

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2021

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Management District No. 1
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Management District No. 1 (the "District"), as of and for the year ended November 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 opinions 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 District'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.

Board of Directors
Harris County Municipal
Management District No. 1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of November 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 16, 2022

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2021**

Management’s discussion and analysis of Harris County Municipal Management District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended November 30, 2021. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes other required and supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for assessment revenues, operating costs and general expenditures.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,099,730 as of November 30, 2021.

The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 6,581,642	\$ 5,731,337	\$ 850,305
Capital Assets (Net of Accumulated Depreciation)	<u>365,681</u>	<u>266,477</u>	<u>99,204</u>
Total Assets	\$ 6,947,323	\$ 5,997,814	\$ 949,509
Total Liabilities	\$ 189,635	\$ 620,106	\$ 430,471
Deferred Inflows of Resources	\$ 3,657,958	\$ 3,656,337	\$ (1,621)
Net Position:			
Net Investment in Capital Assets	\$ 365,681	\$ 266,477	\$ 99,204
Unrestricted	<u>2,734,049</u>	<u>1,454,894</u>	<u>1,279,155</u>
Total Net Position	<u>\$ 3,099,730</u>	<u>\$ 1,721,371</u>	<u>\$ 1,378,359</u>

The following table provides a summary of the District's operations for the years ended November 30, 2021, and November 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Assessment Revenue	\$ 3,474,664	\$ 3,362,341	\$ 112,323
Other Revenues	<u>47,259</u>	<u>17,604</u>	<u>29,655</u>
Total Revenues	\$ 3,521,923	\$ 3,379,945	\$ 141,978
Expenses for Services	<u>2,143,564</u>	<u>3,156,712</u>	<u>1,013,148</u>
Change in Net Position	\$ 1,378,359	\$ 223,233	\$ 1,155,126
Net Position, Beginning of Year	<u>1,721,371</u>	<u>1,498,138</u>	<u>223,233</u>
Net Position, End of Year	<u>\$ 3,099,730</u>	<u>\$ 1,721,371</u>	<u>\$ 1,378,359</u>

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of November 30, 2021, was \$2,719,738, an increase of \$710,025 during the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$130,730 more than budgeted. Actual expenditures were \$1,092,495 less than budgeted.

CAPITAL ASSETS

Capital assets as of November 30, 2021, total \$365,681 (net of accumulated depreciation) and include district monuments and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated			
Construction in Progress	\$ 114,364	\$ 10,000	\$ 104,364
Capital Assets Net of Depreciation			
Buildings and Improvements	251,317	256,477	(5,160)
Total Net Capital Assets	<u>\$ 365,681</u>	<u>\$ 266,477</u>	<u>\$ 99,204</u>

Additional information on the District's capital assets can be found in Note 4.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District did not have long-term debt.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Management District No. 1, c/o Ms. Gabrielle Luevano, 9821 Katy Freeway, Suite 170, Houston, Texas 77024.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
NOVEMBER 30, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 2,601,769	\$	\$ 2,601,769
Investments	347,009		347,009
Receivables:			
Property Assessments	3,587,988		3,587,988
Others	9,993		9,993
Prepaid Expenditures	34,883		34,883
Construction in Progress		114,364	114,364
Capital Assets, Net of Accumulated Depreciation		251,317	251,317
TOTAL ASSETS	\$ 6,581,642	\$ 365,681	\$ 6,947,323
LIABILITIES			
Accounts Payable	\$ 170,383	\$	\$ 170,383
Due to Taxpayer	19,252		19,252
TOTAL LIABILITIES	\$ 189,635	\$ -0-	\$ 189,635
DEFERRED INFLOWS OF RESOURCES			
Property Assessment	\$ 3,672,269	\$ (14,311)	\$ 3,657,958
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 34,883	\$ (34,883)	\$
Assigned to 2022 Budget	1,648,546	(1,648,546)	
Unassigned	1,036,309	(1,036,309)	
TOTAL FUND BALANCE	\$ 2,719,738	\$ (2,719,738)	\$ -0-
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,581,642		
NET POSITION			
Net Investment in Capital Assets		\$ 365,681	\$ 365,681
Unrestricted		2,734,049	2,734,049
TOTAL NET POSITION		\$ 3,099,730	\$ 3,099,730

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
NOVEMBER 30, 2021**

Total Fund Balance - Governmental Fund \$ 2,719,738

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 365,681

Deferred inflows of resources related to assessment revenues for the 2020 assessments became part of recognized revenues in the governmental activities of the District. 14,311

Total Net Position - Governmental Activities \$ 3,099,730

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2021**

	General Fund	Adjustments	Statement of Activities
REVENUES			
Assessment Revenue	\$ 3,471,471	\$ 3,193	\$ 3,474,664
Penalty and Interest	375		375
Investment Revenues	4,264		4,264
Miscellaneous Revenues	42,620		42,620
TOTAL REVENUES	\$ 3,518,730	\$ 3,193	\$ 3,521,923
EXPENDITURES/EXPENSES			
Service Operations:			
Administrative			
Personnel	\$ 284,855	\$	\$ 284,855
Professional Fees	75,168		75,168
Contracted Services	52,022		52,022
Insurance	8,959		8,959
Depreciation		15,183	15,183
Other	33,585		33,585
Mobility, Transportation & Urban Design	2,000,113	(680,324)	1,319,789
Security and Public Safety	316,773		316,773
Building Relationships	37,230		37,230
TOTAL EXPENDITURES/EXPENSES	\$ 2,808,705	\$ (665,141)	\$ 2,143,564
NET CHANGE IN FUND BALANCE	\$ 710,025	\$ (710,025)	
CHANGE IN NET POSITION		1,378,359	1,378,359
FUND BALANCE/NET POSITION - DECEMBER 1, 2020	2,009,713	(288,342)	1,721,371
FUND BALANCE/NET POSITION - NOVEMBER 30, 2021	\$ 2,719,738	\$ 379,992	\$ 3,099,730

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2021**

Net Change in Fund Balance - Governmental Fund	\$	710,025
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report assessment revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the assessments are levied.		3,193
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Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(15,183)
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Governmental funds report payments to Developers on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when payments are made and the Statement of Activities is not affected.		680,324
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Change in Net Position - Governmental Activities	\$	<u>1,378,359</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Management District No. 1, also known as Memorial Management District, (the “District”) was created by the Texas Legislature under provisions of Senate Bill No. 1866, of the 76th Legislature, effective June 18, 1999, which was codified Chapter 3810, Texas Special District Local Laws Code (formerly as subchapter J, of Chapter 376, Texas Local Government Code). The District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts entertainment, economic development, safety, and the public welfare in the District. The District’s Mission Statement is “To promote and ensure the long-term economic vibrancy of the area through comprehensive planning and urban design, creating and reinforcing the District as an outstanding place to live, work, shop, build, invest, or visit.” The Board of Directors held its first meeting on November 10, 1999.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for 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:

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one major governmental fund.

General Fund - To account for assessment revenues, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property assessments considered available by the District and included in revenue include assessments collected during the year and assessments collected after year-end, which were considered available to defray the expenditures of the current year. Deferred assessments revenues are those assessments which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Individual tangible capital items, including infrastructure assets, with a useful life of at least two years and a total cost of \$5,000, and other capital assets, with a total cost of \$500 or more, are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Street Lights	15
Signal Light Standards	15
Signs	15
Decorative Statues or Icons	15
Office Equipment	3
Vehicles	5
Other	5

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

On April 9, 2007, the District established a SEP IRA plan for its employees. The District agreed to contribute 10% of employee’s salary into the plan. To be eligible, employees must be hired for a regular full-time position, at least 21 years of age in the current year, not be union employees or non-resident aliens and do not earn less than \$550 in compensation for the year.

The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of November 30, 2021, the District has assigned \$1,648,546 of the General Fund fund balance to cover a portion of the 2022 budget.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At November 30, 2021, the carrying amount of the District’s deposits was \$2,601,769 and the bank balance was \$2,668,625. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at November 30, 2021, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ <u>2,601,769</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The District measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of November 30, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 347,009	\$ 347,009	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At November 30, 2021, the District’s investment in TexPool was rated AAAM by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2021:

	December 1, 2020	Increases	Decreases	November 30, 2021
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 10,000	\$ 114,387	\$ 10,023	\$ 114,364
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 302,860	\$ 10,023	\$	\$ 312,883
Equipment	7,332			7,332
Total Capital Assets Subject to Depreciation	<u>\$ 310,192</u>	<u>\$ 10,023</u>	<u>\$ - 0 -</u>	<u>\$ 320,215</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 46,383	\$ 15,183	\$	\$ 61,566
Equipment	7,332			7,332
Total Accumulated Depreciation	<u>\$ 53,715</u>	<u>\$ 15,183</u>	<u>\$ - 0 -</u>	<u>\$ 68,898</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 256,477</u>	<u>\$ (5,160)</u>	<u>\$ - 0 -</u>	<u>\$ 251,317</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 266,477</u>	<u>\$ 109,227</u>	<u>\$ 10,023</u>	<u>\$ 365,681</u>

NOTE 5. ANNUAL AD VALOREM ASSESSMENT

In accordance with Chapter 3810, Texas Special District Local Laws Code, the District may levy ad valorem taxes or assessments, promote, develop, encourage, and maintain employment commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare in the District.

On November 19, 2014, an order was approved granting petitions for a service plan and an assessment roll for the District. In addition, the order authorized levying annual assessments of \$0.10 per \$100 of valuation against property within the District for a ten-year period. The order provides for the Board to vary the rate of assessment each year, provided that in the second year the rate may not be increased by more than 5% over the initial year's rate, and in subsequent years the rate may not be increased by more than 5% over the maximum allowable rate of the previous year. The order specified the method of payment and the amount of annual installment of the assessment, providing for penalties and interest on delinquent assessments and authorizing the collection of the assessment.

The District levied the 2021 ad valorem assessment of \$0.10 per \$100 of assessed valuation, resulting in an assessment of \$3,657,958 on the taxable valuation of \$3,759,483,647. All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Assessments are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, boiler and machinery, general liability, automobile, errors and omissions, law enforcement and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7. REIMBURSEMENT AGREEMENT

The District has entered into multiple reimbursement agreements with MetroNational Corporation ("MetroNational") for shared funding for the burial of overhead electrical and other utility lines within the District. The approved projects consist of engineering design and burial of the overhead lines in 6 Phases. MetroNational agrees to make all payments necessary to fund the project. Upon completion of the project, the assets included in the project will be owned and operated by the utility providers in accordance with the applicable utility easement agreement. The District will have no responsibility, financial or otherwise, for the ownership and/or operation of the project.

The District agrees to reimburse MetroNational for actual funds advanced for project costs for each phase of the project in an amount not to exceed the lesser of 1) 60% of project cost estimates submitted in the reimbursement application package, or 2) 60% of the actual project costs (the "maximum reimbursement amount"). Upon completion of a Phase or Phases of the project, the District's auditor will perform an AUP to verify costs and expenses related to that Phase(s) of the project.

The District agrees to begin reimbursing the maximum reimbursement amount for each phase of the project upon the completion of each phase on the earliest date that funds are available from the District's assessment revenue (and from no other source of District funds). The District agrees to continue to reimburse MetroNational the maximum reimbursement amount until the earlier of: 1) 10 years from effective date, or 2) the date at which the maximum reimbursement amount has been paid in full.

In prior years, the District paid \$576,204 for its share of Phase 1 of the project; \$1,068,600 for its share of Phase 2; \$1,044,000 for its share of Phase 3; \$1,496,403 for its share of Phase 4a; \$1,101,859 for its share of Phase 5; \$970,873 for its share of Phase 6a; and \$1,275,414 of its share of \$1,524,012 for Phase 6b. During the current year, the District paid \$317,339 for its share of Phase 4b and \$248,598 for the remaining balance of Phase 6b.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2021

NOTE 8. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2021

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED NOVEMBER 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Assessment Revenue	\$ 3,375,000	\$ 3,471,471	\$ 96,471
Penalty and Interest		375	375
Investment Revenues	13,000	4,264	(8,736)
Miscellaneous Revenues		42,620	42,620
TOTAL REVENUES	<u>\$ 3,388,000</u>	<u>\$ 3,518,730</u>	<u>\$ 130,730</u>
EXPENDITURES			
Service Operations:			
Administrative			
Personnel	\$ 310,000	\$ 284,855	\$ 25,145
Professional Fees	80,000	75,168	4,832
Contracted Services	57,000	52,022	4,978
Insurance	11,500	8,959	2,541
Other	42,600	33,585	9,015
Mobility, Transportation & Urban Design	3,015,100	2,000,113	1,014,987
Security and Public Safety	333,000	316,773	16,227
Building Relationships	52,000	37,230	14,770
TOTAL EXPENDITURES	<u>\$ 3,901,200</u>	<u>\$ 2,808,705</u>	<u>\$ 1,092,495</u>
NET CHANGE IN FUND BALANCE	\$ (513,200)	\$ 710,025	\$ 1,223,225
FUND BALANCE - DECEMBER 1, 2020	<u>2,009,713</u>	<u>2,009,713</u>	
FUND BALANCE - NOVEMBER 30, 2021	<u>\$ 1,496,513</u>	<u>\$ 2,719,738</u>	<u>\$ 1,223,225</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

NOVEMBER 30, 2021

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED NOVEMBER 30, 2021**

PERSONNEL EXPENDITURES (including benefits)	\$ <u>284,855</u>
PROFESSIONAL FEES:	
Auditing	\$ 12,750
Legal	<u>62,418</u>
TOTAL PROFESSIONAL FEES	\$ <u>75,168</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 14,059
Assessment Collector	<u>37,963</u>
TOTAL CONTRACTED FEES	\$ <u>52,022</u>
UTILITIES	<u>\$ 2,023</u>
ADMINISTRATIVE EXPENDITURES:	
Rent	\$ 14,735
Insurance	8,959
Legal Notices	440
Office Supplies and Postage	16,237
Marketing	<u>150</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>40,521</u>
MOBILITY, TRANSPORTATION & URBAN DESIGN	<u>\$ 2,000,113</u>
BUILDING RELATIONSHIPS	<u>\$ 37,230</u>
SECURITY	<u>\$ 316,773</u>
TOTAL EXPENDITURES	<u><u>\$ 2,808,705</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
INVESTMENTS
NOVEMBER 30, 2021**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 347,009</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
CHANGES IN ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2021**

	Assessments	
ASSESSMENT RECEIVABLE - DECEMBER 1, 2020	\$ 3,667,455	
Adjustments to Beginning Balance	(181,934)	\$ 3,485,521
Original 2021 Assessment Levy	\$ 3,657,958	
Adjustments to 2021 Assessment Levy		3,657,958
TOTAL TO BE ACCOUNTED FOR		\$ 7,143,479
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 3,471,209	
Current Year	84,282	3,555,491
ASSESSMENT RECEIVABLE - NOVEMBER 30, 2021		\$ 3,587,988
ASSESSMENT RECEIVABLE BY YEAR:		
2021		\$ 3,573,676
2020		3,194
2019		11,118
		\$ 3,587,988

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
 CHANGES IN ASSESSMENTS RECEIVABLE
 FOR THE YEAR ENDED NOVEMBER 30, 2021**

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land, Improvements, Personal Property, Exemptions	<u>\$ 3,759,483,647</u>	<u>\$ 3,803,510,540</u>	<u>\$ 3,629,117,540</u>	<u>\$ 3,339,039,695</u>
ASSESSMENT RATES PER \$100 VALUATION:				
Assessment	<u>\$ 0.100</u>	<u>\$ 0.100</u>	<u>\$ 0.100</u>	<u>\$ 0.100</u>
TAX ROLLS*	<u>\$ 3,657,958</u>	<u>\$ 3,656,337</u>	<u>\$ 3,504,559</u>	<u>\$ 3,223,264</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES ASSESSED	<u>2.30 %</u>	<u>99.91 %</u>	<u>99.68 %</u>	<u>100.00 %</u>

* Based upon adjusted assessment at time of audit for the period in which the assessment was levied.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
REVENUES			
Assessment Revenue	\$ 3,471,471	\$ 3,351,223	\$ 3,207,397
Penalty and Interest	375	2,929	73
Investment Revenues	4,264	14,675	41,619
Miscellaneous Revenues	42,620		166
TOTAL REVENUES	\$ 3,518,730	\$ 3,368,827	\$ 3,249,255
EXPENDITURES			
Service Operations:			
Administrative			
Personnel	\$ 284,855	\$ 229,878	\$ 212,923
Professional Fees	75,168	71,068	77,056
Contracted Services	52,022	50,787	47,564
Insurance	8,959	7,782	7,716
Other	33,585	25,205	22,581
Mobility, Transportation & Urban Design	2,000,113	2,419,543	2,197,051
Security and Public Safety	316,773	307,308	296,421
Building Relationships	37,230	41,746	50,347
TOTAL EXPENDITURES	\$ 2,808,705	\$ 3,153,317	\$ 2,911,659
NET CHANGE IN FUND BALANCE	\$ 710,025	\$ 215,510	\$ 337,596
BEGINNING FUND BALANCE	2,009,713	1,794,203	1,456,607
ENDING FUND BALANCE	\$ 2,719,738	\$ 2,009,713	\$ 1,794,203

* Fourteen-month period

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017*	2021	2020	2019	2018	2017*
\$ 3,012,619	\$ 2,823,118	98.7 %	99.5 %	98.7 %	99.2 %	99.2 %
1,114	3,600		0.1			0.1
18,449	2,935	0.1	0.4	1.3	0.6	0.1
4,950	16,874	1.2			0.2	0.6
<u>\$ 3,037,132</u>	<u>\$ 2,846,527</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 354,200	\$ 437,201	8.1 %	6.8 %	6.6 %	11.7 %	15.4 %
60,049	68,087	2.1	2.1	2.4	2.0	2.4
46,170	50,011	1.5	1.5	1.5	1.5	1.8
10,288	12,156	0.3	0.2	0.2	0.3	0.4
26,939	24,967	0.9	0.8	0.7	0.9	0.9
2,094,227	2,371,863	56.8	71.8	67.6	69.0	83.3
74,106		9.0	9.1	9.1	2.4	
16,725	3,126	1.0	1.3	1.5	0.5	0.1
<u>\$ 2,682,704</u>	<u>\$ 2,967,411</u>	<u>79.7 %</u>	<u>93.6 %</u>	<u>89.6 %</u>	<u>88.3 %</u>	<u>104.3 %</u>
\$ 354,428	\$ (120,884)	<u>20.3 %</u>	<u>6.4 %</u>	<u>10.4 %</u>	<u>11.7 %</u>	<u>(4.3) %</u>
<u>1,102,179</u>	<u>1,223,063</u>					
<u>\$ 1,456,607</u>	<u>\$ 1,102,179</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2021**

District Mailing Address - Harris County Municipal Management District No. 1
9821 Katy Freeway, Suite 170
Houston, TX 77024

District Telephone Number - (713) 984-8737

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>November 30, 2021</u>	Expense Reimbursements for the year ended <u>November 30, 2021</u>	<u>Title</u>
Ben Gillis	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	President
Steven W. Goss	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Director
William M. Mosley, Jr.	08/21 06/23 (Appointed)	\$ -0-	\$ -0-	Director
Alan Steinberg	08/20 06/23 (Appointed)	\$ -0-	\$ -0-	Director
Ben Pisklak	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	Director
Charles DeLacey	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	Director

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2021**

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>November 30, 2021</u>	Expense Reimbursements for the year ended <u>November 30, 2021</u>	<u>Title</u>
Beau Harrison	11/19 06/23 (Appointed)	\$ -0-	\$ -0-	Director
Dan M. Moody, III	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Secretary
Kirk Guilanshah	08/17 06/21 (Appointed)	\$ -0-	\$ -0-	Director
Perry Hicks	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Director
Robert Williamson	04/18 06/21 (Appointed)	\$ -0-	\$ -0-	Director

Submission date of most recent District Registration Form: October 25, 2021

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2021**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended November 30, 2021</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	09/25/03	\$ 61,953	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/10/02	\$ 12,750	Auditor
ETI Bookkeeping Services	12/17/01	\$ 14,059	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/01/02	\$ -0-	Delinquent Assessment Attorney
Pat Walters	03/07	\$ 220,982	Executive Director
Kenneth Byrd	06/11/02	\$ -0-	Investment Officer
Equi-Tax, Inc.	12/17/01	\$ 37,963	Assessment Collector

See accompanying independent auditor's report.

