item exceeds the requirement and proposes to continue conducting quarterly regular meetings. Special meetings will be called as needed. All meetings (regular or special) are open and announced in accordance with the Texas Open Meetings Act.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The purpose of this action is to set a known MDD regular meeting date each quarter in the months of April 2022, July 2022, October 2022, and January 2023. This provides a better planning cycle for citizens, board members, and staff. Special meetings may be called between quarterly meetings as required.

BUDGETARY IMPACT:

Attorney fees will be slightly increased due to the quarterly meeting frequency. However, the increased meeting frequency will benefit in reducing the length of each meeting, resulting in minimum budgetary impact.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

I move that the Board set the following dates for their known quarterly MDD regular meetings:

April __, 2022 at _____.

July __, 2022 at _____.

October __, 2022 at _____.

January __, 2023 at _____.



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #11.

AGENDA TOPIC: MDD Future Sales Tax Projections and Project Funding
DATE: January 12, 2022
PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer
Summer Fleming, MDD Investment Officer

INTRODUCTION/BACKGROUND:

At the formation of the District, the Board's focus was appropriately on accumulating funds to do projects in the future and on developing a policy and process infrastructure that would protect the District's funds and demonstrate that the Board consistently behaved in a way that citizens of the District could trust. We have accomplished that.

We have successfully accumulated approximately \$1.7MM and have approved 1 project (for \$600,000) – the civic center, that is now on hold. We have not identified any other projects in the pipeline.

We are bringing in approximately \$300,000 per year (conservatively) – after expenses are covered. Without any other project opportunities identified, this means we will have approximately \$2.6MM in total funds (including the \$600,000 committed to the civic center project) by the close of the fiscal year (Sept 30) in 2024. Excluding the civic center funds, we will still have approximately \$2.0MM in available funds.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

We need to shift to identifying manageable projects that would benefit the citizens of the District (and meet our stated project criteria) that can be completed in the next year or three – and fund them – OR develop a vision for something very large that will appropriately justify continuing to accumulate additional funds before pursuing them.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

N/A

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

No motion required.



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
January 12, 2022**



Item #12.

AGENDA TOPIC: Quarterly Financial & Investment Report – Q4 2021
DATE: January 12, 2022
PRESENTED BY: Summer Fleming, MDD Investment Officer

INTRODUCTION/BACKGROUND:

Pursuant to Government Code Section 2256.023 and the MDD's Investment Policy Section 11, the Investment Officer is required, on a quarterly basis, to prepare and submit to the MDD Board a written report of investment assets and the market value of the current investments.

The attached presentation is being made to comply with the Q4 2021 reporting requirements.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Frequent review and reporting of the MDD's assets and investment vehicles is both prudent and necessary to verify that the MDD's investment portfolio is being managed according to the investment policy.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The investment portfolio shall be managed in accordance with the objectives specified in the investment policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

This presentation is for informational purposes only and to comply with requirements under Texas Government Code Section 2256.023 and the MDD's Investment Policy.

Fair Oaks Ranch Municipal Development District Quarterly Financial Report

December 2021

About This Quarterly Financial Report

This report has been prepared by the City of Fair Oaks Ranch Finance Department. The Quarterly Financial Report is intended to provide our users (internal and external) with information regarding the MDD's financial position. This report includes information for Q4 2021.

This report is presented in two sections.

1. The Financial Summary section reports the performance of the major operating funds of the MDD.
2. The Quarterly Investment Report provides a summary of MDD's investment portfolio, interest earnings and a brief market outlook.

The Quarterly Financial Report is intended to provide our users with timely and relevant information. Please provide us with any comments or suggestions you may have. If you would like additional information, feel free to contact me.



Summer Fleming
Investment Officer

7286 Dietz Elkhorn
Fair Oaks Ranch, TX 78015
210-698-0900

Revenue and Expense Report

December 31, 2021

	Budget	Year-to Date Actual	Percent of Budget	Variance from Budget	Comments
<u>Revenues:</u>					
Local Sales Tax	395,000	110,681	28.0%	(284,319)	Tax collected through Oct, accrued Nov and Dec.
Interest	1,500	158	10.5%	(1,342)	
Total Revenue	396,500	110,839	27.95%	(285,661)	
<u>Expenditures:</u>					
Supplies	250	-	0.00%	250	
Training/Seminars	500	-	0.00%	500	
Miscellaneous	100	-	0.00%	100	
Attorney	3,500	-	0.00%	3,500	
Auditor	5,000	-	0.00%	5,000	
Professional Services	33,450	30,150	90.13%	3,300	Annual management fee paid.
Insurance	50	50	100.00%	-	Annual insurance costs paid.
Total Expenditures	42,850	30,200	70.48%	12,650	
Transfer To / (From) Fund Balance	353,650	80,639	22.80%	(273,011)	

Note: Local Sales Tax is paid out two months in arrears, so the District has only received tax for October sales. Sales Tax for November and December has been accrued based on projected sales.

Fair Oaks Ranch MDD

Financial Summary

Municipal Development District Balance Sheet December 31, 2021

Assets

Frost Bank	63,454		
TexPool	1,720,917		
Accrued Receivables	77,700		
Total Cash & Investments		1,862,071	
Total Assets			1,862,071

Liabilities

Accounts Payable	-		
		-	

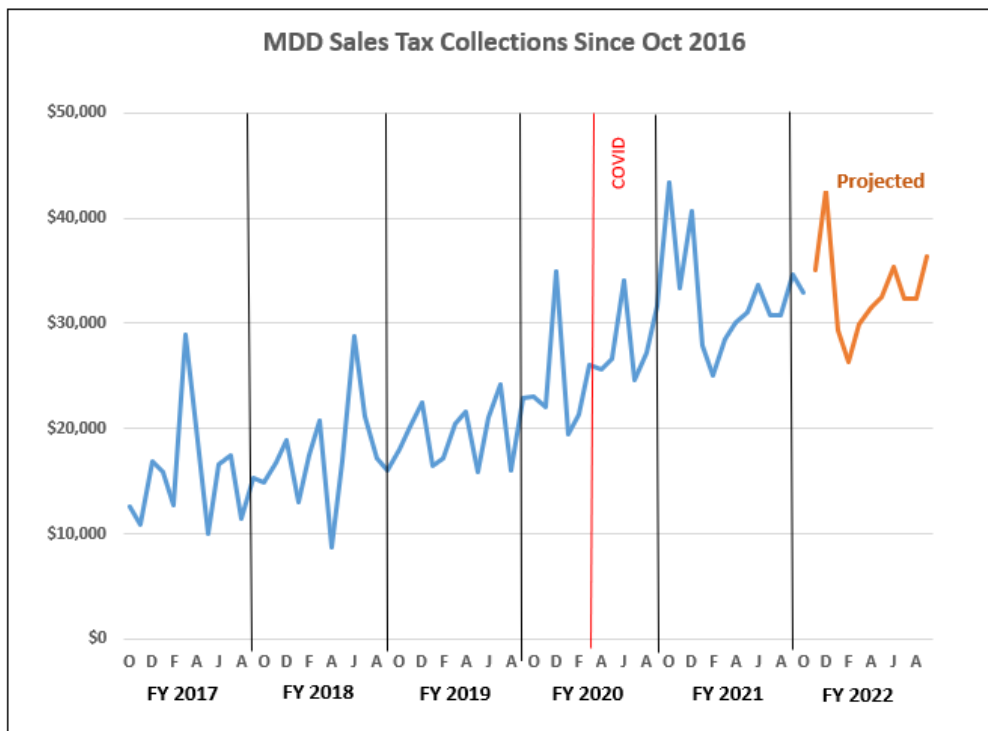
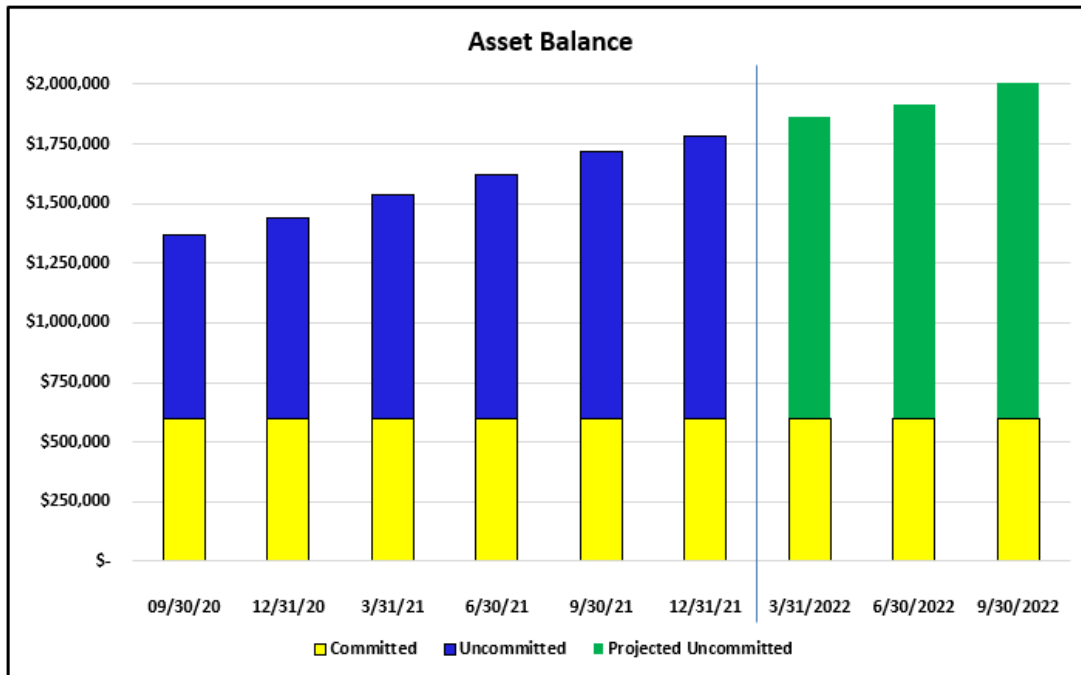
Fund Balance

Fund Balance	100,000		
Infrastructure Improvements - Assigned	1,081,432		
Infrastructure Improvements - Committed	600,000		
Total Fund Balance		1,781,432	
Total Revenues	110,839		
Total Expenses	30,200		
Excess Revenue over Expenses		80,639	
Total Liabilities & Fund Equity			1,862,071

Fair Oaks Ranch MDD

Investment Report

Investment Inventory 10/1/2021 - 12/31/2021									
Security	Yield	Beg Bal	Transfers In/Out	Interest Earnings	Ending Bal	Ending Market	Interest Accrued	Weighted Avg Maturity*	Maturity Date
Frost Bank - Operating Account	0.001%	94,497	(31,045)	2	63,454	63,454	-	-	-
TexPool	0.037%	1,622,339	98,419	156	1,720,914	1,720,914	-	41 days	-
TOTAL		1,716,836	67,374	158	1,784,368	1,784,368			

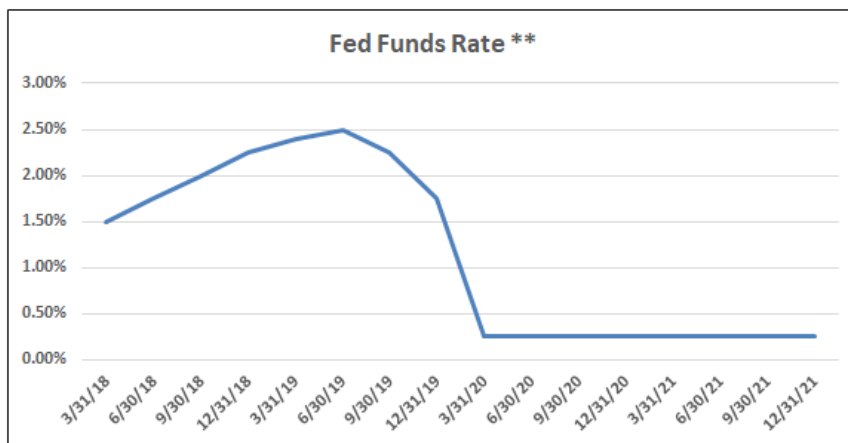
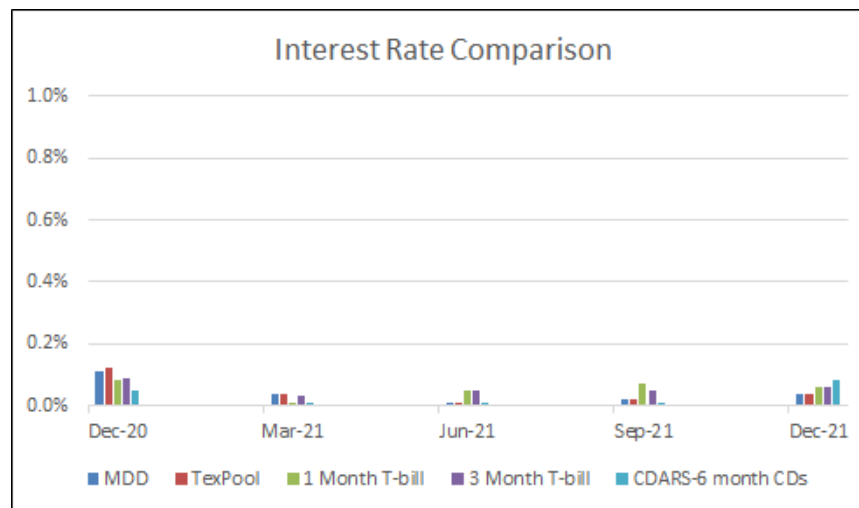


Fair Oaks Ranch MDD

Investment Report

Interest Rate Comparison

Month	MDD	TexPool	1 Month T-bill	3 Month T-bill	CDARS-6 month CDs
Dec-20	0.11%	0.12%	0.08%	0.09%	0.05%
Mar-21	0.04%	0.04%	0.01%	0.03%	0.01%
Jun-21	0.01%	0.01%	0.05%	0.05%	0.01%
Sep-21	0.02%	0.02%	0.07%	0.05%	0.01%
Dec-21	0.04%	0.04%	0.06%	0.06%	0.08%



Key Trends:

- The Federal Reserve announced at its December meeting it would end its pandemic-era bond purchases in March, paving the way for three interest rate hikes by the end of 2022.
- According to Trading Economics econometric models, the US Fed Funds Rate is projected to trend around 1.00 percent in 2022 and 1.75 percent in 2023.

This report is in compliance with the MDD's Investment Policy Section 11 and Texas Government Code Section 2256.023.

* Per the MDD's investment policy, there will not be direct investment in securities maturing more than 36 months from the date of purchase. The Weighted Average Maturity of these investments is in compliance with the City's policy.

** Leading indicator of rate changes to come, not an investment option for the MDD.